

ARCH COAL INC  
Form DEF 14A  
March 18, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies.

(3) Per unit or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**STEVEN F. LEER**

Chairman and Chief Executive Officer

March 18, 2011

Dear fellow stockholder:

You are cordially invited to attend our annual meeting of stockholders on Thursday, April 28, 2011. We will hold the meeting at 10:00 a.m., Central Time, in the lower level auditorium at our headquarters located at CityPlace One, One CityPlace Drive, St. Louis, Missouri 63141. You can find maps with directions to our headquarters near the back of the proxy statement that accompanies this letter.

In connection with the annual meeting, we have enclosed a notice of the meeting, a proxy statement and a proxy card. We have also enclosed a copy of our annual report for 2010 which contains detailed information about us and our operating and financial performance.

I hope that you will be able to attend the meeting, but I know that not every stockholder will be able to do so. Whether or not you plan to attend, I encourage you to vote your shares. You may vote by telephone or on the Internet, or complete, sign and return the enclosed proxy card in the postage-prepaid envelope, also enclosed. The prompt execution of your proxy will be greatly appreciated.

Sincerely,

Steven F. Leer

*Chairman of the Board and Chief Executive Officer*

1 CityPlace Drive, Suite 300 St. Louis, Missouri 63141 t: (314) 994-2700

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**One CityPlace Drive, Suite 300  
St. Louis, Missouri 63141**

March 18, 2011

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held April 28, 2011**

The annual meeting of stockholders (the Annual Meeting ) of Arch Coal, Inc. will be held in the lower level auditorium at our headquarters located at CityPlace One, One CityPlace Drive, St. Louis, Missouri 63141 on Thursday, April 28, 2011 at 10:00 a.m., Central Time, for the following purposes:

- (1) To elect the seven nominees for director named in the attached proxy statement;
- (2) To ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the year ending December 31, 2011;
- (3) To hold an advisory vote on executive compensation;
- (4) To hold an advisory vote on the frequency of the advisory vote on executive compensation; and
- (5) To transact any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

The close of business on February 28, 2011 has been fixed as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment(s) or postponement(s) thereof. This Notice, the proxy statement and the form of proxy/voting instruction card are first being sent or made available to stockholders on or about March 18, 2011.

By order of the Board of Directors

Robert G. Jones  
*Senior Vice President-Law, General Counsel and  
Secretary*

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**PROXY STATEMENT**

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**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

**When and Where is the 2011 Annual Meeting of Stockholders Being Held?**

The 2011 annual meeting of stockholders (the Annual Meeting ) of Arch Coal, Inc., a Delaware corporation ( Arch or the Company ), will be held on Thursday, April 28, 2011. The Annual Meeting will be held at 10:00 a.m., Central Time, in the lower level auditorium at our headquarters located at CityPlace One, One CityPlace Drive, St. Louis, Missouri 63141. You can find maps with directions to our headquarters under Directions to the Annual Meeting in this proxy statement.

**Who May Vote at the Annual Meeting?**

Stockholders of the Company at the close of business on February 28, 2011, the record date for the Annual Meeting, are entitled to receive notice of and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting. On the record date, Arch had 162,689,099 shares of common stock outstanding.

**Who Can Attend the Annual Meeting?**

All Arch stockholders on the record date are invited to attend the Annual Meeting. Each stockholder planning to attend the meeting will be asked to present valid photo identification, such as a driver's license or passport. In addition, each stockholder must present his or her admission ticket, which is a portion of the enclosed proxy card. Please tear off the ticket at the perforation. If your shares are not registered in your name and you would like to attend the Annual Meeting, please ask the broker, trust, bank or other nominee in whose name the shares are held to provide you with evidence of your beneficial ownership, such as a current broker's statement.

No cameras, camcorders, videotaping equipment, other recording devices or large packages will be permitted in the Annual Meeting. Photographs may be taken by Arch employees or independent contractors at the Annual Meeting, and those photographs may be used by Arch. By attending the Annual Meeting, you will be agreeing to Arch's use of those photographs and waive any claim or rights with respect to those photographs and their use.

**What Items Will Be Voted On at the Annual Meeting?**

Stockholders will vote on four items at the Annual Meeting:

The election of seven director nominations to the board of directors (the Board ) of the Company (Proposal No. 1);

Ratification of the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the year ending December 31, 2011 (Proposal No. 2);

An advisory vote on executive compensation (Proposal No. 3); and

An advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4).

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### **What are the Board's Voting Recommendations?**

The Board recommends you vote your shares:

FOR each of the director nominees to the Board (Proposal No. 1);

FOR the ratification of the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the year ending December 31, 2011 (Proposal No. 2);

FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 3); and

ONE YEAR for the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4).

### **How Do I Vote?**

If your shares are registered in the name of a nominee, including your broker or bank, follow the instructions provided by your nominee to vote your shares. In most instances you will be able to vote over the telephone, over the Internet, or by mail. If your shares are registered in your name:

*You may vote in person at the Annual Meeting.* You can find maps with directions to our headquarters under *Directions to the Annual Meeting* in this proxy statement.

*You may vote by telephone.* You can vote by calling the toll-free telephone number on your proxy card. Telephone voting is available 24 hours a day, 7 days a week, until 11:59 p.m., Eastern Time, on the day before the meeting. If you vote by telephone, you do not need to return your proxy card.

*You may vote over the Internet.* The web site for Internet voting is on your proxy card. Internet voting is available 24 hours a day, 7 days a week, until 11:59 p.m., Eastern Time, on the day before the meeting. If you vote via the Internet, you do not need to return your proxy card.

*You may vote by mail.* If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

### **Can I Change My Vote Once I Vote By Telephone, Mail or Over the Internet?**

Yes. You have the right to change or revoke your proxy (1) at any time before the Annual Meeting by (a) notifying Robert G. Jones, Arch's Secretary, in writing, or (b) returning a later-dated proxy card; or (2) by voting in person at the Annual Meeting.

### **How Many Votes Do I Have?**

You have one vote for each share of our common stock that you owned at the close of business on the record date. These shares include:

Shares registered directly in your name with our transfer agent, for which you are considered the stockholder of record;





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Shares held for you as the beneficial owner through a broker, bank, or other nominee in street name; and

Shares credited to your account in our employee thrift plan.

**How Do I Vote My Shares in the Dividend Reinvestment Plan or the Direct Stock Purchase Plan?**

If you participate in our dividend reinvestment plan or our direct stock purchase plan, your proxy will also serve as an instruction to vote the whole shares you hold under those plans in the manner indicated on the proxy. If your proxy is not received, the shares you hold in those plans will not be voted.

**How Do I Vote My Shares Held in the Employee Thrift Plan?**

If you are both a registered stockholder and a participant in our employee thrift plan, you will receive a single proxy card that covers shares of our common stock credited to your plan account as well as shares of record registered in exactly the same name. Accordingly, your proxy card also serves as a voting instruction for the trustee of the plan. If your plan account is not carried in exactly the same name as your shares of record, you will receive separate proxy cards for individual and plan holdings. If you own shares through this plan and you do not return your proxy by April 18, 2011, the trustee will vote your shares in the same proportion as the shares that are voted by the other participants in the plan. The trustee will also vote unallocated shares of our common stock held in the plan in direct proportion to the voting of allocated shares in the plan for which voting instructions have been received unless doing so would be inconsistent with the trustee's duties.

**Is My Vote Confidential?**

Yes. Voting tabulations are confidential except in extremely limited circumstances. Such limited circumstances include contested solicitation of proxies, when disclosure is required by law, to defend a claim against us or to assert a claim by us and when a stockholder's written comments appear on a proxy or other voting material.

**What Happens If I Do Not Give Specific Voting Instructions?**

*Shareholders of Record.* If you are a shareholder of record and you either indicate when voting that you wish to vote as recommended by the Board or you sign and return a proxy card without giving specific voting instructions, the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting. See the Section entitled "Other Matters" below.

*Beneficial Owners of Shares Held in Street Name.* If you are a beneficial owner of shares held in street name and you do not provide the organization that holds your shares with specific voting instructions, under the rules of applicable national securities exchanges the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive specific instructions from you on how to vote your shares on a non-routine

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matter, such organization will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote.

**Which Ballot Measures are Considered Routine or Non-Routine ?**

The ratification of the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the year ending December 31, 2011 (Proposal No. 2) is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal No. 2.

The election of directors (Proposal No. 1), the advisory vote on executive compensation (Proposal No. 3) and the advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4) are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals No. 1, No. 3 and No. 4.

**What is the Voting Requirement to Approve Each of the Proposals?**

For Proposal No. 1, the seven nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them will be elected as directors to serve until their terms expire and until their successors are duly elected and qualified.

Approval of Proposals No. 2, No. 3 and No. 4 requires the affirmative vote of a majority of the shares present or represented by proxy and voting at the Annual Meeting.

**What Quorum is Required for the Annual Meeting?**

In order to have a valid stockholder vote, a quorum must exist at the Annual Meeting. For the Company, a quorum exists when stockholders holding a majority of the outstanding shares of common stock are present or represented at a meeting. For these purposes, shares that are present or represented by proxy at the Annual Meeting will be counted toward a quorum, regardless of whether the holder of the shares or proxy fails to vote on a particular matter or whether a broker with discretionary voting authority fails to exercise such authority with respect to any particular matter.

**Where Can I Find the Voting Results?**

We intend to announce preliminary voting results at the Annual Meeting. We will publish the final results in a Current Report on Form 8-K, which we expect to file within four business days after the Annual Meeting is held. You can obtain a copy of the Form 8-K by logging on to our website at [archcoal.com](http://archcoal.com), by calling the Securities and Exchange Commission (SEC) at 800-SEC-0330 for the location of the nearest public reference room, or through the EDGAR system at [sec.gov](http://sec.gov). Information on our website does not constitute part of this proxy statement.

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**DIRECTORS AND CORPORATE GOVERNANCE PRACTICES**

**Overview**

Arch is dedicated to being a market-driven global leader in the coal industry and to creating superior long-term stockholder value. It is our policy to conduct our business with integrity and an unrelenting passion for providing the best value to our customers. All of our corporate governance materials, including the corporate governance guidelines, our code of conduct and board committee charters, are published under Corporate Governance in the Investors section of our website at archcoal.com. Information on our website does not constitute part of this proxy statement. The Board regularly reviews these materials, Delaware law, the rules and listing standards of the New York Stock Exchange and SEC regulations, as well as best practices suggested by recognized governance authorities, and modifies the materials as warranted.

**Director Independence**

It is the Board's objective to have a substantial number of directors who are independent. We have adopted in our corporate governance guidelines the criteria established by the New York Stock Exchange for determining whether a director is independent. The Board has determined, in its judgment, that all but two members, Steven F. Leer and John W. Eaves, each of whom are executive officers, meet the New York Stock Exchange standards for independence. The independent members of the Board meet regularly without any members of management present. These sessions are normally held following or in conjunction with regular Board meetings. Mr. James R. Boyd, chairman of the Nominating and Corporate Governance Committee and lead director, serves as the presiding director during executive sessions.

All members of our Audit, Nominating and Corporate Governance and Personnel and Compensation committees must be independent directors as defined by our corporate governance guidelines. Members of the Audit Committee must also satisfy a separate Securities and Exchange Commission independence requirement, which provides that they may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from us or any of our subsidiaries other than their directors' compensation.

**Leadership Structure**

Our certificate of incorporation and bylaws provide for a Board that is divided into three classes as equal in size as possible. The classes have three-year terms, and the term of one class expires each year in rotation at that year's annual meeting. The size of the Board can be changed by a two-thirds vote of its members and is currently set at 14 members. Our Board has a policy requiring members to resign from their position on the Board effective after the Company's annual meeting immediately following a member's 75th birthday. As a result of this policy, Mr. Thomas A. Lockhart is retiring from the Board, effective immediately after the Annual Meeting. Effective upon Mr. Lockhart's retirement, the size of the Board shall be decreased to 13 members. Vacancies on the Board may be filled by a majority of the remaining directors. A director elected to fill a vacancy, or a new directorship created by an increase in the

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size of the Board, serves for the remainder of the full term of the class of directors in which the vacancy or newly created directorship occurred.

Mr. Leer has served as both the chairman of our Board and our chief executive officer since being appointed as chairman in April 2006. Mr. Boyd served as the chairman of our Board from 1998 until April 2006 and has served as our lead director since stepping down as the chairman. The responsibilities of the lead director include consulting with the chairman of the Board regarding agendas for Board meetings and presiding over meetings of the Board during executive sessions of the independent directors.

Our Board has no fixed policy with respect to the separation of the offices of chairman and chief executive officer. Our Board retains the discretion to make this determination on a case-by-case basis from time to time as it deems to be in the best interest of the Company and our stockholders at any given time. We believe our current Board leadership structure is appropriate because it recognizes that in most cases one person should speak for and lead the Company and the Board in order to promote unified leadership and direction. In addition, the Board believes that Mr. Leer has served effectively as a liaison between the Board and management by serving the Company in both capacities. Our governance structure provides effective oversight of the Board through a strong and independent lead director, as well as the following:

all but two members of our Board are independent;

the Board has established and follows robust corporate governance guidelines, which are routinely reviewed by the Board and are publicly available on our website;

our Nominating and Corporate Governance Committee, Personnel and Compensation Committee and Audit Committee are all composed solely of independent directors; and

our independent directors meet regularly in scheduled executive sessions.

**Director Qualifications, Diversity and Biographies**

Our corporate governance guidelines provide that our Nominating and Corporate Governance Committee and Board will nominate candidates for our board of directors who possess the following principal qualities: strength of character, an inquiring and independent mind, practical wisdom, and mature judgment. In addition to these qualities, the selection criteria for nomination include recognized achievement, an ability to contribute to some aspect of our business, and the willingness to make the commitment of time and effort required of a director.

As described in more detail below, our Board believes that each of our directors meet such criteria and has attributes and experience that make him or her well qualified to serve. While we do not have a formal diversity policy, in order to find the most valuable talent available to meet these criteria, our Board generally considers candidates diverse in geographic origin, gender, ethnic background, and professional experience (private, public, and non-profit), pursuant to our corporate governance guidelines. Our goal is to include members with the skills and characteristics that taken together will assure a strong Board.

Our directors have diverse backgrounds and provide experience and expertise in a number of critical areas. The Nominating and Corporate Governance Committee considers the particular experience,

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attributes, reputation and qualifications of directors standing for re-election and potential nominees for election, as well as the needs of our Board as a whole and its individual committees. In nominating candidates for election by our stockholders, both the Nominating and Corporate Governance Committee and the Board act pursuant to these guidelines. Both the Nominating and Corporate Governance Committee and the Board assess the effectiveness of corporate governance policies, including with respect to diversity, through completion of an annual evaluation process.

The Nominating and Corporate Governance Committee has identified nine areas of expertise that are particularly relevant to service on the Board and has identified the directors whose key areas of expertise qualify them for each of the listed categories. The categories identified by the Nominating and Corporate Governance Committee are:

**CEO/Senior Management** Experience working as a chief executive officer or senior officer of a major public or private company or non-profit entity.

**Energy** Extensive knowledge and experience in the energy industry, either as a senior executive of an energy company, as a senior executive of a customer of an energy company or through legal or regulatory experience on energy matters.

**Environmental and Safety** A thorough understanding of safety and environmental issues and energy industry regulations.

**Finance and Accounting** Senior executive level experience in financial accounting and reporting, auditing, corporate finance and/or internal controls.

**Governance/Board** Prior or current experience as a board member of a major organization (private, public or non-profit).

**Government Relations** Experience in or a strong understanding of the workings of government and public policy on a local, state and national level.

**Human Resources and Compensation** Senior executive level experience or membership on a board compensation committee with an extensive understanding of compensation programs, particularly compensation programs for executive level employees and incentive based compensation programs.

**Marketing** Senior executive level experience in marketing combined with a strong working knowledge of our markets, customers and strategy.

**Strategic Planning** Senior executive level experience in strategic planning for a major public, private or non-profit entity.

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The following is a list of our directors, their ages as of February 28, 2011, their occupation during the last five years and certain other biographical information, including the areas of expertise where each director or nominee is most skilled:

**CLASS II DIRECTORS WHOSE TERM EXPIRES AT THE ANNUAL MEETING**

| <b>Director</b>                                | <b>Areas of Expertise</b>   | <b>Occupation and Other Information</b>  |
|--|---|--|
| James R. Boyd<br>Age 64<br>Director since 1990 | CEO/Senior Management<br>Energy<br>Environmental and Safety<br>Finance and Accounting<br>Governance/Board<br>Marketing<br>Human Resources and<br>Compensation<br>Strategic Planning | <p>Mr. Boyd served as chairman of the board of directors from 1998 to April 2006, when he was appointed our lead director. Mr. Boyd served as Senior Vice President and Group Operating Officer of Ashland Inc. from 1989 until his retirement in 2002. Mr. Boyd also serves on the board of directors of Halliburton Inc.</p> <p>Mr. Boyd contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his years of experience in senior management at Ashland Inc. and his other public company board experience. At Ashland Inc., Mr. Boyd was a senior executive, charged with oversight of key aspects of the company's daily operations. In addition, his experience serving on the board of Halliburton Inc. brings additional insight over the management of large public companies. As a result of this experience, Mr. Boyd brings to our Board in-depth knowledge of the energy industry, corporate governance and company oversight, an extensive understanding of our markets and customers, and a strong understanding of finance and executive management.</p> |

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| <b>Director</b>   | <b>Areas of Expertise</b>  | <b>Occupation and Other Information</b>  |
|---|--|--|
| <p>John W. Eaves<br/>Age 53<br/>Director since 2006</p>   | <p>CEO/Senior Management<br/>Energy<br/>Environmental and Safety<br/>Governance/Board<br/>Government Relations<br/>Marketing<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p> | <p>Mr. Eaves has been our President and Chief Operating Officer since April 2006. From 2002 to April 2006, Mr. Eaves served as our Executive Vice President and Chief Operating Officer. Mr. Eaves also serves on the board of directors of ADA-ES, Inc. and COALOGIX.</p> <p>Mr. Eaves contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his position as President and Chief Operating Officer of the Company. As President and Chief Operating Officer, and as a result of the experience he has gained during his tenure with the Company, Mr. Eaves has intimate knowledge of all aspects of the Company's business and close working relationships with all of the Company's senior executives. In addition, as Chief Operating Officer, Mr. Eaves has an extensive understanding of the Company's industry and customer base. Since 1995, Mr. Hunt has served as Director of Acquisitions of Petro-Hunt, LLC, a private oil and gas exploration and production company.</p> <p>Mr. Hunt contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his long-time position as a senior officer for Petro-Hunt, LLC. As Director of Acquisitions of Petro-Hunt, LLC, Mr. Hunt has significant experience as a senior officer in the energy industry and in the strategic planning of companies as they look to grow their business.</p> |
| <p>Douglas H. Hunt<br/>Age 58<br/>Director since 1995</p> | <p>CEO/Senior Management<br/>Energy<br/>Environmental and Safety<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p>   | <p>Mr. Hunt contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his long-time position as a senior officer for Petro-Hunt, LLC. As Director of Acquisitions of Petro-Hunt, LLC, Mr. Hunt has significant experience as a senior officer in the energy industry and in the strategic planning of companies as they look to grow their business.</p>   |



