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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____ .

Commission file number: 1-13105



Arch Coal, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

43-0921172

(I.R.S. Employer
Identification Number)

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

(Address of principal executive offices)

63141

(Zip code)

Registrant's telephone number, including area code: **(314) 994-2700**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At May 1, 2013 there were 212,246,799 shares of the registrant's common stock outstanding.

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Part I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Revenues	\$ 825,502	\$ 1,039,651
Costs, expenses and other		
Cost of sales (exclusive of items shown separately below)	710,573	850,871
Depreciation, depletion and amortization	118,868	139,966
Amortization of acquired sales contracts, net	(2,810)	(14,017)
Change in fair value of coal derivatives and coal trading activities, net	1,308	(3,613)
Selling, general and administrative expenses	33,209	30,861
Other operating income, net	(3,217)	(18,498)
	<u>857,931</u>	<u>985,570</u>
Income (loss) from operations	(32,429)	54,081
Interest expense, net:		
Interest expense	(95,087)	(74,772)
Interest and investment income	2,836	1,021
	<u>(92,251)</u>	<u>(73,751)</u>
Loss before income taxes	(124,680)	(19,670)
Benefit from income taxes	(54,631)	(21,079)
Net income (loss)	(70,049)	1,409
Less: Net income attributable to noncontrolling interest	—	(203)
Net income (loss) attributable to Arch Coal, Inc.	<u>\$ (70,049)</u>	<u>\$ 1,206</u>
Earnings per common share		
Basic earnings (loss) per common share	<u>\$ (0.33)</u>	<u>\$ 0.01</u>
Diluted earnings (loss) per common share	<u>\$ (0.33)</u>	<u>\$ 0.01</u>
Weighted average shares outstanding		
Basic	<u>212,062</u>	<u>211,687</u>
Diluted	<u>212,062</u>	<u>211,908</u>
Dividends declared per common share	<u>\$ 0.03</u>	<u>\$ 0.11</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Net income (loss)	\$ (70,049)	\$ 1,409
Derivative instruments		
Total comprehensive income (loss) before tax	(1,179)	10,287
Tax impact	425	(3,702)
	<u>(754)</u>	<u>6,585</u>
Pension, postretirement and other post-employment benefits		

Total comprehensive income before tax	1,954	724
Tax impact	(703)	(261)
	<u>1,251</u>	<u>463</u>
Available-for-sale securities		
Total comprehensive income before tax	1,553	394
Tax impact	(559)	(142)
	<u>994</u>	<u>252</u>
Total other comprehensive income	1,491	7,300
Total comprehensive income (loss)	<u>\$ (68,558)</u>	<u>\$ 8,709</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2013	December 31, 2012
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 730,119	\$ 784,622
Restricted cash	2,290	3,453
Short term investments	248,414	234,305
Trade accounts receivable	263,294	247,539
Other receivables	81,750	84,541
Inventories	368,240	365,424
Prepaid royalties	13,105	11,416
Deferred income taxes	67,337	67,360
Coal derivative assets	20,856	22,975
Other	88,977	92,469
Total current assets	<u>1,884,382</u>	<u>1,914,104</u>
Property, plant and equipment, net		
	7,272,541	7,337,098
Other assets:		
Prepaid royalties	91,691	87,773
Goodwill	265,423	265,423
Equity investments	246,807	242,215
Other	159,300	160,164
Total other assets	<u>763,221</u>	<u>755,575</u>
Total assets	<u>\$ 9,920,144</u>	<u>\$ 10,006,777</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 229,269	\$ 224,418
Coal derivative liabilities	643	1,737
Accrued expenses and other current liabilities	352,040	318,018
Current maturities of debt	28,306	32,896
Total current liabilities	<u>610,258</u>	<u>577,069</u>
Long-term debt	5,082,205	5,085,879
Asset retirement obligations	410,975	409,705
Accrued pension benefits	69,342	67,630
Accrued postretirement benefits other than pension	46,413	45,086
Accrued workers' compensation	81,039	81,629
Deferred income taxes	610,195	664,182
Other noncurrent liabilities	227,363	221,030
Total liabilities	<u>7,137,790</u>	<u>7,152,210</u>
Stockholders' equity		
Common stock, \$0.01 par value, authorized 260,000 shares, issued 213,759 shares at both March 31, 2013 and December 31, 2012	2,141	2,141
Paid-in capital	3,029,536	3,026,823
Treasury stock, at cost	(53,848)	(53,848)
Accumulated deficit	(180,459)	(104,042)
Accumulated other comprehensive loss	(15,016)	(16,507)
Total stockholders' equity	<u>2,782,354</u>	<u>2,854,567</u>
Total liabilities and stockholders' equity	<u>\$ 9,920,144</u>	<u>\$ 10,006,777</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Operating activities		
Net income (loss)	\$ (70,049)	\$ 1,409
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation, depletion and amortization	118,868	139,966
Amortization of acquired sales contracts, net	(2,810)	(14,017)
Amortization relating to financing activities	6,167	4,288
Prepaid royalties expensed	3,537	8,586
Employee stock-based compensation expense	2,713	4,079
Changes in:		
Receivables	(12,340)	88,082
Inventories	(2,816)	(111,196)
Coal derivative assets and liabilities	(192)	(5,347)
Accounts payable, accrued expenses and other current liabilities	38,249	(66,222)
Income taxes, net	458	23,002
Deferred income taxes	(54,801)	(21,742)
Other	16,307	4,102
Cash provided by operating activities	43,291	54,990
Investing activities		
Capital expenditures	(54,522)	(93,271)
Minimum royalty payments	(9,142)	(8,262)
Proceeds from dispositions of property, plant and equipment	714	22,105
Purchases of short term investments	(26,787)	—
Proceeds from sales of short term investments	11,534	—
Investments in and advances to affiliates	(4,298)	(5,777)
Change in restricted cash	1,163	1,455
Cash used in investing activities	(81,338)	(83,750)
Financing activities		
Net increase in borrowings under lines of credit	—	34,000
Payments on term note	(4,125)	—
Net payments on other debt	(5,964)	(7,323)
Debt financing costs	—	(100)
Dividends paid	(6,367)	(23,327)
Proceeds from exercise of options under incentive plans	—	5,131
Cash provided by (used in) financing activities	(16,456)	8,381
Decrease in cash and cash equivalents	(54,503)	(20,379)
Cash and cash equivalents, beginning of period	784,622	138,149
Cash and cash equivalents, end of period	\$ 730,119	\$ 117,770