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| <b>Director</b>  | <b>Areas of Expertise</b>   | <b>Occupation and Other Information</b>  |
|--|---|--|
| <p>A. Michael Perry<br/>Age 74<br/>Director since 1998</p> | <p>CEO/Senior Management<br/>Energy<br/>Finance and Accounting<br/>Governance/Board<br/>Government Relations<br/>Strategic Planning</p> | <p>Mr. Perry served as Chairman of Bank One, West Virginia, N.A. from 1993 and as its Chief Executive Officer from 1983 until his retirement in 2001. Mr. Perry also serves on the board of directors of Champion Industries, Inc. and Portec Rail Products, Inc.</p> <p>Mr. Perry contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his service with Bank One, West Virginia, N.A., together with his membership on other boards. As a result of this experience, Mr. Perry brings to the Board a strong finance and accounting background, and has experience in handling, as a senior executive in charge of a financial institution and as board member of other companies, the long-term strategic planning of a corporation.</p> |

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| <b>Director</b>   | <b>Areas of Expertise</b>  | <b>Occupation and Other Information</b>   |
|---|--|---|
| <p>J. Thomas Jones<br/>Age 61<br/>Director since 2010</p> | <p>CEO/Senior Management<br/>Governance/Board<br/>Government Relations<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p> | <p>Mr. Jones has been Chief Executive Officer of West Virginia United Health System located in Fairmont, West Virginia since 2002. From 2000 to 2002, Mr. Jones served as Chief Executive Officer of Genesis Hospital System in Huntington, West Virginia. Mr. Jones is also a director of Premier, Inc. and Health Partners Network.</p> <p>Mr. Jones contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his services as Chief Executive Officer of health systems in the State of West Virginia. Being in charge of companies in a heavily regulated industry, Mr. Jones brings the valuable experience of assisting a company navigate through an ever changing regulatory background. In addition, as a senior officer, Mr. Jones brings strong experience in handling key financial decisions for the long-term benefit of a company.</p> |

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**CLASS III DIRECTORS WHO ARE UP FOR ELECTION AT THE ANNUAL MEETING AND WHOSE TERM EXPIRES AT THE 2012 ANNUAL MEETING**

Governor David  
Freudenthal  
Age 60  
Director since 2011

CEO/Senior Management  
Energy  
Governance/Board  
Government Relations  
Strategic Planning

Governor Freudenthal served as the Governor of Wyoming from 2003 until January 2011. Prior to his service as governor, he served as U.S. Attorney for the District of Wyoming. Governor Freudenthal current serves as an Adjunct Professor at the University of Wyoming.

Governor Freudenthal contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience as Governor for the State of Wyoming. This experience has provided Governor Freudenthal with a significant understanding of the regulatory and governmental issues facing the Company in our daily operations.

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Peter I. Wold  
Age 63  
Director since 2010

CEO/Senior Management  
Energy  
Environmental and Safety  
Finance and Accounting  
Governance/Board  
Government Relations  
Strategic Planning

Mr. Wold is President and co-owner of Wold Oil Properties, Inc., an oil and gas exploration and production company. He is also Vice President of American Talc Company, a corporation that mines and processes talc in Western Texas. He presently chairs the Wyoming Enhanced Oil Recovery Commission and is a director of the Oppenheimer Funds, Inc., New York Board. Mr. Wold has also served in the Wyoming House of Representatives and as a director of the Denver Branch of the Kansas City Federal Reserve Bank.

Mr. Wold contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience as President of Wold Oil Properties, Inc., as well as his positions with Oppenheimer Funds, Inc. and the Kansas City Federal Reserve Bank. This experience has provided Mr. Wold with a deep understanding of the financial hurdles and constraints companies face in today's economy. In addition, as head of a energy company, Mr. Wold has a strong understanding of the environmental and other regulatory issues the Company faces, particularly in the West.

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**THE FOLLOWING CLASSES OF DIRECTORS ARE NOT UP FOR ELECTION AT THE ANNUAL MEETING**

**CLASS III DIRECTORS WHOSE TERM EXPIRES AT THE 2012 ANNUAL MEETING**

| <b>Director</b>   | <b>Areas of Expertise</b>  | <b>Occupation and Other Information</b>  |
|---|--|--|
| <p>Patricia F. Godley<br/>Age 62<br/>Director since 2004</p>  | <p>Energy<br/>Environmental and Safety<br/>Governance/Board<br/>Government Relations<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p> | <p>Since 1998, Ms. Godley has been a partner with the law firm of Van Ness Feldman, practicing in the areas of economic and environmental regulation of electric utilities and natural gas companies. Ms. Godley is also a director of the United States Energy Association.</p> <p>Ms. Godley contributes to the mix of experience and qualifications the Board seeks to maintain primarily through her work as an attorney in the areas of economic and environmental regulations. This experience has provided Ms. Godley with an in-depth knowledge of the ever changing regulatory environment that the Company faces, and dealing with governmental agencies in this regulatory environment. From her work in this area she also has an extensive background in the energy industry and the environmental issues facing the Company.</p> |
| <p>*Thomas A. Lockhart<br/>Age 75<br/>Director since 2003</p> | <p>CEO/Senior Management<br/>Energy<br/>Environmental and Safety<br/>Government Relations<br/>Strategic Planning</p>                                     | <p>Mr. Lockhart has been a member of the Wyoming State House of Representatives since 2000. Mr. Lockhart also serves on the board of directors of Blue Cross Blue Shield of Wyoming.</p> <p>Mr. Lockhart contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his work as a member of the Wyoming State House of Representatives. This experience has provided Mr. Lockhart with a strong understanding of the governmental relations aspects of our business and</p>   |

the regulatory environment the  
Company faces.

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| <b>Director</b>  | <b>Areas of Expertise</b>  | <b>Occupation and Other Information</b>  |
|--|--|--|
| <p>Wesley M. Taylor<br/>Age 68<br/>Director since 2005</p> | <p>CEO/Senior Management<br/>Energy<br/>Environmental and Safety<br/>Governance/Board<br/>Government Relations<br/>Human Resources and<br/>Compensation<br/>Marketing<br/>Strategic Planning</p> | <p>Mr. Taylor was President of TXU Generation, a company engaged in electricity infrastructure ownership and management. Mr. Taylor served at TXU for 38 years prior to his retirement in 2004. Mr. Taylor also serves on the board of directors of FirstEnergy Corporation.</p> <p>Mr. Taylor contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience with TXU Generation, as well as his service as a member of the board of directors of FirstEnergy Corporation. Mr. Taylor's experience has provided him with a strong background in the energy industry. In addition, as President of TXU Generation, Mr. Taylor brings to our Board the experience of guiding a company in all aspects of its day-to-day operations.</p> |

\* Mr. Lockhart will be retiring from the Board immediately after the Annual Meeting.

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| <b>Director</b>                                    | <b>Areas of Expertise</b>  | <b>Occupation and Other Information</b>   |
|--|--|---|
| Brian J. Jennings<br>Age 50<br>Director since 2006 | CEO/Senior Management<br>Energy<br>Finance and Accounting<br>Human Resources and<br>Compensation<br>Strategic Planning | <p>Since February 2009, Mr. Jennings has been President and Chief Executive Officer of Rise Energy Partners, L.P. From February 2007 to June 2008, Mr. Jennings served as Chief Financial Officer of Energy Transfer Partners GP, L.P., the general partner of Energy Transfer Partners, L.P., a publicly-traded partnership owning and operating intrastate and interstate natural gas pipelines. From 2004 to December 2006, Mr. Jennings served as Senior Vice President-Corporate Finance and Development and Chief Financial Officer of Devon Energy Corporation.</p> <p>Mr. Jennings contributes to the mix of experience and qualifications the Board seeks to maintain through his experience as a senior officer in a variety of energy companies, with particular focus on financial and accounting oversight. With his experience, Mr. Jennings brings to the Board a strong understanding of the financial and accounting issues the Company faces in our industry. We believe that this experience allows Mr. Jennings to efficiently and effectively chair our Audit Committee.</p> |



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| <b>Director</b>  | <b>Areas of Expertise</b>   | <b>Occupation and Other Information</b>   |
|--|---|---|
| <p>Steven F. Leer<br/>Age 58<br/>Director since 1992</p> | <p>CEO/Senior Management<br/>Energy<br/>Environmental and Safety<br/>Finance and Accounting<br/>Governance/Board<br/>Government Relations<br/>Marketing<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p> | <p>Mr. Leer has been our Chief Executive Officer since 1992. From 1992 to April 2006, Mr. Leer also served as our President. In April 2006, Mr. Leer became Chairman of the board of directors. Mr. Leer also serves on the boards of the Norfolk Southern Corporation, USG Corp., the Business Roundtable, the University of the Pacific, Washington University and is past chairman of the Coal Industry Advisory Board. Mr. Leer is past chairman and continues to serve on the boards of the Center for Energy and Economic Development, the National Coal Council and the National Mining Association.</p> <p>Mr. Leer contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his position as Chief Executive Officer and Chairman of the Company. As Chief Executive Officer and Chairman, Mr. Leer has in depth knowledge of all aspects of the Company's business and close working relationships with all of the Company's senior executives.</p> |

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| <b>Director</b>  | <b>Areas of Expertise</b>   | <b>Occupation and Other Information</b>  |
|--|---|--|
| <p>Robert G. Potter<br/>Age 71<br/>Director since 2001</p> | <p>CEO/Senior Management<br/>Environmental and Safety<br/>Finance and Accounting<br/>Governance/Board<br/>Marketing<br/>Human Resources and<br/>Compensation<br/>Strategic Planning</p> | <p>Mr. Potter was Chairman and Chief Executive Officer of Solutia, Inc. from 1997 until his retirement in 1999. He is also an investor in several private companies and has served as a member of the board of directors for six other companies.</p> <p>Mr. Potter contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his roles with Solutia, Inc. As a former Chairman and Chief Executive Officer of Solutia, Inc., Mr. Potter has the experience overseeing the operations of a large public company. This experience has provided him with a strong understanding of the long-term planning requirements for a large public company, as well as an in-depth knowledge of the corporate governance required for a public company.</p> |

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| <b>Director</b>                                    | <b>Areas of Expertise</b>   | <b>Occupation and Other Information</b>   |
|--|---|---|
| Theodore D. Sands<br>Age 65<br>Director since 1999 | Energy<br>Finance and Accounting<br>Governance/Board<br>Human Resources and<br>Compensation<br>Strategic Planning | <p>Since 1999, Mr. Sands has served as President of HAAS Capital, LLC, a private consulting and investment company. Mr. Sands served as Managing Director, Investment Banking for the Global Metals/Mining Group of Merrill Lynch &amp; Co. from 1982 until February 1999. Mr. Sands has also served as a member of the board of directors for several other companies.</p> <p>Mr. Sands contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his role at Merrill Lynch and as the head of a private investment company. In leading an investment company in today's economy, Mr. Sands has a strong understanding of the financial hurdles public companies face, as well as an in-depth knowledge of the various financing avenues available for a company. He also brings to the Board an understanding of the importance to the financial community of developing a coherent long-term plan for a company. In addition, his past experience as a board member for several other companies adds valuable prior oversight experience to our existing board of directors.</p> |

**Board Meetings and Committees**

The Board has the following five committees: Nominating and Corporate Governance, Finance, Personnel and Compensation, Audit and Energy and Environmental Policy. The table below contains information concerning the membership of each of the committees as of December 31, 2010, and the number of times the Board and each committee met during 2010. Each director attended at least 75% of the total number of meetings of the Board and of the committees on which he or she serves. In addition, all directors are expected to attend the annual meeting of stockholders, and all of the then-current directors attended last year's annual meeting (Messrs. Freudenthal, Jones and Wold were appointed as directors subsequent to last year's annual meeting).



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|                            | <b>Board of Directors<sup>(1)</sup></b> | <b>Nominating and<br/>Corporate<br/>Governance</b> | <b>Finance</b> | <b>Personnel and<br/>Compensation</b> | <b>Audit<sup>(1)</sup></b> | <b>Energy and<br/>Environmental<br/>Policy<sup>(1)</sup></b> |
|----------------------------|---|--|----------------|---------------------------------------|----------------------------|--|
| Mr. Boyd                   |   | 5  |                |                                       |                            |  |
| Mr. Eaves                  |   |  |                |                                       |                            |  |
| Ms. Godley                 |   |  |                |                                       |                            | 5  |
| Mr. Hunt                   |   |  |                |                                       |                            |  |
| Mr. Jennings               |   |  |                |                                       | 5                          |  |
| Mr. Jones                  |   |  |                |                                       |                            |  |
| Mr. Leer                   | 5                                       |  |                |                                       |                            |  |
| Mr. Lockhart               |   |  |                |                                       |                            |  |
| Mr. Perry                  |   |  |                |                                       |                            |  |
| Mr. Potter                 |   |  |                | 5                                     |                            |  |
| Mr. Sands                  |   |  | 5              |                                       |                            |  |
| Mr. Taylor                 |   |  |                |                                       |                            | 5  |
| Mr. Wold                   |   |  |                |                                       |                            |  |
| Number of<br>2010 meetings | <b>7</b>                                | <b>6</b>   | <b>7</b>       | <b>5</b>                              | <b>7</b>                   | <b>5</b>   |
| 5                          | Chair                                   | Member   |                |                                       |                            |  |

(1) Governor Freudenthal is not included in the above table because he was elected to the Board on February 23, 2011. In addition to being a member of the Board, he currently serves on the Audit and Energy and Environmental Policy Committees.

***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is responsible for the following items:

identifying individuals qualified to become directors and recommending candidates for membership on the Board and its committees, as described under the heading "Nomination Process for Election of Directors";

developing and recommending the corporate governance guidelines to the Board;

reviewing and recommending compensation of non-employee directors; and

reviewing the effectiveness of board governance, including overseeing an annual assessment of the performance of the Board and each of its committees.

The Board has determined, in its judgment, that the Nominating and Corporate Governance Committee is composed entirely of independent directors as defined in the New York Stock Exchange listing standards and operates under a written charter adopted by the board of directors, a copy of which is published under "Corporate Governance" in the Investors section of our website at archcoal.com.

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***Finance Committee***

The Finance Committee reviews and approves fiscal policies relating to our financial structure, including our debt, cash and risk management policies. The Finance Committee also reviews and recommends to the Board appropriate action with respect to significant financial matters, including dividends on our capital stock, major capital expenditures and acquisitions, and funding policies of our employee benefit plans.

***Personnel and Compensation Committee***

The Personnel and Compensation Committee is responsible for the following items:

reviewing and recommending to the board of directors the design of and associated payments related to the compensation programs for our named executive officers and other key personnel;

reviewing and recommending to the board of directors the participation of executives and other key management employees in the various compensation plans; and

monitoring our succession planning and management development practices.

The Board has determined, in its judgment, that the Personnel and Compensation Committee is composed entirely of independent directors as defined in the New York Stock Exchange listing standards and operates under a written charter adopted by the entire board of directors, a copy of which is published under **Corporate Governance** in the Investors section of our website at archcoal.com. The report of the Personnel and Compensation Committee can be found under **Personnel and Compensation Committee Report** in this proxy statement.

***Audit Committee***

The Audit Committee is responsible for the following items:

monitoring the integrity of our consolidated financial statements, internal accounting, financial controls, disclosure controls and financial reporting processes;

confirming the qualifications and independence of our independent registered public accounting firm;

evaluating the performance of our internal audit function and our independent registered public accounting firm; and

reviewing our compliance with legal and regulatory requirements.

The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. The Board has determined, in its judgment, that the Audit Committee is composed entirely of independent directors as defined in the New York Stock Exchange listing standards and Rule 10A-3 of the Securities Exchange Act of 1934 and operates under a written charter adopted by the Board, a copy of which is published under **Corporate Governance** in the Investors section of our website at archcoal.com.

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The Board has also determined, in its judgment, that Mr. Jennings is an audit committee financial expert and that each member of the Audit Committee is financially literate. Our corporate governance guidelines do not currently restrict the number of audit committees of public companies on which members of our Audit Committee may serve. The Board has determined that none of the members of the Audit Committee currently serves on the audit committees of more than three public companies. The report of the Audit Committee can be found under Audit Committee Report in this proxy statement.

### ***Energy and Environmental Policy Committee***

The Energy and Environmental Policy Committee reviews, assesses and provides advice to the Board on current and emerging energy and environmental policy trends and developments that affect or could affect us. In addition, the Energy and Environmental Policy Committee makes recommendations concerning whether and to what extent we should become involved in current and emerging energy and environmental policy issues.

### **Code of Conduct**

All of our employees, including our chief executive officer, our chief financial officer and each of the other executives named in this proxy statement, and directors must act ethically at all times and in accordance with the policies comprising our code of conduct, which is published under Corporate Governance in the Investors section of our website at archcoal.com. We intend to post amendments to or waivers from (to the extent applicable to one of our directors or executive officers) the code of conduct on our website.

The Company's code of conduct also prohibits directors and all employees from trading in puts and calls of the Company's stock, or engaging in short sales, margining or any other action designed to hedge or offset any change in the value of the Company's stock.

### **Conflicts of Interest**

Our code of conduct reflects our policy that all of our employees, including the named executive officers, and directors must avoid any activity that creates, or may create, a conflict of interest, that might interfere with the proper performance of their duties or that might be hostile, adverse or competitive with our business. In addition, each of our directors and executive officers is encouraged to notify our Board when confronted with any situation that may be perceived as a conflict of interest, even if the person does not believe that the situation would violate our code of conduct or corporate governance guidelines. The Board will then determine, after consultation with counsel, whether a conflict of interest exists. Directors who have a material personal interest in a particular issue may not vote on any matters with respect to that issue.

### **Board of Directors Risk Oversight**

The entire Board is responsible for oversight of the company's risk management processes. Our Vice President of Enterprise Risk Management oversees risk management efforts, provides periodic reports to

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our audit committee and provides reports to our board of directors at least once per year. In addition, our board of directors and its standing committees periodically request supplemental information or reports as they deem appropriate.

### **Compensation Committee Interlocks and Insider Participation**

The identities of the directors who served on the Personnel and Compensation Committee during 2010 are set forth under the report of the Personnel and Compensation Committee under Personnel and Compensation Committee Report in this proxy statement. None of the directors who served on the Personnel and Compensation Committee during 2010 has been an officer or employee of ours. None of our executives has served on the Board or compensation committee of any other entity that has or has had one or more executives serving as a member of our Board or compensation committee.

### **Nomination Process for Election of Directors**

The Nominating and Corporate Governance Committee has responsibility for assessing the need for new directors to address specific requirements or to fill a vacancy. The committee initiates a search for a new candidate seeking input from our chairman and from other directors. The committee may retain an executive search firm to identify potential candidates. All candidates must meet the requirements specified in our corporate governance guidelines. Candidates who meet those requirements and otherwise qualify for membership on our Board are identified, and the committee initiates contact with preferred candidates. The committee regularly reports to the Board on the progress of the committee's efforts. The committee meets to consider and approve final candidates who are then presented to the Board for consideration and approval. Our chairman or the chairman of the Nominating and Corporate Governance Committee may extend an invitation to join the Board.

Stockholder recommendations should be submitted in writing to Robert G. Jones, our secretary, and should include information regarding nominees required under our bylaws. Individuals recommended by stockholders will receive the same consideration received by individuals identified to the Nominating and Corporate Governance Committee through other means.

### **Communicating with the Board of Directors**

Our Board has established procedures intended to facilitate stockholder communication directly with the Board, the non-employee directors or the Audit Committee. Such communications may be confidential or anonymous, and may be reported by phone to our confidential hotline at 866-519-1881 or by writing to the individual directors or group in care of Arch Coal, Inc., One CityPlace Drive, Suite 300, St. Louis, Missouri 63141, Attention: Senior Vice President-Law, General Counsel and Secretary. All such communications are promptly communicated to the chairman of the Audit Committee or our Director of Internal Audit, as appropriate.



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**ELECTION OF DIRECTORS (PROPOSAL NO. 1)**

A total of seven directors are up for election at the Annual Meeting. The terms of five directors (Messrs. Boyd, Eaves, Hunt, Perry and Jones) will expire at the Annual Meeting. Our Board has nominated each of those individuals for re-election for a three-year term that will expire in 2014. In addition, as part of the Board's succession planning process and upon the recommendation of the Nominating and Corporate Governance Committee, each of Messrs. Freudenthal and Wold were appointed to the Board within the past year. It is our Board's policy to have each member of the Board that is appointed outside the normal annual stockholder meeting process to come up for election at the annual meeting immediately after such member(s) is appointed to the Board. As a result, Messrs. Freudenthal and Wold have been nominated for election as Class III Directors, and if elected will serve a term that will expire at the 2012 annual meeting.

The Board is not aware that any nominee will be unwilling or unable to serve as a director. All nominees have consented to be named in the proxy statement and to serve if elected. If, however, a nominee is unavailable for election, your proxy authorizes us to vote for a replacement nominee if the Board names one. As an alternative, the Board may reduce the number of directors to be elected at the meeting.

**Recommendation of the Board**

**The Board recommends a vote FOR each nominee.**

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**RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM  
(PROPOSAL NO. 2)**

Ernst & Young LLP was our independent registered public accounting firm for 2010. The Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for 2011. The Audit Committee and the Board are requesting that stockholders ratify this appointment. In the event the stockholders do not ratify the selection of Ernst & Young LLP, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Audit Committee believes such a change would be in our best interests and the best interests of our stockholders.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and to respond to questions.

**Fees Paid to Auditors**

The following table sets forth the fees accrued or paid to Ernst & Young LLP, the Company's independent registered public accounting firm for the years ended December 31, 2010 and December 31, 2009:

| <b>Service</b>                      | <b>2010</b>  | <b>Fee</b> | <b>2009</b>  |
|-------------------------------------|--------------|------------|--------------|
| Audit <sup>(1)</sup>                | \$ 1,527,231 |            | \$ 1,732,370 |
| Audit-related<br>Tax <sup>(2)</sup> |              |            | 43,584       |
| All Other <sup>(3)</sup>            | 65,989       |            |              |

(1) Audit services performed by Ernst & Young LLP in 2010 and 2009 included the annual financial statement audit (including required quarterly reviews) and other procedures performed by Ernst & Young LLP to form an opinion on our consolidated financial statements and to issue their consent to include their audit opinion in registration statements we filed with the SEC. Audit services in 2010 also included a comfort letter delivered by Ernst & Young LLP in connection with the issuance of senior notes in a offering completed in September 2010. Audit services in 2009 also included comfort letters delivered by Ernst & Young LLP in connection with our concurrent common stock and senior note offerings completed in July 2009.

(2) Tax services performed by Ernst & Young LLP in 2009 include tax planning related to our acquisition of the Jacobs Ranch mining complex and other tax planning issues.

(3) All Other services performed by Ernst & Young LLP in 2010 include process review and assessment services.

The Audit Committee has adopted an audit and non-audit services pre-approval policy that requires the committee, or the chairman of the committee, to pre-approve services to be provided by our independent registered public accounting firm. The Audit Committee will consider whether the services to be provided by the independent registered public accounting firm are prohibited by the SEC's rules on auditor independence and whether the independent registered public accounting firm is best positioned to provide the most effective and efficient service. The Audit Committee is mindful of the relationship



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between fees for audit and non-audit services in deciding whether to pre-approve such services. The Audit Committee has delegated to the chairman of the committee pre-approval authority between committee meetings, and the chairman must report any pre-approval decisions to the committee at the next regularly scheduled committee meeting. All non-audit services performed by Ernst & Young LLP in 2010 and 2009 were pre-approved in accordance with the procedures established by the Audit Committee.

**Recommendation of the Board**

**The Board recommends a vote FOR Proposal No. 2.**

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**ADVISORY VOTE ON EXECUTIVE COMPENSATION  
(PROPOSAL NO. 3)**

Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) requires that the Company seek a non-binding advisory vote from its stockholder to approve the compensation as disclosed in the Compensation Discussion & Analysis ( CD&A ) and tabular disclosures of this proxy statement.

As described in detail in the CD&A, we seek to closely align the interests of our named executive officers with the interests of our shareholders. Our compensation programs are designed to reward our named executive officers for the achievement of short-term and long-term strategic and operational goals, and are centered around the following principles:

*Competitive Positioning.* Total compensation should be competitive with the peer group selected by our Board.

*Performance Driven.* Executive compensation is designed to be appropriately linked with the overall performance of the Company.

*Long-Term Interests of Stockholders.* Portions of compensation are tied to the long-term financial performance of the Company, as well to the Company's overall safety and environmental performance, resulting in a closer alignment between compensation and the long-term interests of stockholders.

*Retention Oriented.* Total compensation should serve as an incentive for employees to stay with the Company, assisting in its long-term growth and performance.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis and the related tables and narrative disclosures. We believe that the Company's named executive officer compensation programs have been effective at appropriately aligning pay and performance and in enabling the Company to attract and retain very talented executives within our industry.

**Recommendation of the Board**

We are asking our stockholders to indicate their support for our named executive officer (NEO) compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives you as a stockholder the opportunity to express your views on our fiscal year 2010 executive compensation of our NEOs and the policies and procedures described in this proxy statement. **Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:**

**RESOLVED, that the stockholders approve the compensation awarded by the Company to the NEOs, as described in the CD&A, tabular disclosures, and other narrative executive compensation disclosures in this proxy statement as required by the rules of the Securities and Exchange Commission.**

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**Effect of Proposal**

The say-on-pay proposal is non-binding. The approval or disapproval of this proposal by stockholders will not require the Board to take any action regarding the Company's named executive officer compensation practices. Although this advisory vote will be non-binding, the Board will consider stockholders' concerns and take them into account when designing future executive compensation programs. The final decision on the compensation and benefits of our NEOs and on whether, and if so, how, to address stockholder disapproval remains with the Board.

**ADVISORY VOTE ON FREQUENCY OF SAY-ON-PAY VOTES  
(PROXY ITEM NO. 4)**

In addition to the non-binding advisory vote on executive compensation, the Dodd-Frank Act also enables our stockholders to express their preference for having a say-on-pay vote every one, two or three years or abstain. This non-binding frequency vote is required at least once every six years beginning with our Annual Meeting.

After careful consideration of this proposal, our Board has determined that an advisory vote on executive compensation that occurs annually is the most appropriate alternative for the Company, and therefore our Board recommends that you vote for a one-year interval for the advisory vote on executive compensation. An annual advisory vote on executive compensation will allow our stockholders to provide timely, direct input on the Company's executive compensation philosophy, policies and practices as disclosed in the proxy statement each year. The Board believes that an annual vote is therefore consistent with the Company's efforts to engage in an ongoing dialogue with our stockholders on executive compensation and corporate governance matters.

The Company recognizes that the stockholders may have different views as to the best approach for the Company, and therefore we look forward to hearing from our stockholders as to their preferences on the frequency of an advisory vote on executive compensation. In the event that none of the frequency choices receives the affirmative vote of a majority of the shares present or represented by proxy and voting at the Annual Meeting, the Board will consider the frequency receiving the most votes to be indication of the stockholders' preference.

**Recommendation of the Board**

*The Board recommends that you vote ONE YEAR for Proposal No. 4.* Please note that the proxy card provides stockholders with four choices (every one, two or three years, or abstain). Stockholders are not voting to approve or disapprove the Board's recommendation.

**Effect of Proposal**

The frequency vote is non-binding. Stockholder approval of a one, two or three-year frequency vote will not require the Company to implement an advisory vote on executive compensation every one, two or

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three years. The final decision on the frequency of the advisory vote on executive compensation remains with the Board.

The Board values the opinions of the Company's stockholders as expressed through their votes and other communications. Although the resolution is non-binding, the Board will carefully consider the outcome of the frequency vote and other communications from stockholders when making future decisions regarding the frequency of say-on-pay votes.

**OTHER MATTERS**

The Company knows of no other matters to be submitted to the stockholders at the Annual Meeting. If any other matters properly come before the stockholders at the Annual Meeting, it is the intention of the persons named on the proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

**EXECUTIVE AND DIRECTOR COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis describes the material elements of compensation to each of the following named executive officers of Arch Coal, Inc. (the named executive officers or NEOs), for fiscal year 2010:

| <b>Name</b>       | <b>Title</b>                                      |
|-------------------|---|
| Steven F. Leer    | Chairman and Chief Executive Officer              |
| John T. Drexler   | Senior Vice President and Chief Financial Officer |
| John W. Eaves     | President, Chief Operating Officer and Director   |
| Paul A. Lang      | Senior Vice President Operations                  |
| David N. Warnecke | Senior Vice President Marketing and Trading       |

We discuss compensation actions taken during fiscal years 2009 and 2011 to the extent they enhance the understanding of our NEO compensation program for fiscal year 2010.

***Overview***

We believe that our success in creating long-term value for our stockholders depends on our ability to closely align the interests of our named executive officers with the interests of our stockholders. Our compensation programs are designed to attract, motivate and retain highly talented executives. We encourage sustained long-term profitability and increased stockholder value by linking named executive officer compensation to our achievement of financial and operating performance. We use equity-based awards and other mechanisms to align the long-term interests of our named executive officers with those of our stockholders. We have designed elements of our compensation program to increase the likelihood that we will retain key employees.

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We have determined the type and amount of compensation for each NEO after considering a variety of factors, including the executive's position and level of responsibility within our organization, comparative market data and other external market-based factors. Our Personnel and Compensation Committee (the Committee) uses this information when establishing compensation in order to achieve a comprehensive package that emphasizes pay-for-performance and is competitive in the marketplace. For the 2010 fiscal year, the Committee designed a compensation package for each NEO weighted as follows:

|                   | <b>% of Target 2010 Compensation</b> |                                 |                                    |
|-------------------|--------------------------------------|---------------------------------|------------------------------------|
|                   | <b>Fixed Base Salary</b>             | <b>Performance-Based Annual</b> | <b>Performance-Based Long-Term</b> |
| Steven F. Leer    | 18%                                  | 18%                             | 64%                                |
| John T. Drexler   | 23%                                  | 14%                             | 63%                                |
| John W. Eaves     | 19%                                  | 15%                             | 66%                                |
| Paul A. Lang      | 23%                                  | 14%                             | 63%                                |
| David N. Warnecke | 23%                                  | 14%                             | 63%                                |

Despite a difficult economic environment globally, 2010 was a better year for the coal industry as a whole, and for the Company in particular. This improvement was driven by a rebound in power demand spurred by a better domestic economy and favorable weather trends. As described in Management's Discussion and Analysis of Financial Conditions and Results of Operations in our Annual Report on Form 10-K, our fiscal 2010 financial results were strong relative to our fiscal 2009 results. The following table highlights the year-over-year comparison of some of the key financial metrics that we use in evaluating the Company's performance for the purpose of making compensation decisions.

| <b>Performance Measure</b> | <b>Fiscal Year 2010</b> | <b>Fiscal Year 2009</b> | <b>Percentage Increase</b> |
|----------------------------|-------------------------|-------------------------|----------------------------|
| Adjusted EBITDA            | \$ 724.1 million        | \$ 458.7 million        | 58%                        |
| Earnings per share         | \$ 0.97                 | \$ 0.28                 | 246%                       |

***Our Compensation Philosophy***

The Committee believes that an effective executive compensation program should encompass the following fundamental objectives:

Compensation should be competitive.

Compensation should vary with our performance.

Compensation should align the long-term interests of our executives with those of our stockholders.

Compensation should provide a retention incentive.



We have designed our executive compensation program around these beliefs.

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*Our Compensation Process*

The Committee uses current compensation levels, performance, long-term career goals, future leadership potential and succession planning, among other factors, in determining appropriate compensation levels for our NEOs. The Committee does not use a formula to weight these factors. However, the Committee believes these factors provide context within which to assess the significance of comparative market data and to differentiate the level of compensation among our NEOs.

Annually, the Committee reviews the design of our named executive officer compensation program, including whether the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on us. In doing so, the Committee assesses whether compensation programs used in prior years have successfully achieved our compensation objectives. The Committee also considers the extent to which our compensation program is designed to achieve our long-term financial and operating goals. The Committee has retained the consultants listed below under *Role of Compensation Consultants* to help analyze certain comparative market data. Certain members of management participate in this process by assembling and summarizing data used by the Committee. The Committee reviewed our compensation policies and practices, and has determined that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on us.

After the end of the performance period to which a particular incentive award relates, the Committee reviews our performance relative to the applicable performance targets and recommends payouts based on that performance. The Committee retains discretion to recommend payouts that are above or below actual performance levels for the applicable performance period. For purposes of determining the amount of a payout to recommend, the Committee may also consider infrequent or non-recurring items that are not reflective of ongoing operations or the effects of major corporate transactions or other items that the Committee determines, in its judgment, significantly distort the comparability of our actual performance against the performance targets.

*Role of Management*

Our chief executive officer and vice president of human resources provide the Committee with compensation recommendations for our NEOs, other than the chief executive officer, including base salary, annual cash incentive opportunity and long-term incentive opportunities. Management provides a current market value for each proposed element and for the total targeted value, as well as the median market value for the named executive officer's peers. Management obtains the comparative market information primarily from materials provided by our compensation consultant. Our chief executive officer does not recommend his own base salary or targeted payouts under our annual or long-term incentive awards.

Annually, the Committee reviews the performance of our chief executive officer and makes recommendations to the board of directors regarding his compensation. In doing so, the Committee uses information provided by our compensation consultant and certain historical financial and operating performance data provided by management. Historically, the Committee has not considered accrued pension benefits, deferred compensation, 401(k) savings plan amounts or existing stock ownership in

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making its recommendations. The Committee believes that the compensation opportunities granted to our chief executive officer, while higher in the aggregate than compensation granted to our other executives, is appropriate taking into consideration our chief executive officer's overall leadership responsibilities.

### *Role of Compensation Consultants*

During 2010, the Committee retained Meridian Compensation Partners, LLC ( Meridian ) to provide the Committee advice on executive compensation matters. Meridian assisted the Committee in the development of a compensation peer group which is described in more detail below. Meridian also advised the Committee on competitive compensation practices, mix of compensation elements and comparative market data, which the Committee considered in addressing and determining the appropriate levels of compensation for each NEO relative to the marketplace.

### *Compensation Peer Group*

The Committee approved a compensation peer group that is composed of public companies with which we most directly compete on the basis of customers, investors and executive talent. For 2010, the component companies of the peer group are listed below:

|                                  |                                   |
|----------------------------------|-----------------------------------|
| Alliance Resource Partners, L.P. | Martin Marietta Materials         |
| Alpha Natural Resources, Inc.    | Minerals Technologies, Inc.       |
| Ameren Corporation               | Natural Resource Partners L.P.    |
| Cliffs Natural Resources, Inc.   | Patriot Coal Corporation          |
| Cloud Peak Energy, Inc.          | Peabody Energy Corporation        |
| CONSOL Energy, Inc.              | Pioneer Natural Resources Company |
| DTE Energy Company               | Sempra Energy                     |
| Dynegy, Inc.                     | Temple-Inland Inc.                |
| El Paso Corporation              | Vulcan Materials Co.              |
| International Coal Group, Inc.   | Walter Energy, Inc.               |
| Massey Energy Company            |                                   |

The Committee assesses the appropriateness of the peer group used to benchmark our compensation programs on an annual basis and adds or subtracts members of the peer group as appropriate.

### *Elements of Our Compensation Program*

We use the following compensation elements to achieve the compensation objectives established by the Committee:

base salary;

short- and long-term incentive opportunities; and

certain limited perquisites and other benefits.

The Committee believes that a higher percentage of total compensation for those executives with a greater ability to influence the achievement of our financial and operating objectives should be variable



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and, therefore, subject to greater risk. In general, as the position and amount of responsibility for an executive increase, a greater percentage of that executive's total compensation will be variable. As a result, executives with the highest level and amount of responsibility generally have the lowest percentage of their total compensation fixed as base salary and the highest percentage of their total compensation dependent upon short- or long-term incentive awards.

The following table shows the allocation of total targeted compensation for each NEO for each of the last three years:

|                   | % of Target 2008<br>Compensation <sup>(1)</sup> |                                      |               | % of Target 2009<br>Compensation <sup>(1)</sup> |                                      |               | % of Target 2010<br>Compensation <sup>(1)</sup> |                                      |               |
|-------------------|---|--------------------------------------|---------------|---|--------------------------------------|---------------|---|--------------------------------------|---------------|
|                   | Fixed<br>Base<br>Salary                         | Performance-<br>Based <sup>(2)</sup> |               | Fixed<br>Base<br>Salary                         | Performance-<br>Based <sup>(2)</sup> |               | Fixed<br>Base<br>Salary                         | Performance-<br>Based <sup>(2)</sup> |               |
|                   |   | Annual                               | Long-<br>Term |   | Annual                               | Long-<br>Term |   | Annual                               | Long-<br>Term |
| Steven F. Leer    | 18%   | 18%                                  | 64%           | 18%   | 18%                                  | 64%           | 18%   | 18%                                  | 64%           |
| John T. Drexler   | 25%   | 13%                                  | 62%           | 23%   | 14%                                  | 63%           | 23%   | 14%                                  | 63%           |
| John W. Eaves     | 19%   | 15%                                  | 66%           | 19%   | 15%                                  | 66%           | 19%   | 15%                                  | 66%           |
| Paul A. Lang      | 23%   | 14%                                  | 63%           | 23%   | 14%                                  | 63%           | 23%   | 14%                                  | 63%           |
| David N. Warnecke | 23%   | 14%                                  | 63%           | 23%   | 14%                                  | 63%           | 23%   | 14%                                  | 63%           |

(1) For purposes of determining total compensation, we have included base salary, targeted annual cash incentives and the value of targeted long-term incentive awards. We have not considered the increased value of other compensation elements such as pension plans, nor have we assigned cash values to perquisites.