The accompanying notes are an integral part of the condensed consolidated financial statements.

Arch Coal, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Arch Coal, Inc. and its subsidiaries and controlled entities (the "Company"). The Company's primary business is the production of thermal and metallurgical coal from surface and underground mines located throughout the United States, for sale to utility, industrial and steel producers both in the United States and around the world. The Company currently operates 16 mining complexes in West Virginia, Kentucky, Maryland, Virginia, Illinois, Wyoming, Colorado and Utah. In addition, the Company has a metallurgical coal mine in development in West Virginia. All subsidiaries are wholly-owned. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations for the three month period ended March 31, 2013 are not necessarily indicative of results to be expected for the year ending December 31, 2013. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2012 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

Arch Western Resources, LLC became a wholly-owned subsidiary when the remaining 0.5% interest was purchased on July 2, 2012. Net income attributable to noncontrolling interest is shown on the condensed consolidated statement of operations prior to this date.

2. Accounting Policies

There is no new accounting guidance that is expected to have a significant impact on the Company's financial statements.

3. Accumulated Other Comprehensive Loss

Other comprehensive loss includes transactions recorded in stockholders' equity during the year, excluding net income and transactions with stockholders. In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The standard requires that companies present, either parenthetically on the face of the financial statements or in a single note, the effect of significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The Company adopted the provisions of the new guidance during the first quarter of 2013.

The following items are included in accumulated other comprehensive loss:

	Derivative Instruments	Pension, Postretirement and Other Post- Employment Benefits	Available-for- Sale Securities	Accumulated Other Comprehensive Loss
	(In thousands)			
Balance at December 31, 2012	\$ 2,244	\$ (18,286)	\$ (465)	\$ (16,507)
Unrealized gains (losses)	(204)	—	956	752
Amounts reclassified from accumulated other comprehensive income	(550)	1,251	38	739
Balance at March 31, 2013	<u>\$ 1,490</u>	<u>\$ (17,035)</u>	<u>\$ 529</u>	<u>\$ (15,016)</u>

The following items were reclassified out of accumulated other comprehensive loss during the three months ended March 31, 2013:

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Details about accumulated other comprehensive income components	Amount Reclassified From Accumulated Other Comprehensive Loss (In thousands)	Affected Line Item in the Condensed Consolidated Statement of Operations
Derivatives instruments	\$ 859	Revenues
	(309)	Benefit from income taxes
	<u>\$ 550</u>	Net of tax
Pension, postretirement and other post-employment benefits		
Amortization of prior service credits	\$ 2,908	(1)
Amortization of actuarial gains (losses) net	(4,862)	(1)
	(1,954)	Total before tax
	703	Benefit from income taxes
	<u>\$ (1,251)</u>	Net of tax
Available-for-sale securities	\$ (59)	Interest and investment income
	21	Benefit from income taxes
	<u>\$ (38)</u>	Net of tax

(1) Production-related benefit and workers' compensation costs are included in the costs of coal inventory. See Note 12, "Workers' Compensation Expense" and Note 13 "Employee Benefit Plans" for more information about pension, postretirement and postemployment benefit costs.

4. Inventories

Inventories consist of the following:

	March 31 2013	December 31 2012
	(In thousands)	
Coal	\$ 182,998	\$ 180,917
Repair parts and supplies	170,040	172,139
Work-in-process	15,202	12,368
	<u>\$ 368,240</u>	<u>\$ 365,424</u>

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of \$14.0 million at March 31, 2013, and \$13.6 million at December 31, 2012.

5. Investments in Available-for-Sale Securities

The Company has invested in marketable debt securities, primarily highly liquid AA - rated corporate bonds and U.S. government and government agency securities. These investments are held in the custody of a major financial institution. These securities, along with the Company's investments in marketable

equity securities, are classified as available-for-sale securities and, accordingly, the unrealized gains and losses are recorded through other comprehensive income.

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The Company's investments in available-for-sale marketable securities are as follows:

	March 31, 2013						
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Balance Sheet Classification		
					Short-Term Investments	Other Assets	
(In thousands)							
Available-for-sale:							
U.S. government and agency securities	\$ 135,457	\$ 1	\$ (705)	\$ 134,753	\$ 134,753	\$ —	
Corporate notes and bonds	114,905	—	(1,244)	113,661	113,661	—	
Equity securities	5,271	5,547	(2,774)	8,044	—	8,044	
Total Investments	\$ 255,633	\$ 5,548	\$ (4,723)	\$ 256,458	\$ 248,414	\$ 8,044	

	December 31, 2012						
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Balance Sheet Classification		
					Short-Term Investments	Other Assets	
(In thousands)							
Available-for-sale:							
U.S. government and agency securities	\$ 146,993	\$ 2	\$ (412)	\$ 146,583	\$ 146,583	\$ —	
Corporate notes and bonds	88,118	—	(396)	87,722	87,722	—	
Equity securities	5,271	2,704	(2,628)	5,347	—	5,347	
Total Investments	\$ 240,382	\$ 2,706	\$ (3,436)	\$ 239,652	\$ 234,305	\$ 5,347	

The aggregate fair value of investments with unrealized losses that have been owned for less than a year was \$245.4 million and \$223.3 million at March 31, 2013 and December 31, 2012, respectively. The aggregate fair value of investments with unrealized losses that have been owned for over a year was \$0.3 million and \$0.4 million at March 31, 2013 and December 31, 2012, respectively.

The debt securities outstanding at March 31, 2013 have maturity dates ranging from the second quarter of 2013 through the third quarter of 2014. The Company classifies its investments as current based on the nature of the investments and their availability for use in current operations.

6. Equity Method Investments and Membership Interests in Joint Ventures

The Company accounts for its investments and membership interests in joint ventures under the equity method of accounting if the Company has the ability to exercise significant influence, but not control, over the entity. Below are the equity method investments reflected in the condensed consolidated balance sheets:

In thousands	Knight Hawk	DKRW	DTA	Tenaska	Millennium	Tongue River	Total
Balance at							
December 31, 2012	\$ 149,063	\$ 15,515	\$ 15,462	\$ 15,264	\$ 32,214	\$ 14,697	\$ 242,215
Advances to affiliates, net	—	—	593	—	1,790	1,001	3,384
Equity in comprehensive income (loss)	4,515	(733)	(1,609)	—	(684)	(281)	1,208
Balance at March 31, 2013	\$ 153,578	\$ 14,782	\$ 14,446	\$ 15,264	\$ 33,320	\$ 15,417	\$ 246,807
Notes receivable from investees:							
Balance at							
December 31, 2012	\$ —	\$ 38,680	\$ —	\$ 5,148	\$ —	\$ —	\$ 43,828
Balance at March 31, 2013	\$ —	\$ 41,019	\$ —	\$ 5,197	\$ —	\$ —	\$ 46,216

The Company may be required to make future contingent payments of up to \$72.8 million related to development financing for certain of its equity investees. The Company's obligation to make these payments, as well as the timing of any payments required, is contingent upon a number of factors, including project development progress, receipt of permits and construction financing.