(2) In determining the percentages shown above, the annual cash incentives and the long-term incentive awards are assumed to be paid at target levels.

**Base Salary** We provide each named executive officer with an annual base salary. Base salaries for our named executives depend on the executives' experience and scope of responsibilities as well as the median market data for comparable job positions. We increase base salary primarily in response to notable achievements or for changes in scope of responsibilities. In addition, we may increase base salary to remain competitive in the marketplace.

Upon the recommendation of the Committee, the board of directors did not approve any increases in annual base salaries for our executives in 2010. At the beginning of 2011, upon the recommendation of the Committee, the board of directors approved increases in the annual base salaries for our named executive officers. It was determined that this increase was appropriate in order to align our named executive officer base salaries with comparable job positions at companies in our peer group. In making its recommendations, the Committee considered market data provided to the Committee by our compensation consultant.

**Annual Cash Incentive Program** We provide approximately 275 key employees, including the executives named in this proxy statement, the opportunity to earn additional cash compensation through annual cash incentive awards. The Committee intends for our annual cash incentive program to focus our organization on meeting certain financial and operating objectives by rewarding those key employees with the greatest ability to influence our results.

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Early each year the Committee considers whether annual cash incentives should be awarded. If so, the Committee recommends to the board of directors the group of employees eligible to receive an award for that year. Annual cash incentive awards contain various incentive levels based on the participant's accountability and impact on our performance, with target opportunities established as a percentage of base salary.

The following table shows the target opportunities available to the NEOs as a percentage of their base salaries and the actual payouts as a percentage of their base salaries each of the last three years:

| Name              | 2008                             |  | 2009                             |   | 2010                             |   |
|-------------------|----------------------------------|--|----------------------------------|---|----------------------------------|---|
|                   | Target as %<br>of<br>Base Salary | Actual<br>Payout<br>as % of Base<br>Salary | Target as %<br>of<br>Base Salary | Actual<br>Payout<br>as % of<br>Base<br>Salary | Target as %<br>of<br>Base Salary | Actual<br>Payout<br>as % of<br>Base<br>Salary |
| Steven F. Leer    | 100%                             | 181%                                       | 100%                             | 74%   | 100%                             | 170%  |
| John T. Drexler   | 50%                              | 83% <sup>(1)</sup>                         | 60%                              | 44%   | 60%                              | 102%  |
| John W. Eaves     | 80%                              | 145%                                       | 80%                              | 59%   | 80%                              | 136%  |
| Paul A. Lang      | 60%                              | 100%                                       | 60%                              | 67%   | 60%                              | 102%  |
| David N. Warnecke | 60%                              | 109%                                       | 60%                              | 44%   | 60%                              | 102%  |

(1) In accordance with the terms of the plan, the payout for Mr. Drexler was prorated to account for Mr. Drexler's promotion to Senior Vice President and Chief Financial Officer in April 2008.

Payouts under our annual cash incentive program depend upon our earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, safety and environmental performance and, for some employees, our production costs per ton. Some or all of these performance measures may be used for our other key employees, and the performance measures may differ for various groups or classifications of employees. By identifying meaningful performance measures and by assigning certain measures greater weight, we are able to more closely align compensation to the achievement of those business objectives over which particular employees have the greatest impact.

We generally establish the financial performance levels based on budgeted earnings for the upcoming year, and the target levels are generally consistent with the range of earnings that we provide to investors. We generally establish safety and environmental performance targets based on our prior performance history with the objective of promoting improvements in those areas. In order to inspire performance above the targets we set and to acknowledge certain levels of performance below those targets, annual cash incentive awards contain threshold, target and maximum levels for each performance measure. Payouts under the awards depend upon the achievement of our objectives.

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The following table shows the relative weighting of the performance measures and the threshold, target and maximum levels of performance established for annual incentive awards to the NEOs for the 2010 fiscal year:

| Performance Measure      | Relative Weighting <sup>(1)</sup> | Performance Goals |                |                |
|--------------------------|-----------------------------------|-------------------|----------------|----------------|
|                          |                                   | Threshold         | Target         | Maximum        |
| Adjusted EBITDA          | 50%                               | \$ 444,000,000    | \$ 532,800,000 | \$ 680,800,000 |
| Earnings per share       | 20%                               | \$ 0.30           | \$ 0.36        | \$ 0.46        |
| Safety                   | 15%                               | 1.76              | 1.68           | 1.61           |
| Environmental            | 15%                               | 14 NOVs           | 13 NOVs        | 11 NOVs        |
| Production costs per ton |                                   | \$ 13.42          | \$ 13.16       | \$ 12.63       |

(1) The relative weighting reflected in the table above applies to the NEOs other than Paul A. Lang. With respect to Mr. Lang, the relative weighting is as follows: Adjusted EBITDA 40%; Earnings per share 10%; Safety 15%; Environmental 15% and Production cost per ton 20%.

The performance goals are defined and evaluated based on the following:

Adjusted EBITDA is determined based on our earnings before interest, taxes, depreciation and amortization, determined on a consolidated basis in accordance with generally accepted accounting principles;

Earnings per share is determined based on our earnings per share of our common stock outstanding, determined on a consolidated basis in accordance with generally accepted accounting principles;

Safety is determined based on our historical performance, and is the number of reportable injuries per 200,000 man hours;

Environmental is determined based on our historical performance, and NOVs, or Notices of Violation, are determined based on the number of actual Notices of Violation received by the Company and its subsidiaries; and

Production costs per ton is determined based on budgeted per ton operating cost excluding taxes, royalties, depletion and change in inventory, etc.

If the target level of performance is achieved with respect to a particular performance measure, the applicable payout percentage for that performance measure will equal 100%. Achievement at the threshold performance level results in an applicable payout percentage of 25%, while performance below threshold level results in a payout percentage of 0% for that performance measure. By contrast, achievement at or above the maximum performance level results in an applicable payout percentage of 200%. We may prorate payouts under the annual cash incentive awards for performance levels that fall between the threshold, target and maximum performance levels.

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In early 2011, the Committee evaluated the level of achievement of the various performance measures and made the following determinations:

| Performance Measure      | Actual Performance | Performance Goals            |                                   | Weighted Payout Percentage |
|--------------------------|--------------------|------------------------------|-----------------------------------|----------------------------|
|                          |                    | Applicable Payout Percentage | Relative Weighting <sup>(1)</sup> |                            |
| Adjusted EBITDA          | \$ 724.1 million   | 200%                         | 50%                               | 100%                       |
| Earnings per share       | \$ 0.97            | 200%                         | 20%                               | 40%                        |
| Safety                   | 1.10               | 0% <sup>(2)</sup>            | 15%                               | 0%                         |
| Environmental            | 6 NOV's            | 200%                         | 15%                               | 30%                        |
| Production costs per ton | \$ 11.65           | 200%                         |                                   | 40%                        |

(1) The relative weighting reflected in the table above applies to the executives named in this proxy statement other than Paul A. Lang. With respect to Mr. Lang, the relative weighting is as follows: Adjusted EBITDA 40%, earnings per share 10%, safety 15%, environmental 15% and production costs per ton 20%.

(2) Payout under Safety was 0% due to a fatality at one of our mines in 2010.

Based on the actual performance as set forth above, the Committee determined the amount of each executive officer's annual cash incentive award and recommended that the board of directors approve the following payouts under the 2010 annual cash incentive awards:

| Name              | Target as % of Base Salary | Actual Payout as % of Base Salary | Dollar Amount of Payout |
|-------------------|----------------------------|-----------------------------------|-------------------------|
| Steven F. Leer    | 100%                       | 170%                              | \$ 1,445,000            |
| John T. Drexler   | 60%                        | 102%                              | 367,200                 |
| John W. Eaves     | 80%                        | 136%                              | 727,600                 |
| Paul A. Lang      | 60%                        | 102%                              | 387,600                 |
| David N. Warnecke | 60%                        | 102%                              | 377,400                 |

In addition, the board of directors, upon the recommendation of the Committee, established an annual cash incentive program for 2011 identifying those individuals eligible to participate, the target opportunity for each participant and the performance measures that will be used. The overall design of the 2011 annual cash incentive program is generally consistent with the program approved by the board of directors for 2010.

*Long-Term Incentive Program* Our long-term incentive program is designed to achieve the compensation objectives established by the Committee. The Committee intends for our long-term incentive program to promote decision-making that creates long-term value for our stockholders. The Committee believes that an effective long-term incentive program should also create strong retention incentives for those key employees who are most likely to influence our long-term performance. In addition, we attempt to align the long-term interests of our executives with



those of our stockholders by tying a portion of total compensation to appreciation in the value of our common stock.

The Committee has retained flexibility in the types of awards that it may use to implement our long-term incentive program. We have used performance units and performance-contingent phantom stock in order to promote the achievement of our long-term financial and operating performance objectives. In

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addition, we have used restricted stock, restricted stock units, stock options and other awards tied to the value of our common stock in order to align the long-term interests of our executives and our stockholders and for retention purposes. In determining the aggregate value of long-term awards and the mix of those awards for our executives, the Committee considers the executives' scope of responsibility, peer group market data, market competition for the particular position, relative internal equity and leadership continuity.

The following table shows the types of awards that we have generally included as a component of our long-term incentive program for each of the last three years and for 2011, and the percentage of targeted long-term compensation associated with each award:

| <b>Compensation Objective</b>        | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Performance units                    |             | 50%         | 50%         | 20%         |
| Restricted stock                     |             |             |             | 20%         |
| Stock options                        | 100%        | 50%         | 50%         | 60%         |
| Performance-contingent phantom stock |             |             |             |             |

The following is a description of each of these types of awards:

*Performance Units* We use performance units as a component of our long-term incentive program in order to motivate our NEOs and other key employees to focus on our financial and operating performance over a multi-year period. Performance units generally provide an opportunity for key employees to earn compensation upon the successful achievement of our objectives over a three-year period. The Committee has also retained discretion to further align the long-term interests of our stockholders and executives by providing that payouts under performance units may be in the form of cash, stock or a combination of the two.

Payouts under the performance units granted will depend upon our achievement of certain financial and operating performance objectives over a three-year period. For 2010, the Board, upon the recommendation of the Committee, determined to use performance units for 50% of the value of the long-term incentive program. The units are tied to relative total shareholder return, as well as our safety and environmental results.

*Restricted Stock Units and Restricted Stock* We use restricted stock units as a component of our long-term incentive program designed to align the long-term interests of our stockholders and our executives and for retention purposes. In addition, from time to time we grant restricted stock and restricted stock units to certain key employees as an additional retention incentive. Restricted stock units and restricted stock can provide a significant retention incentive since they have real, current value that an executive may forfeit if his or her employment terminates before the awards vest. In addition, restricted stock units and restricted stock satisfy our compensation objectives by promoting long-term decision-making that results in appreciation in the value of our common stock.

When awarded, we generally conditioned receipt of the common stock underlying these awards on the executive's continued employment. Restricted stock units and restricted stock usually vests ratably over a period of time, generally three or four years. Certain restricted stock awards that we have granted in the

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past cliff vest at the end of a specified period in order to provide an additional retention incentive. In determining the conditions associated with these types of awards, the Committee considers the market competition for the executive's position, the ability of the executive to influence our long-term financial and operating performance and succession planning. The Committee has retained discretion whether or not to consider the number of shares of our common stock held by an executive in recommending subsequent awards of restricted stock units or restricted stock. The Board, upon the recommendation of the Committee, has awarded restricted stock as a component of the long-term incentive plan for 2011.

*Stock Options* In 2010, the board of directors, upon the recommendation of the Committee, determined to use stock options as 50% of the value of the long-term incentive program. In making its recommendation, the Committee determined that long-term stock price appreciation was reflective of our achievement of the long-term performance objectives established by our board of directors.

Stock options represent the opportunity to buy shares of our common stock at a fixed price at a future date. Under the terms of our stock incentive plan, the exercise price of stock options cannot be less than the fair market value of a share of our common stock on the date of grant. As such, stock options have value for our executives only if the price of our common stock increases after the date of grant.

In the past, our board of directors has approved stock options grants in connection with our annual performance assessment and evaluation process. Our policy is to issue stock options on the dates on which the awards are approved and to set the exercise prices of those awards equal to the closing market price of our common stock on that date. In order to provide some retention incentive, our stock options vest over a stated period measured from the date of grant. Depending upon the strength of the retention incentive intended by the Committee, stock options may vest over three or four years. As is typical, the stock options we grant expire after ten years, except in limited circumstances.

*Perquisites and Other Benefits* We provide various perquisites and other benefits to our NEOs for a variety of different reasons, including our intent to attract and retain executives with a comprehensive compensation package. Many of these perquisites and other benefits are not tied to any formal performance objectives. We provide the following perquisites to our executives:

*Financial, Estate and Tax Planning Services* We provide our NEOs with financial, estate and tax planning services in order to assist them with the complexities of the various compensation arrangements that we maintain, retirement planning and compliance with our stock ownership guidelines.

*Club Membership Dues* We provide a limited number of NEOs with memberships for country clubs. We intend for these club memberships to provide access to facilities that our NEOs may use for more private business and business entertainment meetings.

*Other Perquisites* We provide certain NEOs with a limited personal use of our corporate aircraft. For more information about this perquisite, including the incremental cost to us for providing those perquisites, refer to the table included as a footnote to the Summary Compensation Table below.

In December 2009, the board of directors, upon the recommendation of the Committee, determined that beginning January 1, 2010, executives will not receive any tax gross up payments on perquisites.

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*Participation in Benefit Plans and Other Compensation Arrangements* Each of our NEOs is eligible to participate in the same health and welfare plans as our other eligible employees. These plans include medical and dental insurance, life, travel and accidental death and dismemberment insurance, short- and long-term disability coverage and participation in our qualified defined benefit pension plan and qualified defined contribution plan. In addition, each of our NEOs is eligible to participate in our supplemental retirement plan and non-qualified deferred compensation plan, and each of our NEOs is subject to an employment agreement.

The following is a summary of certain benefit plans and other compensation arrangements available to our NEOs but for which our other employees may not be eligible:

*Supplemental Retirement Plan Benefits* We sponsor a tax-qualified defined benefit plan covering all of our eligible employees, including our executives. The Internal Revenue Code limits the amount of qualified retirement benefits we may provide for certain employees. As a result, we sponsor a supplemental retirement plan that provides eligible employees, including the executives named in this proxy statement, with additional retirement benefits that would otherwise be available under our defined benefit pension plan but for the limitations contained in the Internal Revenue Code. For more information about our defined benefit pension plan and our supplemental retirement plan, including the accumulated benefits attributable to the executives named in this proxy statement, you should see Pension Benefits below.

*Non-Qualified Deferred Compensation Plan* We sponsor a tax-qualified defined contribution plan covering all of our eligible employees, including the NEOs. Under this plan, eligible employees may contribute up to 50% of their base salaries to the plan, subject to certain limitations contained in the Internal Revenue Code. We contribute one dollar for each dollar contributed by our employees, up to a maximum of 6% of employees' base salaries. The Internal Revenue Code limits the amount certain of our employees may contribute to our defined contribution plan in any tax year. As a result, we sponsor a non-qualified deferred compensation plan that allows eligible employees, including the executives named in this proxy statement, to defer receipt of a portion of their base salaries and certain annual and long-term cash incentive awards not subject to these limits. The deferred compensation plan provides higher-paid employees with the full company matching contribution to which they would otherwise be entitled under our defined contribution plan but for the limitations contained in the Internal Revenue Code. For more information about our deferred compensation plan, including information about amounts attributable to the executives named in this proxy statement, you should see Non-Qualified Deferred Compensation below.

*Employment Agreements* In order to provide certain key employees, including the executives NEOs, with some financial security in the event their employment with our organization is terminated without cause or under certain circumstances following a change of control, we provide those employees with employment agreements. Those agreements provide for cash payments to the key employees in the event their employment with us is terminated under certain circumstances. We believe that the employment agreements we maintain with our key employees provide a meaningful mechanism by which to retain those individuals who are most capable of affecting our future performance. In December 2009, the board of directors, upon the recommendation of the Committee, determined that no tax gross up provision is to be

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included in any employment agreement entered into after January 1, 2010. For more information about the employment agreements with the executives named in this proxy statement, you should see Potential Payments Upon Termination of Employment or Change-in-Control below.

*Stock Ownership Guidelines* Our Board has adopted stock ownership guidelines that are intended to promote meaningful stock ownership by our executives. These guidelines specify a number of shares of our common stock, including unvested restricted stock, unvested restricted stock units, shares held through our qualified defined contribution plan and hypothetical shares of our common stock held through our non-qualified deferred compensation plan, that our executives must have accumulated by January 1, 2009 or, if elected after January 1, 2004, within five years of becoming an executive. The specific share holding requirements are determined based on a multiple of base salary ranging from one to three times, with the higher multiples applicable to the executives having the highest levels of responsibility. As of December 31, 2010, each of the individuals who has been an executive for at least five years satisfied the stock ownership goal adopted by the Board.

***Impact of Tax Considerations on Compensation***

The Internal Revenue Code limits the amount of the tax deduction we are entitled to take for compensation paid to the executives named in this proxy statement for a particular year unless the compensation meets specific standards. We may deduct compensation in excess of \$1 million if compensation is performance-based and is paid pursuant to a plan that meets certain requirements. In developing, implementing and administering our executive compensation program, the Committee considers the impact of these limits and balances the desire to maximize the deductibility of compensation with the goal of attracting, motivating and retaining highly-talented executives.

We generally seek to maximize the tax deductibility of all elements of compensation. However, in light of the need to maintain flexibility in administering our executive compensation program, the Committee retains discretion to recommend to the board of directors compensation in excess of the limits, even if a portion of it may not be deductible.

**Table of Contents****Summary Compensation Table**

The following table is a summary of compensation information for our chief executive officer, our chief financial officer and each of the other three most highly compensated executives for each of the last three years:

| Name and Principal Position  | Year | Salary<br>(\$) <sup>(1)</sup> | Bonus<br>(\$) | Stock<br>Awards<br>(\$) <sup>(2)</sup> | Option<br>Awards<br>(\$) <sup>(2)</sup> | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) <sup>(3)</sup> | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred | All Other<br>Compensation<br>(\$) <sup>(5)</sup> | Total<br>(\$) |
|--|------|-------------------------------|---------------|--|---|--|---|--|---------------|
|  |      |                               |               |  |   |  | Compensation<br>Earnings<br>(\$) <sup>(4)</sup>               |  |               |
| F. Leer,<br>President and Chief<br>Executive Officer                       | 2010 | \$ 850,000                    | \$            |  | \$ 1,360,587                            | \$ 1,445,000   | \$ 390,617  | \$ 118,069                                       | \$ 4,160,000  |
|  | 2009 | 850,000                       |               |  | 1,365,391                               | 624,800  | 561,205   | 146,881  | 3,548,277     |
|  | 2008 | 850,000                       |               | 1,715,060 <sup>(6)</sup>               | 4,234,402                               | 3,037,000  | 122,273   | 200,760  | 10,159,500    |
| J. Drexler,<br>Vice President<br>and Chief Financial<br>Officer            | 2010 | 360,000                       |               |  | 452,743                                 | 367,200  | 43,010  | 37,919   | 1,260,872     |
|  | 2009 | 360,000                       |               |  | 421,470                                 | 158,800  | 49,604  | 47,498   | 1,037,772     |
|  | 2008 | 298,632                       |               |  | 856,170                                 | 407,000  | (7)   | 93,078   | 1,654,880     |
| M. Eaves,<br>Vice President,<br>Chief Financial<br>Officer and<br>Director | 2010 | 535,000                       |               |  | 856,439                                 | 727,600  | 151,377   | 62,142   | 2,332,558     |
|  | 2009 | 535,000                       |               |  | 863,137                                 | 314,600  | 219,889   | 82,785   | 2,014,611     |
|  | 2008 | 535,000                       |               | 1,143,373 <sup>(6)</sup>               | 2,725,705                               | 1,674,000  | 26,170  | 114,800  | 6,218,953     |
| J. Lang,<br>Vice President<br>of Operations                                | 2010 | 380,000                       |               |  | 478,210                                 | 387,600  | 119,610   | 32,457   | 1,397,877     |
|  | 2009 | 380,000                       |               | 421,500 <sup>(6)</sup>                 | 444,977                                 | 252,700  | 141,035   | 45,152   | 1,684,264     |
|  | 2008 | 365,000                       |               |  | 885,027                                 | 946,700  | 539   | 41,131   | 2,238,437     |
| N. Warnecke,<br>Vice President<br>of Mining and<br>Logistics               | 2010 | 370,000                       |               |  | 465,476                                 | 377,400  | 129,568   | 44,352   | 1,386,836     |
|  | 2009 | 370,000                       |               |  | 433,058                                 | 163,200  | 166,895   | 40,830   | 1,173,983     |
|  | 2008 | 360,000                       |               | 263,450 <sup>(6)</sup>                 | 872,649                                 | 1,123,750  | 17,665  | 38,876   | 2,672,729     |

(1) Amounts shown include amounts that the executives named in this proxy statement elected to defer, on a discretionary basis, pursuant to our deferred compensation plan.

(2) Amounts shown represent the aggregate grant date fair value of all stock or stock option awards, as applicable, made to each executive during the year indicated. We have determined the grant date fair value in accordance with FASB ASC Topic 718 (formerly referred to as Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*). The determination of the grant date fair value is subject to certain estimates and assumptions described in Note 16 to our consolidated financial statements for the year ended December 31, 2010 and under the heading "Stock-Based Compensation" in the section entitled "Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended December 31, 2010. Amounts shown do not necessarily represent the actual value that may ultimately be received by the executives.



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(3) Amounts shown include the following payouts:

| Name              | Year | Annual Cash Incentive Awards | Performance Unit Awards |
|-------------------|------|------------------------------|-------------------------|
| Steven F. Leer    | 2010 | \$ 1,445,000                 | \$ 0                    |
|                   | 2009 | 624,800                      | 0                       |
|                   | 2008 | 1,537,000                    | 1,500,000               |
| John T. Drexler   | 2010 | 376,200                      | 0                       |
|                   | 2009 | 158,800                      | 0                       |
|                   | 2008 | 247,000                      | 160,000                 |
| John W. Eaves     | 2010 | 727,600                      | 0                       |
|                   | 2009 | 314,600                      | 0                       |
|                   | 2008 | 774,000                      | 900,000                 |
| Paul A. Lang      | 2010 | 387,600                      | 0                       |
|                   | 2009 | 252,700                      | 0                       |
|                   | 2008 | 366,700                      | 580,000                 |
| David N. Warnecke | 2010 | 377,400                      | 0                       |
|                   | 2009 | 163,200                      | 0                       |
|                   | 2008 | 390,600                      | 733,150                 |

Amounts shown include amounts that a NEO elected to defer, on a discretionary basis, pursuant to our deferred compensation plan.

(4) Amounts shown represent the changes in the actuarial present value of the accumulated benefits for the executives named in this proxy statement under our defined benefit pension plans, including our supplemental retirement plan, computed in accordance with FASB ASC Topic 715 (formerly referred to as Statement of Financial Accounting Standards No. 87, *Employer's Accounting for Pensions*). The present value of accumulated benefits is subject to certain actuarial assumptions described in Note 14 to our consolidated financial statements for the year ended December 31, 2010 and under the heading *Employee Benefit Plans* in the section entitled *Critical Accounting Policies* included in our Annual Report on Form 10-K for the year ended December 31, 2010.

(5) Amounts shown include the following:

| Name   | Year | Credits Under                  |                            |                      | Financial Planning Services | Club Membership |               | Tax Reimbursement | Other*     | Total |
|--|------|--------------------------------|----------------------------|----------------------|-----------------------------|-----------------|---------------|-------------------|------------|-------|
|  |      | Matching Contributions to Plan | Deferred Compensation Plan | Dividend Equivalents |                             | Dues            | Reimbursement |                   |            |       |
| Steven F. Leer, Chairman and Chief Executive Officer | 2010 | \$ 13,472                      | \$ 36,877                  | \$ 12,695            | \$ 14,607                   | \$ 9,000        | \$ 961**      | \$ 30,457         | \$ 118,000 |       |
|  | 2009 | 13,142                         | 40,324                     | 11,718               | 16,260                      | 8,250           | 18,093        | 39,093            | 146,800    |       |
|  | 2008 | 12,545                         | 35,587                     | 11,781               | 13,608                      | 9,675           | 17,245        | 100,320           | 200,700    |       |
| John T. Drexler,                                     | 2010 | 9,969                          | 10,052                     |                      | 9,954                       | 7,844           | 99**          |                   | 37,900     |       |



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|                         |      |        |        |       |        |        |         |        |       |
|-------------------------|------|--------|--------|-------|--------|--------|---------|--------|-------|
| Senior Vice             | 2009 | 11,132 | 7,575  |       | 12,104 | 7,344  | 9,343   |        | 47,4  |
| President and           | 2008 | 10,343 |        |       | 6,328  | 49,560 | 26,847  |        | 93,0  |
| Chief Financial         |      |        |        |       |        |        |         |        |       |
| Officer                 |      |        |        |       |        |        |         |        |       |
| John W. Eaves,          | 2010 | 14,420 | 16,852 | 8,463 | 5,950  | 9,000  |         | 7,456  | 62,1  |
| President, Chief        | 2009 | 14,630 | 20,490 | 7,812 | 8,868  | 9,000  | 13,180  | 8,805  | 82,7  |
| Operating Officer       | 2008 | 12,780 | 17,093 | 7,808 | 12,100 | 8,760  | 15,387  | 40,872 | 114,8 |
| Director                |      |        |        |       |        |        |         |        |       |
| Michael A. Lang,        | 2010 | 13,329 | 7,894  |       | 9,508  |        |         | 1,725  | 32,4  |
| Senior Vice             | 2009 | 14,560 | 9,196  |       | 10,812 |        | 8,984   | 1,600  | 45,1  |
| President               | 2008 | 13,518 | 7,964  | 283   | 10,434 |        | 8,221   | 711    | 41,1  |
| Operations              |      |        |        |       |        |        |         |        |       |
| David N. Warnecke,      | 2010 | 14,481 | 7,673  |       | 16,117 |        | 3,433** | 2,648  | 44,3  |
| Senior Vice             | 2009 | 14,100 | 9,071  |       | 9,163  |        | 7,496   | 1,000  | 40,8  |
| President Marketing and | 2008 | 13,341 | 8,001  | 272   | 9,934  |        | 7,328   |        | 38,8  |
| Advertising             |      |        |        |       |        |        |         |        |       |

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\* Other items shown in the table above include reimbursement of the costs of annual physical examinations in 2009 and 2008. This perquisite was eliminated in 2010. It also includes personal use of corporate aircraft in 2010, 2009 and 2008 for Messrs. Leer, Eaves, Lang and Warnecke. We determined the aggregate incremental cost of the personal use of corporate aircraft by reference to a cost-per-flight-hour charge developed by a nationally-recognized and independent service. This flight-hour charge reflects the direct operating costs of the aircraft, including fuel, additives and lubricants, airport fees and assessments, as well as aircraft landing and parking, customs and permit fees, in-flight supplies and food, and flight planning and weather services. In addition, the flight-hour charge provides for periodic engine and auxiliary power unit overhauling, outside labor and maintenance parts for the airframe, engine and avionics, crew travel expenses and other miscellaneous costs.

\*\* Represents reimbursement in 2010 for tax preparation services performed in 2009.

(6) Represents one-time special retention awards.

(7) The value of Mr. Drexler's pension account decreased \$2,264 during 2008.

(8) Mr. Drexler was appointed Senior Vice President and Chief Financial Officer effective April 30, 2008 after having served previously as our Vice President-Finance and Accounting.

**Grants of Plan-Based Awards for the Year Ended December 31, 2010**

The following table shows information relating to the grants of certain equity and non-equity awards made to the NEOs during 2010:

| Name            | Grant Date               | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |             |              | All Other Stock Awards: Option Number of Shares or Securities |                   | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup> |
|-----------------|--------------------------|---|-------------|--------------|---|-------------------|---|---|
|                 |                          | Threshold (\$)  | Target (\$) | Maximum (\$) | Units Underlying Options (#) <sup>(1)</sup>                   | Awards: Number of |   |   |
| Steven F. Leer  | 2/18/2010 <sup>(3)</sup> | 31,875  | 850,000     | 1,700,000    |   |                   |   |   |
|                 | 2/18/2010                |   |             |              |   | 144,250           | \$ 22.65  | \$ 1,360,587  |
|                 | 2/18/2010 <sup>(4)</sup> | 223,125   | 1,487,500   | 2,975,000    |   |                   |   |   |
| John T. Drexler | 2/18/2010 <sup>(3)</sup> | 8,100   | 216,000     | 432,000      |   |                   |   |   |
|                 | 2/18/2010                |   |             |              |   | 48,000            | \$ 22.65  | \$ 452,743  |
|                 | 2/18/2010 <sup>(4)</sup> | 74,250  | 495,000     | 990,000      |   |                   |   |   |

|                      |                          |         |         |           |        |          |    |         |
|----------------------|--------------------------|---------|---------|-----------|--------|----------|----|---------|
| John W.<br>Eaves     | 2/18/2010 <sup>(3)</sup> | 16,050  | 428,000 | 856,000   |        |          |    |         |
|                      | 2/18/2010                |         |         |           | 90,800 | \$ 22.65 | \$ | 856,439 |
|                      | 2/18/2010 <sup>(4)</sup> | 140,438 | 936,250 | 1,872,500 |        |          |    |         |
| Paul A.<br>Lang      | 2/18/2010 <sup>(3)</sup> | 8,550   | 228,000 | 456,000   |        |          |    |         |
|                      | 2/18/2010                |         |         |           | 50,700 | \$ 22.65 | \$ | 478,210 |
|                      | 2/18/2010 <sup>(4)</sup> | 78,375  | 522,500 | 1,045,000 |        |          |    |         |
| David N.<br>Warnecke | 2/18/2010 <sup>(3)</sup> | 8,325   | 222,000 | 444,000   |        |          |    |         |
|                      | 2/18/2010                |         |         |           | 49,350 | \$ 22.65 | \$ | 465,476 |
|                      | 2/18/2010 <sup>(4)</sup> | 76,313  | 508,750 | 1,017,500 |        |          |    |         |

- (1) Amounts represent the number of stock options we granted to the NEOs during 2010. Refer to the information under the heading "Elements of Our Compensation Program" in the sub-section entitled "Compensation Discussion and Analysis" for more information about our stock option awards.
- (2) Amounts represent the grant date fair value of restricted stock, restricted stock units or stock options we awarded to the NEOs for 2010 determined in accordance with FASB ASC Topic 718 (formerly referred to as Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*). The determination of grant date fair value is subject to certain estimates and assumptions described in Note 16 to our consolidated financial statements for the year ended December 31,

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2010 and under the heading "Stock-Based Compensation" in the section entitled "Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended December 31, 2010.

- (3) Amounts represent the potential amounts payable to each NEO under the annual cash incentive awards for 2010 assuming threshold, target and maximum levels of performance. Amounts paid each NEO under our annual cash incentive awards for 2010 have been included under the column entitled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table.
- (4) Amounts represent the potential amounts payable in 2013 to each NEO under performance units awarded in 2010 assuming threshold, target, and maximum levels of performance for 2010-2012 performance period. You should see the information under the heading "Elements of Our Compensation Program" in the sub-section entitled "Compensation Discussion and Analysis" for more information about our performance unit awards.

Table of Contents**Outstanding Equity Awards at December 31, 2010**

The following table shows information relating to the equity awards previously made to the NEOs which remain outstanding at December 31, 2010.

| Name            | Option Awards   |   |  |                     | Stock Awards           |   |   | Equity Incentive Plan Awards: Market                            |   |
|-----------------|---|---|--|---------------------|------------------------|---|---|---|---|
|                 | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities | Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup> | Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity or Incentive Plan Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Steven F. Leer  | 218,900 <sup>(2)</sup>  | 0   | 0  | 9.075               | 2/29/2012              | 0   | 0.00  | 0   | 0.00  |
|                 | 218,900 <sup>(3)</sup>  | 0   | 0  | 11.30               | 4/25/2012              | 0   | 0.00  | 0   | 0.00  |
|                 | 51,550 <sup>(4)</sup>   | 154,650 <sup>(4)</sup>  | 0  | 14.05               | 2/19/2019              | 0   | 0.00  | 0   | 0.00  |
|                 | 0   | 144,250 <sup>(13)</sup>   | 0  | 22.65               | 2/18/2020              | 0   | 0.00  | 0   | 0.00  |
|                 | 133,050 <sup>(5)</sup>  | 0   | 0  | 32.99               | 2/22/2017              | 0   | 0.00  | 0   | 0.00  |
|                 | 84,734 <sup>(6)</sup>   | 42,366 <sup>(6)</sup>   | 0  | 52.69               | 2/21/2018              | 0   | 0.00  | 0   | 0.00  |
|                 | 0   | 64,100 <sup>(7)</sup>   | 0  | 52.69               | 2/21/2018              | 0   | 0.00  | 0   | 0.00  |
|                 | 0   | 0   | 0  |                     |                        | 32,550 <sup>(8)</sup>                                       | 1,141,203.00  | 0   | 0.00  |
| <i>Total</i>    | 707,134   | 405,366   | 0  |                     |                        | 32,550  | 1,141,203.00  | 0   | 0.00  |
| John T. Drexler | 2,074 <sup>(2)</sup>  | 0   | 0  | 9.075               | 2/29/2012              | 0   | 0.00  | 0   | 0.00  |
|                 | 2,074 <sup>(3)</sup>  | 0   | 0  | 11.30               | 4/25/2012              | 0   | 0.00  | 0   | 0.00  |
|                 | 15,913 <sup>(4)</sup>   | 47,737 <sup>(4)</sup>   | 0  | 14.05               | 2/19/2019              | 0   | 0.00  | 0   | 0.00  |

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|              |                        |                        |   |       |           |                       |              |   |      |
|--------------|------------------------|------------------------|---|-------|-----------|-----------------------|--------------|---|------|
|              | 5,400 <sup>(10)</sup>  | 0                      | 0 | 16.10 | 7/22/2014 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 48,000 <sup>(13)</sup> | 0 | 22.65 | 2/18/2020 | 0                     | 0.00         | 0 | 0.00 |
|              | 8,700 <sup>(5)</sup>   | 0                      | 0 | 32.99 | 2/22/2017 | 0                     | 0.00         | 0 | 0.00 |
|              | 3,100 <sup>(6)</sup>   | 1,550 <sup>(6)</sup>   | 0 | 52.69 | 2/21/2018 | 0                     | 0.00         | 0 | 0.00 |
|              | 22,934 <sup>(11)</sup> | 11,466 <sup>(11)</sup> | 0 | 56.84 | 4/24/2018 | 0                     | 0.00         | 0 | 0.00 |
| <i>Total</i> | 60,195                 | 108,753                | 0 |       |           | 0                     | 0.00         | 0 | 0.00 |
| John W.      |                        |                        |   |       |           |                       |              |   |      |
| Eaves        | 71,900 <sup>(2)</sup>  | 0                      | 0 | 9.075 | 2/29/2012 | 0                     | 0.00         | 0 | 0.00 |
|              | 71,900 <sup>(3)</sup>  | 0                      | 0 | 11.30 | 4/25/2012 | 0                     | 0.00         | 0 | 0.00 |
|              | 32,588 <sup>(4)</sup>  | 97,762 <sup>(4)</sup>  | 0 | 14.05 | 2/19/2019 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 90,800 <sup>(13)</sup> | 0 | 22.65 | 2/18/2020 | 0                     | 0.00         | 0 | 0.00 |
|              | 86,200 <sup>(5)</sup>  | 0                      | 0 | 32.99 | 2/22/2017 | 0                     | 0.00         | 0 | 0.00 |
|              | 53,334 <sup>(6)</sup>  | 26,666 <sup>(6)</sup>  | 0 | 52.69 | 2/21/2018 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 42,750 <sup>(7)</sup>  | 0 | 52.69 | 2/21/2018 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 0                      | 0 |       |           | 21,700 <sup>(8)</sup> | 760,802.00   | 0 | 0.00 |
| <i>Total</i> | 315,922                | 257,978                |   |       |           | 21,700                | 760,802.00   | 0 | 0.00 |
| Paul A.      |                        |                        |   |       |           |                       |              |   |      |
| Lang         | 16,800 <sup>(4)</sup>  | 50,400 <sup>(4)</sup>  | 0 | 14.05 | 2/19/2019 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 50,700 <sup>(13)</sup> | 0 | 22.65 | 2/18/2020 | 0                     | 0.00         | 0 | 0.00 |
|              | 56,750 <sup>(5)</sup>  | 0                      | 0 | 32.99 | 2/22/2017 | 0                     | 0.00         | 0 | 0.00 |
|              | 28,600 <sup>(6)</sup>  | 14,300 <sup>(6)</sup>  | 0 | 52.69 | 2/21/2018 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 0                      | 0 |       |           | 30,000 <sup>(9)</sup> | 1,051,800.00 | 0 | 0.00 |
| <i>Total</i> | 102,150                | 115,400                | 0 |       |           | 30,000                | 1,051,800.00 | 0 | 0.00 |
| David N.     |                        |                        |   |       |           |                       |              |   |      |
| Warnecke     | 16,350 <sup>(4)</sup>  | 49,050 <sup>(4)</sup>  | 0 | 14.05 | 2/19/2019 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 49,350 <sup>(13)</sup> | 0 | 22.65 | 2/18/2020 | 0                     | 0.00         | 0 | 0.00 |
|              | 62,200 <sup>(5)</sup>  | 0                      | 0 | 32.99 | 2/22/2017 | 0                     | 0.00         | 0 | 0.00 |
|              | 28,200 <sup>(6)</sup>  | 14,100 <sup>(6)</sup>  | 0 | 52.69 | 2/21/2018 | 0                     | 0.00         | 0 | 0.00 |
|              | 0                      | 0                      | 0 |       |           | 5,000 <sup>(12)</sup> | 175,300.00   | 0 | 0.00 |
| <i>Total</i> | 106,750                | 112,500                |   |       |           | 5,000                 | 175,300.00   |   |      |

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- (1) Calculated using the closing price for our common stock as reported on the New York Stock Exchange on December 31, 2010.
- (2) Stock options vested at the rate of 25% per year, with vesting dates of February 28, 2003, February 28, 2004, February 28, 2005 and February 28, 2006.
- (3) Stock options vested at the rate of 25% per year, with vesting dates of April 25, 2003, April 25, 2004, April 25, 2005 and April 25, 2006.
- (4) Stock options vest at the rate of 25% per year, with vesting dates of February 19, 2010, February 19, 2011, February 19, 2012 and February 19, 2013.
- (5) Stock options vest at the rate of 33 1/3% per year, with vesting dates of February 22, 2008, February 22, 2009 and February 22, 2010.
- (6) Stock options vest at the rate of 33 1/3% per year, with vesting dates of February 21, 2009, February 21, 2010 and February 21, 2011.
- (7) One-half of the stock options vest on each of February 21, 2011 and February 21, 2012.
- (8) One-half of the restricted stock units vest on each of February 21, 2011 and February 21, 2012.
- (9) Restricted stock vest on February 19, 2013.
- (10) Stock options vested at the rate of 33 1/3% per year, with vesting dates of July 22, 2005, July 22, 2006 and July 22, 2007.
- (11) Stock options vested at the rate of 33 1/3% per year, with vesting dates of April 24, 2009, April 24, 2010 and April 24, 2011.
- (12) Restricted stock vests on February 21, 2011.
- (13) Stock options vest at the rate of 25% per year, with vesting dates of February 18, 2011, February 18, 2012, February 18, 2013 and February 18, 2014.

**Option Exercises and Stock Vested for the Year Ended December 31, 2010**

The following table shows information relating to the exercise or vesting of certain equity awards previously made to the executives named in this proxy statement during 2010.

| Name | Option Awards    |                              | Stock Awards     |              |
|------|------------------|------------------------------|------------------|--------------|
|      | Number of Shares |                              | Number of Shares | Value        |
|      | Acquired on      | Value Realized on            | Acquired on      | Realized on  |
|      | Exercise (#)     | Exercise (\$) <sup>(1)</sup> | Vesting (#)      | Vesting (\$) |

|                   |        |         |
|-------------------|--------|---------|
| Steven F. Leer    |        |         |
| John T. Drexler   |        |         |
| John W. Eaves     | 18,200 | 351,897 |
| Paul A. Lang      |        |         |
| David N. Warnecke |        |         |

- (1) Amounts shown represent the value realized upon exercise of outstanding stock options calculated by multiplying the number of shares acquired upon exercise by the difference between the option exercise price and the fair market value of our common stock on the date of exercise.

### **Pension Benefits**

*Defined Benefit Pension Plan.* We sponsor a defined benefit pension plan covering all of our eligible employees, including our NEOs. Employees become eligible to participate in the plan after working



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1,000 hours. A cash balance account is established for each participant. Participants become vested in their cash balance accounts after serving three years with us. Upon retirement or upon termination of employment following three years of service with us, participants or their beneficiaries may elect to receive benefits in a lump sum, in installments over a period of time or at a later date. Under the terms of the plan, normal retirement occurs on the first day of the month following the date a participant turns 65.

We credit each participant's cash balance account with an interest amount based on the U.S. Treasury rate, subject to an annual minimum rate of 4.25%. In addition, we may provide transition credits to employees who participated in certain predecessor plans for a period up to the number of years of credited service with the predecessor plan, subject to certain maximum amounts depending upon the particular plan. The transition contribution rates range from 1% to 4% of compensation, depending upon the participant's age at the end of the year. Annually, we also credit each participant's cash balance account with an amount, reflected as a percentage of compensation, based on the participant's age at the end of the year. For purposes of determining the contribution amount, compensation includes salary, regular wages, overtime pay, earned vacation pay, short-term incentive compensation payments and amounts contributed by the participant to a qualified profit-sharing or cafeteria plan maintained by us, subject to certain limits imposed under the Code. The following table shows the percentages of compensation we contribute to each participant's account, based on the participant's age at the end of the year:

| <b>Age at End of Year</b> | <b>Contribution Rate<br/>(% of Compensation)</b> |
|---------------------------|--|
| Less than 30              | 3%   |
| 30-39                     | 4%   |
| 40-44                     | 5%   |
| 45-49                     | 6%   |
| 50-54                     | 7%   |
| 55 and over               | 8%   |

*Supplemental Retirement Plan.* We sponsor a supplemental retirement plan covering all of our eligible employees, including our NEOs, whose retirement benefits under our defined benefit pension plan are limited by the Code. Under our supplemental retirement plan, each eligible employee is entitled to receive a lump sum amount equal to the difference between the amount that would have been paid under our defined benefit pension plan but for the limitations contained in the Code and the actual amount that the employee is entitled to receive under our defined benefit pension plan after taking into account the limitations imposed by the Code. Subject to the limitations contained in the Code, benefits under the supplemental retirement plan will be paid six months after termination.

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The following table shows information relating to the accumulated benefits to which the NEOs are entitled under our defined benefit pension plans at December 31, 2010:

| <b>Name</b>       | <b>Plan Name</b>                             | <b>Number of<br/>Years<br/>Credited<br/>Service<br/>(#)<sup>(1)</sup></b> | <b>Present Value of<br/>Accumulated<br/>Benefit<br/>(\$)<sup>(2)</sup></b> | <b>Payments<br/>During<br/>Last Fiscal<br/>Year<br/>(\$)</b> |
|-------------------|--|---|--|--|
| Steven F. Leer    | Arch Coal, Inc. Retirement Account Plan      | 30  | \$ 1,384,011   |  |
|                   | Arch Coal, Inc. Supplemental Retirement Plan | 30  | 1,437,225  |  |
| John T. Drexler   | Arch Coal, Inc. Retirement Account Plan      | 13  | 144,268  |  |
|                   | Arch Coal, Inc. Supplemental Retirement Plan | 13  | 15,852   |  |
| John W. Eaves     | Arch Coal, Inc. Retirement Account Plan      | 28  | 960,488  |  |
|                   | Arch Coal, Inc. Supplemental Retirement Plan | 28  | 51,048   |  |
| Paul A. Lang      | Arch Coal, Inc. Retirement Account Plan      | 26  | 550,882  |  |
|                   | Arch Coal, Inc. Supplemental Retirement Plan | 26  | 44,058   |  |
| David N. Warnecke | Arch Coal, Inc. Retirement Account Plan      | 27  | 773,301  |  |
|                   | Arch Coal, Inc. Supplemental Retirement Plan | 27  | 37,617   |  |

(1) Under our defined benefit pension plans, certain executives named in this proxy statement have been credited with additional years of service attributable to employment with one or more predecessor entities as follows: Mr. Leer 16 years, Mr. Eaves 15 years, Mr. Lang 13 years and Mr. Warnecke 13 years. In addition to an annual credit to our defined benefit pension plans, each of the executives except for Mr. Eaves and Mr. Drexler receives a transition credit ranging from 1% to 4% of his compensation as a result of the additional years of service.

(2) Amounts shown for each named executive officer represent the actuarial present value of the named executive's accumulated benefit under our defined benefit pension plans as of December 31, 2010, computed in accordance with FASB ASC Topic 715 (formerly known as Statement of Financial Accounting Standards No. 87, *Employer's Accounting for Pensions*). The present value of accumulated benefits is subject to certain actuarial assumptions described in Note 14 to our consolidated financial statements for the year ended December 31, 2010 and under the heading *Employee Benefit Plans* in the section entitled *Critical Accounting Policies* included in our Annual Report on Form 10-K for the year ended December 31, 2010.

**Non-Qualified Deferred Compensation**

We maintain a deferred compensation plan that allows an eligible employee to defer receipt of his or her base salary and/or annual incentive payment until the date or dates elected by the participant. The amounts deferred are invested in cash accounts that mirror the gains and/or losses of a number of different investment funds, including a hypothetical investment in shares of our common stock. The deferred compensation plan offers participants a wide-range of publicly-available investment funds, including international, U.S. equity, bond and money market funds. These investment funds are substantively similar to the investment alternatives offered to participants of our defined contribution plan. The plan does not offer any above-market rates of return to any of our NEOs.

Participants in the plan may defer up to 85% of their base salaries and up to 100% of their annual incentive awards. The plan also allows participants to defer receipt of up to 100% of the shares issuable under any restricted stock units or performance-contingent phantom stock awards granted to executives under our long-term incentive program. Participants are always vested in their deferrals to the plan and any related earnings. We contribute one dollar for each dollar of base salary deferred by participants in the plan, up to a maximum of 6% of the participant's base salaries. We have established a grantor trust to fund our obligations under the deferred compensation plan. The trust has purchased corporate-owned life

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insurance to offset these obligations. Participants have an unsecured contractual commitment by us to pay the amounts due under the deferred compensation plan.

Under the plan, we credit each participant's account with the number of units equal to the number of shares or units that the participant could purchase or receive with the amount of compensation deferred under the plan on the date we credit the participant's account, based upon the fair market value of the underlying investment on that date. We will pay the amount of compensation deferred under the plan to the participant (or to his or her designated beneficiary in the event of death) in annual installments or in a lump sum, at the participant's election, following the participant's termination of employment or on the date or dates specified by the participant in his or her payment election. The amount we pay will be based on the number of units credited to each participant's account, valued on the basis of the fair market value of an equivalent number of shares or units of the underlying investment on the date payment occurs. We may also pay a participant the amount of compensation deferred under the plan prior to the date the participant initially elected to receive payment if we determine that the employee has a demonstrated financial hardship.

The following table shows information relating to the activity in the deferred compensation plan accounts for the executives named in this proxy statement during 2010:

| <b>Name</b>       | <b>Executive Contributions in Last Fiscal Year (\$)</b> | <b>Registrant Contributions in Last Fiscal Year (\$)<sup>(1)</sup></b> | <b>Aggregate Earnings in Last Fiscal Year (\$)</b> | <b>Aggregate Withdrawals/ Distributions (\$)</b> | <b>Aggregate Balance at Last Fiscal Year End (\$)<sup>(2)</sup></b> |
|-------------------|---|--|--|--|---|
| Steven F. Leer    | \$ 165,643  | \$ 36,877  | \$ 6,397,612                                       | \$   | \$ 20,222,429   |
| John T. Drexler   | 19,385  | 10,052   | 35,863   |  | 111,891   |
| John W. Eaves     | 74,884  | 16,852   | 1,770,759  |  | 6,037,729   |
| Paul A. Lang      | 48,403  | 7,894  | 43,469   | (31,866)   | 447,420   |
| David N. Warnecke | 46,641  | 7,673  | 70,556   | (9,697)  | 572,967   |

(1) Amounts shown represent credits we made under our deferred compensation plan to the named executive's account that are intended to provide the named executive with the full company matching contributions to which they would otherwise be entitled under our defined contribution plan but for certain limitations contained in the Code. We have included these amounts in the column entitled "All Other Compensation" contained in the Summary Compensation Table.

(2) Amounts shown include the following that we have reported as compensation for 2010 in the Summary Compensation Table: Mr. Leer \$36,877; Mr. Drexler \$10,052; Mr. Eaves \$16,852; Mr. Lang \$7,894 and Mr. Warnecke \$7,673.

**Potential Payments Upon Termination of Employment or Change-in-Control**

We maintain certain agreements or arrangements with each of the NEOs that provide for the payment or acceleration of certain benefits in the event that such executive's employment is terminated without cause or following a change-in-control. In addition to the benefits described below, the executives named in this proxy statement would also be entitled to receive certain benefits under our defined benefit pension plan, supplemental retirement plan and deferred compensation plan. You should see the sub-section entitled "Pension Benefits" for more information on the benefits accumulated under our defined benefit pension plan and our supplemental retirement plan that are attributable

to each of the NEOs and

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the sub-section entitled *Non-Qualified Deferred Compensation* for more information on the aggregate balance maintained under our deferred compensation plan by each of the NEOs.

***Potential Payments Upon Termination of Employment***

We maintain employment agreements with each of our executives, including the NEOs, and certain other key employees. Each of the employment agreements has a term of one year that is automatically extended for successive one-year periods unless either party terminates the agreement upon at least one year notice prior to the end of any one-year term. Under the employment agreements and certain other arrangements we have with the NEOs, we may be required to provide compensation in the event of a termination of employment or a change in control of the company. As a condition to each executive's entitlement to receive payments under the employment agreements, the executive is required to execute a waiver of claims against us and to abide by certain non-disclosure, non-competition and non-solicitation requirements. These restrictions prohibit executives from engaging in any business that competes with any of our business operations for a period of six months following the date of termination and from soliciting for employment, hiring or retaining any of our employees for a period of one year following the date of termination.

*Voluntary termination and termination for cause* Each of the NEOs may terminate his or her employment at any time. In addition, we may terminate the employment of the NEOs for cause at any time. Under the terms of the employment agreements with each NEO, a termination is for cause if it is for any of the following reasons:

- a willful and continual failure to perform his or her duties;
- gross misconduct that is materially and demonstrably detrimental to us; or
- the commission of a felony.

If we terminate an executive's employment for cause or if an executive terminates his or her employment for any reason prior to a change of control or for other than good reason following a change of control, then we will pay the executive an amount equal to the executive's accrued and unpaid base salary and unused vacation time. If we terminate an executive's employment for cause or if the executive terminates his or her employment for any reason without our consent, then all of the unexpired, unvested restricted stock, restricted stock units, performance units, stock options, performance-contingent phantom stock or other awards granted to the executive under our stock incentive plan that remain outstanding on the date of termination shall automatically be forfeited. If we terminated each of the executives named in this proxy statement for cause or if each of the NEOs terminated his employment on December 31, 2010, then the executives would not have been entitled to receive any amounts from us.

*Termination without cause prior to a change of control* Each of the NEOs may be entitled to certain benefits if we terminate the executive's employment for reasons other than cause. If we terminate an

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executive without cause prior to a change of control, then under the terms of the employment agreement we will pay the executive a lump sum cash amount equal to the following:

one times (two times for Mr. Leer) the executive's annual base salary;

12 times (18 times for Mr. Leer) the effective monthly COBRA rate;

12 times (24 times for Mr. Leer) the applicable monthly life insurance premium rate;

a pro-rata portion of any amounts to which the executive would be entitled under our annual cash incentive awards or our long-term cash and equity-based incentive awards;

one times the higher of the executive's annual cash incentive award for the most recent year or the average annual cash incentive award for the three preceding years;

the matching contribution under our defined contribution plan and executive deferred compensation plan and the annual cash balance credit amounts under our defined benefit plans as if the executive continued to participate in those plans for a period of 12 months (24 months for Mr. Leer) and the amount of any related income taxes; and

the value of any unused vacation time.

In addition, if we terminate an executive for reasons other than for cause prior to a change of control, all unexpired stock options held by the executive on the date of termination will immediately vest and become exercisable by the executive in accordance with the terms of our stock incentive plan and related stock option award agreements. Also, we have agreed to reimburse the executives named in this proxy statement for the cost of financial counseling services (up to a maximum of \$5,000) for a period of 12 months (24 months for Mr. Leer), the cost of reasonable outplacement services for a period of 12 months (24 months for Mr. Leer) and the amount of any excise taxes imposed on the executive under the Code.

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The following table shows the amounts each of the executives named in this proxy statement would receive if we terminated his employment for reasons other than for cause prior to a change of control on December 31, 2010:

|   | <b>Steven F.<br/>Leer</b> | <b>John T.<br/>Drexler</b> | <b>John W.<br/>Eaves</b> | <b>Paul A.<br/>Lang</b> | <b>David N.<br/>Warnecke</b> |
|---|---------------------------|----------------------------|--------------------------|-------------------------|------------------------------|
| Cash payments:                                    |                           |                            |                          |                         |                              |
| Cash severance                                    | \$ 2,703,933              | \$ 576,000                 | \$ 1,040,533             | \$ 662,467              | \$ 628,600                   |
| Healthcare coverage                               | 32,207                    | 21,471                     | 21,471                   | 21,471                  | 21,471                       |
| Life insurance premiums                           | 2,754                     | 583                        | 867                      | 616                     | 599                          |
| Incentive awards <sup>(1)</sup>                   | 2,337,500                 | 711,000                    | 1,364,250                | 750,500                 | 730,750                      |
| Retirement benefits                               | 1,315,683                 | 128,374                    | 306,016                  | 236,084                 | 214,983                      |
| Financial counseling and<br>outplacement services | 30,000                    | 20,000                     | 20,000                   | 20,000                  | 20,000                       |
| Accrued salary and accrued<br>vacation            |                           |                            |                          |                         |                              |
| Acceleration of equity<br>awards:                 |                           |                            |                          |                         |                              |
| Stock options                                     | 5,039,339                 | 1,598,634                  | 3,180,808                | 1,668,091               | 1,642,974                    |
| <b>Total</b>                                      | <b>\$ 11,461,416</b>      | <b>\$ 3,056,062</b>        | <b>\$ 5,933,945</b>      | <b>\$ 3,359,229</b>     | <b>\$ 3,259,377</b>          |

(1) For purposes of estimating the amounts payable by us under our annual cash incentive awards or our long-term cash and equity-based incentive awards, we have assumed that we achieved target levels of performance under those awards.

*Termination in connection with a change of control* Each of the NEOs may be entitled to certain benefits if we terminate the executive's employment for reasons other than cause following a change of control or if the executive terminates his or her employment for good reason during the two years following a change of control. Under the terms of the employment agreements with the NEOs, a termination is for good reason if it is for any of the following reasons:

a material diminution in position, title, duties, responsibilities or authority;

a reduction in base salary or a failure to increase base salary by a percentage that is similar to the average percentage increase in base salary for other officers;

(i) the discontinuation of an incentive, retirement, stock ownership or health and welfare plan, (ii) the adoption of changes to those plans that would adversely affect participation or materially reduce benefits or (iii) the reduction of incentive compensation levels;

the relocation of our executive offices outside the St. Louis metropolitan area or the failure to pay relocation expenses, including the amount of any loss on the sale of a personal residence;

a material breach of the employment agreement; or

a failure to require a successor to assume the employment agreement.





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Under the terms of the employment agreements with each NEO, a change of control means any of the following:

a consolidation, merger or similar transaction in which we do not survive or in which shares of our common stock are converted into cash, securities or other property, other than a merger in which the holders of our common stock immediately prior to the merger maintain substantially the same proportionate ownership of the common stock of the surviving entity immediately after the merger;

the sale, lease, exchange or other transfer of all or substantially all of our assets;

the approval by our stockholders of a plan of liquidation or dissolution; or

the failure of our directors to constitute a majority of our board of directors at any time during any two consecutive years.

If we terminate an executive for reasons other than for cause following a change of control or if the executive terminates his or her employment for good reason during the two years following a change of control, then under the terms of the employment agreement we will pay the executive a lump sum cash amount equal to the following:

two times (three times for Mr. Leer) the executive's highest annual base salary during the preceding three years;

18 times the effective monthly COBRA rate;

24 times (36 times for Mr. Leer) the applicable monthly life insurance premium rate;

the full amount of any long-term cash awards and a pro-rata portion of any amounts to which the executive would be entitled under our annual cash incentive awards;

two times (three times for Mr. Leer) the higher of the executive's annual cash incentive award for the most recent year or the average annual cash incentive award for the three years preceding the date of termination;

the matching contribution under our defined contribution plan and nonqualified executive deferred compensation plan and the annual credit amounts under our defined benefit plans as if the executive continued to participate in those plans for a period of 24 months (36 months for Mr. Leer) and the amount of any related income taxes; and

the value of any unused vacation time.

In addition to the foregoing, if we terminate an executive for reasons other than for cause following a change of control, all unexpired stock options held by the executive on the date of termination will immediately vest and become exercisable by the executive in accordance with the terms of our stock incentive plan and related equity award agreements. Also, we have agreed to reimburse each NEO for the cost of financial counseling services (up to a maximum of \$5,000) for a period of 24 months (36 months for Mr. Leer), the cost of reasonable outplacement services for a period of 24 months (36 months for Mr. Leer) and the amount of any excise taxes imposed on the executive under the Code.

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The following table shows the amounts each NEO would receive if we terminated their employment on December 31, 2010 for reasons other than for cause following a change of control or if each of the executives named in this proxy statement terminated his or her employment on December 31, 2010 for good reason following a change of control:

|   | <b>Steven F.<br/>Leer</b> | <b>John T.<br/>Drexler</b> | <b>John W.<br/>Eaves</b> | <b>Paul A.<br/>Lang</b> | <b>David N.<br/>Warnecke</b> |
|---|---------------------------|----------------------------|--------------------------|-------------------------|------------------------------|
| Cash payments:                                    |                           |                            |                          |                         |                              |
| Cash severance                                    | \$ 5,561,800              | \$ 1,152,000               | \$ 2,081,067             | \$ 1,324,933            | \$ 1,257,200                 |
| Healthcare coverage                               | 32,207                    | 32,207                     | 32,207                   | 32,207                  | 32,207                       |
| Life insurance premiums                           | 4,131                     | 1,166                      | 1,733                    | 1,231                   | 1,198                        |
| Incentive awards <sup>(1)</sup>                   | 850,000                   | 216,000                    | 428,000                  | 228,000                 | 222,000                      |
| Retirement benefits                               | 1,837,907                 | 230,582                    | 548,297                  | 398,641                 | 395,030                      |
| Financial counseling and<br>outplacement services | 30,000                    | 20,000                     | 20,000                   | 20,000                  | 20,000                       |
| Accrued salary and accrued<br>vacation            |                           |                            |                          |                         |                              |
| Excise tax and gross up <sup>(2)</sup>            |                           | 404,371                    |                          |                         |                              |
| Acceleration of equity<br>awards:                 |                           |                            |                          |                         |                              |
| Stock options <sup>(3)</sup>                      |                           |                            |                          |                         |                              |
| <b>Total</b>                                      | <b>\$ 8,316,045</b>       | <b>\$ 1,651,955</b>        | <b>\$ 3,111,304</b>      | <b>\$ 2,005,012</b>     | <b>\$ 1,927,635</b>          |

(1) For purposes of estimating the amounts payable by us under our annual cash incentive awards, we have assumed that we achieved target levels of performance under those awards. Payouts under performance units would be triggered upon a change of control and, accordingly, we have not included those payouts in the table above. Instead, payouts under performance units have been included in the table below under the heading Potential Payments Upon Change-in-Control.

(2) We have assumed that the effective federal income tax rate is 35% and that the effective state income tax rate is 6%.

(3) All outstanding options become fully exercisable upon a change of control and accordingly have not been included in the table above. Instead, the value has been included in the table below under the heading Potential Payments Upon Change-in-Control.

*Retirement, death and disability* In the event an executive's employment is terminated as a result of his or her retirement, death or disability, then we will pay the executive an amount equal to the executive's accrued and unpaid base salary, unused vacation time and all other amounts, including payouts under our annual cash incentive awards, that the executive has earned but which have not yet been paid. If an executive's employment is terminated as a result of his or her retirement, death or disability, then all of the vested stock options that remain outstanding will remain exercisable for a period of one year from death or disability. In the event of a retirement the options are exercisable for a period earlier of 5 years or the term of the original grant. Any restricted stock, restricted stock units, performance units, performance-contingent phantom stock or other awards granted to the executive under our stock incentive plan that remain outstanding on the date of termination are forfeited.



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The following table shows the amounts each NEO would receive if the employment of the executive terminated on December 31, 2010 as a result of his retirement, death or disability:

|   | <b>Steven F.<br/>Leer</b> | <b>John T.<br/>Drexler</b> | <b>John W.<br/>Eaves</b> | <b>Paul A.<br/>Lang</b> | <b>David N.<br/>Warnecke</b> |
|---|---------------------------|----------------------------|--------------------------|-------------------------|------------------------------|
| Cash payments:                                    |                           |                            |                          |                         |                              |
| Cash severance                                    |                           |                            |                          |                         |                              |
| Healthcare coverage                               |                           |                            |                          |                         |                              |
| Life insurance premiums                           |                           |                            |                          |                         |                              |
| Incentive awards <sup>(1)</sup>                   | \$ 850,000                | \$ 216,000                 | \$ 428,000               | \$ 228,000              | \$ 222,000                   |
| Retirement benefits                               |                           |                            |                          |                         |                              |
| Financial counseling and<br>outplacement services |                           |                            |                          |                         |                              |
| Accrued salary and accrued<br>vacation            |                           |                            |                          |                         |                              |
| Excise tax and gross up                           |                           |                            |                          |                         |                              |
| Acceleration of equity<br>awards:                 |                           |                            |                          |                         |                              |
| Stock options                                     | 5,039,339                 | 1,598,634                  | 3,180,808                | 1,668,091               | 1,642,974                    |
| Total   | \$ 5,889,339              | \$ 1,814,634               | \$ 3,608,808             | \$ 1,896,091            | \$ 1,864,974                 |

(1) For purposes of estimating the amounts payable by us under our annual cash incentive awards, we have assumed that we achieved target levels of performance under those awards.

***Potential Payments Upon Change-in-Control.***

Under the terms of our stock incentive plan and the agreements governing the various awards outstanding at December 31, 2010, each NEO would be entitled to certain benefits in the event a change in control occurs. Under the terms of our stock incentive plan, all outstanding stock options will become fully exercisable and will remain exercisable for the original term of the options, all outstanding restricted stock and restricted stock units will become fully vested and be distributed to the executive and all of the performance units and performance-contingent phantom stock will be paid out in the event a change of control occurs.

Under the terms of the stock incentive plan, a change in control means any change in control that would be required to be reported as such with the Securities and Exchange Commission, including without limitation any of the following:

a consolidation or merger in which we do not survive or in which shares of our common stock are converted to cash, securities or other property, other than a merger in which the holders of our common stock immediately prior to the merger maintain more than 50% of the ownership of common stock of the surviving corporation immediately after the merger;

the sale, lease, exchange or other transfer of all or substantially all of our assets;

the adoption by our board of directors of a plan of liquidation or dissolution; or

the acquisition by any person of more than 20% of our outstanding common stock.

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The following table shows the amounts each NEO would receive if we had undergone a change of control on December 31, 2010.

|   | <b>Steven F.<br/>Leer</b> | <b>John T.<br/>Drexler</b> | <b>John W.<br/>Eaves</b> | <b>Paul A.<br/>Lang</b> | <b>David N.<br/>Warnecke</b> |
|---|---------------------------|----------------------------|--------------------------|-------------------------|------------------------------|
| Cash payments:  |                           |                            |                          |                         |                              |
| Cash severance  |                           |                            |                          |                         |                              |
| Healthcare coverage   |                           |                            |                          |                         |                              |
| Life insurance premiums                                       |                           |                            |                          |                         |                              |
| Incentive awards <sup>(1)</sup>                               | \$ 5,950,000              | \$ 1,980,000               | \$ 3,745,000             | \$ 2,090,000            | \$ 2,035,000                 |
| Retirement benefits   |                           |                            |                          |                         |                              |
| Financial counseling and<br>outplacement services             |                           |                            |                          |                         |                              |
| Accrued salary and accrued<br>vacation                        |                           |                            |                          |                         |                              |
| Excise tax and gross up <sup>(2)</sup>                        |                           | 1,057,483                  |                          | 1,269,718               | 897,312                      |
| Acceleration of equity<br>awards:                             |                           |                            |                          |                         |                              |
| Restricted stock units and<br>restricted stock <sup>(3)</sup> | 1,141,203                 |                            | 760,802                  | 1,051,800               | 175,300                      |
| Stock options   | 5,039,339                 | 1,598,634                  | 3,180,808                | 1,668,091               | 1,642,974                    |
| <b>Total</b>  | <b>\$ 12,130,542</b>      | <b>\$ 4,636,117</b>        | <b>\$ 7,686,610</b>      | <b>\$ 6,079,609</b>     | <b>\$ 4,750,595</b>          |

(1) For purposes of estimating the amounts payable by us under performance unit awards, we have assumed that we achieved maximum levels of performance under those awards.

(2) We have assumed that the effective federal income tax rate is 35% and that the effective state income tax rate is 6%.

(3) For purposes of estimating the amounts payable under the stock incentive plan in the event of a change of control, we have calculated the value of accelerated vesting of restricted stock units and restricted stock by multiplying the number of shares underlying unvested restricted stock units outstanding at December 31, 2010 by the closing price of our common stock on December 31, 2010.

**Director Compensation for the Year Ended December 31, 2010**

Our director compensation program is designed to compensate our non-employee directors, through a simple and understandable structure, for the amount of work required for a company of our size and scope and to align the interests of our non-employee directors with the long-term interests of our stockholders. Directors who are employees do not receive separate retainers or attendance fees for their service as directors.

The Nominating and Corporate Governance Committee (the Committee) periodically reviews the compensation structure and amounts for our non-employee directors. Our human resources department supports the Committee by researching the structures and amounts of compensation programs sponsored by other similarly-sized public

companies and compiling the results of that research for the Committee. From time to time, the Committee may engage a compensation consultant to provide survey or proxy data on the structure and amount of director compensation for other companies.



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*Compensation.* Our board of directors has adopted the following compensation structure for our directors. All fees outlined below are paid on a quarterly basis.

|                                   |                                 |                           |
|-----------------------------------|---------------------------------|---------------------------|
| Annual retainer                   |                                 | \$ 120,000 <sup>(1)</sup> |
| Additional retainer               | Lead Director                   | \$ 15,000                 |
| Additional retainer               | Chairman of the Audit Committee | \$ 30,000                 |
| Additional retainer               | Chairman of P & C Committee     | \$ 15,000                 |
| Additional retainer               | Chairman of other committees    | \$ 10,000                 |
| Additional committee retainer fee | Audit Committee                 | \$ 15,000                 |
| Additional committee retainer fee | all other committees            | \$ 10,000                 |
| New director fee                  |                                 | \$ 60,000 <sup>(2)</sup>  |

(1) Non-employee directors are required to defer 50% of the annual retainer into a hypothetical investment in Arch Coal common stock pursuant to a deferred compensation plan for non-employee directors described below.

(2) Non-employee directors must defer 100% of the new director fee into a hypothetical investment in Arch Coal common stock pursuant to a deferred compensation plan for non-employee directors described below.

*Deferred Compensation Plan.* Our board of directors has adopted a deferred compensation plan for non-employee directors. Under the plan, non-employee directors may choose to defer receipt of any or all of the compensation paid to them in a cash account that mirrors the gains and/or losses of a number of different investment funds, one of which is a hypothetical investment in shares of our common stock. Non-employee directors must defer 50% of the annual retainer and 100% of the new director fee into a hypothetical investment in our common stock in order to more closely align the interests of our directors with the long-term interests of our stockholders. We credit each non-employee director's account with the number of units equal to the number of shares or units that the non-employee director could purchase or receive with the amount of compensation deferred under the plan on the date we credit the non-employee director's account, based upon the fair market value of the underlying investment on that date.

When a director terminates his or her service as a director, we will pay the amount of compensation deferred under the plan to the director (or to his or her designated beneficiary in the event of death) in annual installments or in a lump sum, at the director's election. The amount we pay will be based on the number of units credited to each director's account, valued on the basis of the fair market value of an equivalent number of shares or units of the underlying investment on the date payment occurs. We may also pay a director the amount of compensation deferred under the plan prior to the termination of a director's service as a director if the board of directors determines that the director has a demonstrated financial hardship.

*Other Compensation Arrangements.* In addition to the compensation elements described above, we sponsor a director matching gift program. Under our matching gift program, we donate \$2.00 for each dollar contributed by a director to accredited institutions of higher education up to a maximum of \$6,000 each year. We have included the matching gifts paid on behalf of each of our non-employee directors for 2010 in the table below. We have included the matching gifts paid on behalf of Mr. Leer in the column titled "All Other Compensation" in the Summary Compensation Table. During 2010, we did not pay any matching gifts on behalf of Mr. Eaves. We reimburse each director for their travel expenses incurred in

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connection with attendance at board and committee meetings and other matters related to service on our board of directors and for the costs of attending continuing education seminars. We also pay the premiums for directors liability insurance and travel accident insurance for each director. These amounts are not included in the table below since they are deemed to be business-related payments and not perquisites. We do not maintain a directors' retirement plan, and non-employee directors do not participate in our health, welfare or benefit plans.

*Stock Ownership Guidelines.* In order to more closely align the interests of our non-employee directors with the long-term interests of our stockholders and in lieu of granting equity awards to our directors, our board of directors has adopted stock ownership guidelines for non-employee directors. The guidelines establish a goal for each of our non-employee directors to own a number of shares of our common stock equal in value to five times the portion of the annual retainer that the directors are not required to defer, or \$300,000. Each non-employee director is expected to satisfy this goal by April 27, 2011 or, if elected after April 27, 2006, within five years of becoming a director. As of December 31, 2010, each of the non-employee directors who has been on our board of directors for at least five years satisfied the stock ownership goal adopted by the board of directors. You should see the table under the heading

Security Ownership of Directors and Executive Officers for more information about the beneficial ownership of our common stock by our non-employee directors.

The following table sets forth compensation paid to each non-employee director during 2010.

| <b>Name</b>          | <b>Fees Earned<br/>or Paid<br/>in Cash<sup>(1)</sup></b> | <b>All Other<br/>Compensation<br/>(\$)<sup>(2)</sup></b> | <b>Total (\$)</b> |
|----------------------|--|--|-------------------|
| James R. Boyd        | \$ 177,500   | \$ 6,000   | \$ 183,500        |
| Frank M. Burke       | 182,500  | 6,000  | 188,500           |
| David D. Freudenthal |  |  |                   |
| Patricia F. Godley   | 165,000  |  | 165,000           |
| Douglas H. Hunt      | 147,500  | 6,000  | 153,500           |
| Brian J. Jennings    | 160,000  |  | 160,000           |
| J. Thomas Jones      | 96,250   | 6,000  | 102,250           |
| Thomas A. Lockhart   | 151,250  | 1,536  | 152,786           |
| A. Michael Perry     | 152,500  | 4,000  | 156,500           |
| Robert G. Potter     | 166,250  |  | 166,250           |
| Theodore D. Sands    | 160,000  | 6,000  | 166,000           |
| Wesley M. Taylor     | 157,500  | 2,000  | 159,500           |
| Peter I. Wold        | 95,000   | 6,000  | 101,000           |

(1) Amounts shown include amounts that the directors elected to defer, on a discretionary basis, pursuant to our deferred compensation plan for non-employee directors described below. In lieu of equity awards, non-employee directors must defer 50% of the annual retainer into a hypothetical investment in our common stock pursuant to our deferred compensation plan for non-employee directors described below. This policy is intended to align the interests of our directors with the long-term interests of our stockholders by tying a portion of the annual retainer to the performance of our common stock. In addition, non-employee directors must defer 100% of the new director fee into a hypothetical investment in our common stock pursuant to our deferred compensation plan for non-employee directors described below. This policy is intended

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to quickly align the interests of new directors with the long-term interests of our stockholders by tying a portion of the director's wealth to the performance of our common stock.

(2) Amounts shown represent contributions under our director matching gift program.

**PERSONNEL AND COMPENSATION COMMITTEE REPORT**

The Personnel and Compensation Committee is comprised entirely of independent directors and has the responsibility for reviewing and recommending changes in our executive compensation policies and programs to the board of directors. The committee also reviews and makes recommendations for all compensation payments to our chief executive officer and other executives, which are approved by the board of directors as a whole.

The Personnel and Compensation Committee has reviewed and met with management to discuss the disclosures contained in the section of this proxy statement entitled "Executive and Director Compensation - Compensation Discussion and Analysis". Based on that review and discussions with management, the Personnel and Compensation Committee recommended to the board of directors, and the board of directors approved, including the disclosures contained in the section entitled "Compensation Discussion and Analysis" in this proxy statement and, by incorporating that section by reference, in the Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission.

Personnel and Compensation Committee

Robert G. Potter, Chairman  
Douglas H. Hunt  
Thomas A. Lockhart  
Theodore D. Sands  
Wesley M. Taylor

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**AUDIT COMMITTEE REPORT**

The Audit Committee oversees the Company's financial reporting process on behalf of the board of directors. Management is primarily responsible for the financial statements and reporting process, including the systems of internal controls, while the independent registered public accounting firm is responsible for performing an independent audit of our financial statements in accordance with auditing standards generally accepted in the United States and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.

In this context, the Audit Committee has reviewed the Company's audited consolidated financial statements and has met with and held discussions with management, our internal auditors and with Ernst & Young, LLP, the Company's independent registered public accounting firm, to discuss those financial statements and related matters. The Audit Committee reviewed with our internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee also met, at least quarterly, with the auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also reviewed with the independent auditors their judgment as to the quality and the appropriateness of the Company's accounting principles and financial controls and such other matters as are required to be discussed with the Audit Committee under auditing standards generally accepted in the United States.

The Company's independent registered public accounting firm also provided to the Audit Committee the written disclosures and the letter prescribed by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent auditors that firm's independence, including those matters required to be discussed by Statement on Auditing Standards No. 61. The Audit Committee considered whether the performance by Ernst & Young LLP of non-audit services was compatible with their independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors, and the board of directors approved, including the audited consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission. The Audit Committee has retained Ernst & Young LLP as the Company's independent registered public accounting firm for 2011.

While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

Audit Committee  
Brian J. Jennings, Chairman  
James R. Boyd  
Patricia F. Godley  
J. Thomas Jones  
A. Michael Perry

**Table of Contents****SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth, as of February 28, 2011, information concerning the beneficial ownership of our common stock by each director, each of the executives named in this proxy statement and all current directors and executive officers as a group. Under rules of the Securities and Exchange Commission, persons who have power to vote or dispose of securities, either alone or jointly with others, are deemed to be the beneficial owners of such securities. Each person reflected in the table below has both sole voting and investment power with respect to the shares included in the table, except as described in the footnotes below:

| <b>Name of Beneficial Owner</b>                                     | <b>Number of Actual Shares Owned Directly or Indirectly<sup>(1)</sup></b> | <b>Options Exercisable Within 60 Days<sup>(2)</sup></b> | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> | <b>Other Stock-Based Items<sup>(3)</sup></b> | <b>Total Stock-Based Ownership</b> |
|---|---|---|--|-------------------------|--|------------------------------------|
| James R. Boyd, Director   | 87,078  |   | 87,078   | *                       | 97,522                                       | 184,600                            |
| John W. Eaves, President, Chief Operating Officer and Director      | 239,746   | 419,251   | 658,997  | *                       | 10,850                                       | 669,847                            |
| David D. Freudenthal, Director                                      |   |   |  | *                       | 1,833  | 1,833                              |
| Patricia F. Godley, Director  | 1,000   |   | 1,000  | *                       | 35,912                                       | 36,912                             |
| Douglas H. Hunt, Director   | 22,000  |   | 22,000   | *                       | 58,096                                       | 80,096                             |
| Brian J. Jennings, Director   |   |   |  | *                       | 25,906                                       | 25,906                             |
| J. Thomas Jones, Director   |   |   |  | *                       | 3,931  | 3,931                              |
| Steven F. Leer, Chairman and Chief Executive Officer                | 553,845   | 869,163   | 1,423,008  | *                       | 16,275                                       | 1,439,283                          |
| Thomas A. Lockhart, Director  | 200   |   | 200  | *                       | 20,569                                       | 20,769                             |
| A. Michael Perry, Director  | 12,558  |   | 12,558   | *                       | 29,556                                       | 42,114                             |
| Robert G. Potter, Director  | 21,000  |   | 21,000   | *                       | 50,952                                       | 71,952                             |
| Theodore D. Sands, Director   | 25,000  |   | 25,000   | *                       | 42,383                                       | 67,383                             |
| Wesley M. Taylor, Director  | 5,000   |   | 5,000  | *                       | 16,397                                       | 21,397                             |
| Peter I. Wold, Director   | 500   |   | 500  | *                       | 4,359  | 4,859                              |
| John T. Drexler, Senior Vice President and Chief Financial Officer  | 11,517  | 101,124   | 112,641  | *                       | 3,026  | 115,667                            |
| Paul A. Lang, Senior Vice President, Operations                     | 64,416  | 145,925   | 210,341  | *                       |  | 210,341                            |
| David N. Warnecke, Vice President-Marketing and Trading             | 11,640  | 149,538   | 161,178  | *                       |  | 161,178                            |
| All of our directors and executive officers as a group (23 persons) | 1,220,278   | 2,378,313   | 3,598,591  | 2.2%                    | 417,567                                      | 4,016,158                          |

\* Less than one percent of the outstanding shares.

- (1) Includes, for executive officers, shares of restricted stock, shares of our common stock that the executives have elected to defer under our deferred compensation plan for executive officers and indirect interests in shares of our common stock held under our defined contribution plan.
- (2) Represents shares of our common stock that could be acquired by exercising stock options through April 28, 2011.
- (3) Includes, for directors, indirect interests in shares of our common stock held under our deferred compensation plan for non-employee directors. Includes, for executive officers, unvested restricted stock units awarded to executives under our equity-based compensation plans and indirect interests in shares of our common stock held under our deferred compensation plan for executive officers. While restricted stock units and indirect interests in shares of our common stock under our deferred compensation plans may not be voted or transferred, we have included them in the table as they represent an economic interest in our common stock that is subject to the same market risk as ownership of actual shares of our common stock.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table shows all persons or entities that we know were beneficial owners of more than five percent of our common stock on February 28, 2011.

| <b>Name and Address of Beneficial Owner</b>   | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> |
|---|--|-------------------------|
| Black Rock, Inc.<br>40 East 52 <sup>nd</sup> Street<br>New York, NY 10022   | 17,155,278 <sup>(1)</sup>                        | 10.5%                   |
| T. Rowe Price Associates, Inc.<br>100 E. Pratt Street<br>Baltimore, Maryland 21202  | 16,667,833 <sup>(2)</sup>                        | 10.2%                   |
| Goodman & Company, Investment Counsel Ltd<br>One Adelaide Street East<br>29 <sup>th</sup> Floor<br>Toronto, Ontario, M5C 2V9 CANADA | 8,244,900 <sup>(3)</sup>                         | 5.1%                    |

(1) Based on its filings with the Securities and Exchange Commission, BlackRock, Inc. has the sole voting power and sole dispositive power over 17,155,278 shares of our common stock.

(2) Based on its filings with the Securities and Exchange Commission, T. Rowe Price Associates, Inc. is the beneficial owner of 16,667,833 shares of our common stock as a result of acting as investment advisor to various investment companies registered under the Investment Company Act of 1940. T. Rowe Price Associates, Inc. has the sole voting power over 5,222,956 shares of our common stock and the sole dispositive power over 16,667,833 shares of our common stock.

(3) Based on its filings with the Securities and Exchange Commission, Goodman & Company, Investment Counsel Ltd. is the beneficial owner of 8,244,900 shares of our common stock as a result of acting as investment counsel and portfolio manager to various mutual funds and client accounts. Goodman & Company, Investment Counsel Ltd. has the sole voting power and sole dispositive power over 8,244,900 shares of our common stock.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any persons beneficially holding more than ten percent of our common stock to report their ownership of common stock and any changes in that ownership to the Securities and Exchange Commission and the New York Stock Exchange. The Securities and Exchange Commission has established specific due dates for these reports, and we are required to report in this proxy statement any failure to file by these dates. Based solely on a review of the copies of the reports furnished to us and written representations that no other such statements were required, we believe that all such reports of our directors and executive officers were filed on a timely basis.

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**STOCKHOLDER PROPOSALS FOR THE 2012 ANNUAL MEETING**

If you wish to submit proposals for possible inclusion in our 2012 proxy materials, we must receive them at our principal executive offices no later than the close of business on November 19, 2011. Proposals should be addressed to Robert G. Jones, Senior Vice President-Law, General Counsel and Secretary, Arch Coal, Inc., One CityPlace Drive, Suite 300, St. Louis, Missouri 63141.

If you wish to nominate directors and/or propose proper business from the floor for consideration at the 2012 annual meeting of stockholders, our bylaws provide that:

you must notify our secretary in writing;

your notice must have been received at our headquarters not earlier than January 29, 2012 and not later than February 18, 2012; and

your notice must contain the specific information required in our bylaws.

We will send copies of these requirements to any stockholder who writes to us requesting this information. Please note that these three requirements apply only to matters that you wish to bring before your fellow stockholders at the 2012 annual meeting of stockholders without submitting them for possible inclusion in our 2012 proxy materials.



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**INTERNET AVAILABILITY OF PROXY MATERIALS**

**Important Notice Regarding the Availability of Proxy Materials  
for the Stockholder Meeting to be held on April 28, 2011**

**The notice of annual meeting, proxy statement and our 2010 annual report may be viewed online under Annual Reports in the Investors section of our website at <http://investor.archcoal.com/annuals.cfm>.** Information on our website does not constitute part of this proxy statement. You may find more information about the date, time and location of the annual meeting of stockholders, as well as the items to be voted on by stockholders at the annual meeting, in the section of this proxy statement entitled Proxy and Voting Information . There, you will also find information about attending the annual meeting and voting your proxy, including where you may find the individual control numbers necessary to vote your shares by telephone or over the Internet.

If you are a stockholder of record and are interested in receiving future proxy statements and annual reports electronically, you should contact our transfer agent by accessing your account at [amstock.com](http://amstock.com) and selecting Shareholder Account Access. If you hold shares of our common stock through a broker, bank or other nominee, please refer to the instructions provided by that entity for instructions on how to elect this option.

**PROXY SOLICITATION**

We are paying the cost of preparing, printing, and mailing these proxy materials. We will reimburse brokerage firms, banks and others for their reasonable expenses in forwarding proxy materials to beneficial owners and obtaining their instructions.

Proxies will be solicited by mail and also may be solicited by our executive officers and other employees personally, by telephone or by electronic means, but such persons will not be specifically compensated for such services. It is contemplated that brokerage firms, banks, custodians, fiduciaries and other nominees will be requested to forward the soliciting material to the beneficial owners of stock held of record by such persons, and we will reimburse them for their reasonable expenses incurred. If we decide to retain a proxy solicitor, we will pay the fees charged by the proxy solicitor.

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**DIRECTIONS TO THE ANNUAL MEETING**

From downtown St. Louis: Take Highway 40 West approximately 14 miles to Interstate 270 North (Exit #25). Continue approximately two miles on Interstate 270 North to Olive Boulevard (Exit #14). Take Olive Boulevard East one mile to CityPlace Drive. Turn North on CityPlace Drive and continue to our headquarters at CityPlace One.

From Lambert International Airport: Take Highway 70 West approximately three miles to Interstate 270 South (Exit #232). Continue approximately six miles on Interstate 270 South to Olive Boulevard (Exit #14). Take Olive Boulevard East one mile to CityPlace Drive. Turn North on CityPlace Drive and continue to our headquarters at CityPlace One.

By order of the Board of Directors,  
Robert G. Jones  
*Senior Vice President Law, General Counsel and Secretary*

March 18, 2011

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**ANNUAL MEETING OF STOCKHOLDERS OF  
ARCH COAL, INC.  
April 28, 2011**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting and proxy statement  
are available at <http://investor.archcoal.com>

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

ê Please detach along perforated line and mail in the envelope provided. ê

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS, FOR  
RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM, FOR  
APPROVAL OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION AND FOR 1 YEAR IN AN  
ADVISORY VOTE ON FREQUENCY OF SAY-ON-PAY VOTES.  
PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY IN THE ENCLOSED  
ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. Election of Directors:

**NOMINEES:**

- |   |  |
|---|--|
| <input type="radio"/> <b>FOR ALL NOMINEES</b> | <input type="radio"/> James R. Boyd        |
| <input type="radio"/> <b>WITHHOLD</b>         | <input type="radio"/> John W. Eaves        |
| <input type="radio"/> <b>AUTHORITY</b>        | <input type="radio"/> David D. Freudenthal |
| <input type="radio"/> <b>FOR ALL NOMINEES</b> | <input type="radio"/> Douglas H. Hunt      |
| <input type="radio"/> <b>FOR ALL EXCEPT</b>   | <input type="radio"/> J. Thomas Jones      |
| (See instructions below)                      | <input type="radio"/> A. Michael Perry     |
|   | <input type="radio"/> Peter I. Wold        |

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: l

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

2.

|                       |                       |                       |
|-----------------------|-----------------------|-----------------------|
| FOR                   | AGAINST               | ABSTAIN               |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Ratification of the appointment of independent registered public accounting firm.

3. Approval of executive compensation in an advisory vote. o o o

4. Advisory vote on frequency of say-on-pay votes. 1 year 2 years 3 years ABSTAIN  
o o o o

This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR each nominee, FOR ratification of the appointment of the independent registered public accounting firm, FOR the approval of an advisory vote on executive compensation and for 1 YEAR in an advisory vote on frequency of say-on-pay votes. The board of directors recommends a vote FOR each nominee, FOR ratification of the appointment of the independent registered public accounting firm, FOR the approval of an advisory vote on executive compensation and for 1 YEAR in an advisory vote on frequency of say-on-pay votes.

Arch Coal, Inc. encourages you to take advantage of the convenient ways by which you can vote your shares. You can vote your shares electronically through the Internet or by telephone. This eliminates the need to return the proxy card.

**YOUR VOTE IS IMPORTANT. PLEASE VOTE IMMEDIATELY.**  
If you vote over the Internet or by telephone, please do not mail your card.

**Please check here if you plan to attend the meeting:**

o

Date: Signature of Stockholder Date:

Signature of Stockholder

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**ARCH COAL, INC.**

Annual Meeting of Stockholders

Thursday, April 28, 2011

**ADMISSION TICKET**

**\*REQUIRED FOR MEETING ATTENDANCE \* PERMITS ONE TO ATTEND\***

**YOUR VOTE IS IMPORTANT!**

g

***ARCH COAL, INC.***

**This proxy is solicited on behalf of the Board of Directors of Arch Coal, Inc.  
for the annual meeting of stockholders to be held on April 28, 2011**

The undersigned hereby appoints STEVEN F. LEER and ROBERT G. JONES, and each of them, with power of substitution, as the proxy of the undersigned to represent the undersigned and to vote all shares of common stock which the undersigned would be entitled to vote, if personally present at the annual meeting of stockholders of Arch Coal, Inc. to be held at its headquarters at CityPlace One, One CityPlace Drive, St. Louis, Missouri 63141, at 10:00 a.m., Central time, on Thursday, April 28, 2011, in the lower level auditorium, and at any adjournments thereof, with all powers the undersigned would possess if present at such meeting on the matters set forth on the reverse side hereof and all other matters properly coming before the meeting.

If the undersigned is a participant in the Arch Coal, Inc. Employee Thrift Plan and this proxy card is received on or before April 18, 2011, then this card also provides voting instructions to the trustee of such plan to vote at the annual meeting, and any adjournments thereof, all shares of Arch Coal common stock held in the undersigned's plan account as specified upon the matters set forth on the reverse side hereof and all other matters properly coming before the meeting. If the undersigned is a participant in one of these plans and does not instruct the trustee by April 18, 2011, then the trustee will vote the undersigned's plan account shares in proportion to the votes of the other participants in that plan. In addition, the trustee will vote unallocated shares in the plan in direct proportion to voting by allocating shares for which instructions have been received.

**PLEASE SEE REVERSE SIDE FOR INFORMATION ON VOTING YOUR PROXY BY TELEPHONE  
OR INTERNET.**

**The Proxies cannot vote your shares unless you vote.**

**YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING YOUR SHARES.**

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**ANNUAL MEETING OF STOCKHOLDERS OF  
ARCH COAL, INC.  
April 28, 2011**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

**COMPANY NUMBER**

**ACCOUNT NUMBER**



**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:** The Notice of Meeting and proxy statement

are available at <http://investor.archcoal.com>

â Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone or the Internet. â

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS, FOR RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, FOR APPROVAL OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION AND FOR 1 YEAR IN AN ADVISORY VOTE ON FREQUENCY OF SAY-ON-PAY VOTES.**

**PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

|   |   |  |
|---|---|--|
| <p>1. Election of Directors:</p> <p><input type="radio"/> <b>FOR ALL NOMINEES</b></p> <p><input type="radio"/> <b>WITHHOLD AUTHORITY FOR ALL NOMINEES</b></p> <p><input type="radio"/> <b>FOR ALL EXCEPT</b><br/>(See instructions below)</p> | <p>2. <del>Ratification</del><br/>of the <del>appointment</del><br/>of <del>an</del><br/><del>independent</del><br/>registered<br/>public<br/>accounting<br/>firm.</p> <p>3. <del>Approval</del><br/>of <del>an</del><br/>executive <del>compensation</del><br/>in an<br/>advisory<br/>vote.</p> <p>4. <del>Advisory</del><br/>v o t e<br/>o n<br/>f r e q u e n c y<br/>o f<br/><del>say-on-pay</del><br/>votes.</p> | <p>FOR    AGAINST    ABSTAIN</p> <p>o        o            o</p> <p>o        o            o</p> <p>1 year   2 years   3 years   ABSTAIN</p> <p>o        o            o            o</p> |
| <p><b>NOMINEES:</b></p> <p>   ; James R. Boyd</p> <p>   ; John W. Eaves</p> <p>   ; David D. Freudenthal</p> <p>   ; Douglas H. Hunt</p> <p>   ; J. Thomas Jones</p> <p>   ; A. Michael Perry</p> <p>   ; Peter I. Wold</p>                   |   |  |

This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR each nominee, FOR ratification of the appointment of the independent registered public accounting firm, FOR the approval of an advisory vote on executive compensation and for 1 YEAR in an advisory vote on frequency of say-on-pay votes. The board of directors recommends a vote FOR each nominee, FOR ratification of the appointment of the independent registered public accounting firm, FOR the approval of an advisory vote on executive compensation and for 1 YEAR in an advisory vote on frequency of say-on-pay votes.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown

Arch Coal, Inc. encourages you to take advantage of the convenient ways by which you can vote



here: 1

your shares. You can vote your shares electronically through the Internet or by telephone. This eliminates the need to return the proxy card.

**YOUR VOTE IS IMPORTANT. PLEASE VOTE IMMEDIATELY.**

If you vote over the Internet or by telephone, please do not mail your card.

**Please check here if you plan to attend the meeting:**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

|                          |       |                          |       |
|--------------------------|-------|--------------------------|-------|
| Signature of Stockholder | Date: | Signature of Stockholder | Date: |
|--------------------------|-------|--------------------------|-------|

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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