7. Derivatives

Diesel fuel price risk management

The Company is exposed to price risk with respect to diesel fuel purchased for use in its operations. The Company anticipates purchasing approximately 57 to 67 million gallons of diesel fuel for use in its operations during 2013. To protect the Company's cash flows from increases in the price of diesel fuel for its operations, the Company uses forward physical diesel purchase contracts and purchased heating oil call options. At March 31, 2013, the Company had protected the price of approximately 97% of its expected purchases for the remainder of 2013 and 42% of its 2014 purchases. At March 31, 2013, the Company had purchased heating oil call options for approximately 71 million gallons for the purpose of managing the price risk associated with future diesel purchases.

The Company also purchased heating oil call options to manage the price risk associated with fuel surcharges on its barge and rail shipments, which cover increases in diesel fuel prices. At March 31, 2013, the Company held purchased call options for approximately 6 million gallons for the purpose of managing the fluctuations in cash flows associated with fuel surcharges on future shipments.

These positions reduce the Company's risk of cash flow fluctuations related to these surcharges but the positions are not accounted for as hedges.

Coal risk management positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market in order to manage its exposure to coal prices. The Company has exposure to the risk of fluctuating coal prices related to forecasted sales or purchases of coal or to the risk of changes in the fair value of a fixed price physical sales contract. Certain derivative contracts may be designated as hedges of these risks.

At March 31, 2013, the Company held derivatives for risk management purposes that are expected to settle in the following years:

(Tons in thousands)	2013	2014	2015	Total
Coal sales	5,399	4,260	780	10,439
Coal purchases	1,131	1,260	—	2,391

Coal trading positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market for trading purposes. The Company is exposed to the risk of changes in coal prices on the value of its coal trading portfolio. The estimated future realization of the value of the trading portfolio is \$4.1 million of losses in 2013 and \$3.6 million of gains in 2014.

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Tabular derivatives disclosures

The Company has master netting agreements with all of its counterparties which allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. Such netting arrangements reduce the Company's credit exposure related to these counterparties. For classification purposes, the Company records the net fair value of all the positions with a given counterparty as a net asset or liability in the condensed consolidated balance sheets. The amounts shown in the table below represent the fair value position of individual contracts, and not the net position presented in the accompanying condensed consolidated balance sheets. The fair value and location of derivatives reflected in the accompanying condensed consolidated balance sheets are as follows:

Fair Value of Derivatives (In thousands)	March 31, 2013		December 31, 2012			
	Asset Derivative	Liability Derivative	Asset Derivative	Liability Derivative		
Derivatives Designated as Hedging						
Instruments						
Coal	\$ 2,379	\$ (252)	\$ 3,277	\$ (10)		
Derivatives Not Designated as Hedging						
Instruments						
Heating oil — diesel purchases	6,227	—	7,379	—		
Heating oil — fuel surcharges	207	—	1,961	—		
Coal — held for trading purposes	41,675	(42,234)	17,403	(16,933)		
Coal — risk management	22,354	(3,709)	24,843	(7,342)		
Total	70,463	(45,943)	51,586	(24,275)		
Total derivatives	72,842	(46,195)	54,863	(24,285)		
Effect of counterparty netting	(45,552)	45,552	(22,548)	22,548		
Net derivatives as classified in the balance sheets	\$ 27,290	\$ (643)	\$ 26,647	\$ (1,737)	\$ 30,578	
Net derivatives as reflected on the balance sheets						
Heating oil						
		Other current assets	\$ 6,434	\$ 9,340		
Coal						
		Coal derivative assets	20,856	22,975		
		Coal derivative liabilities	(643)	(1,737)		
			\$ 26,647	\$ 30,578		

The Company had a current asset for the right to reclaim cash collateral of \$24.6 million and \$16.2 million at March 31, 2013 and December 31, 2012, respectively. These amounts are not included with the derivatives presented in the table above and are included in "other current assets" in the accompanying condensed consolidated balance sheets.

The effects of derivatives on measures of financial performance are as follows:

Derivatives used in Cash Flow Hedging Relationships (in thousands) For the three months ended March 31,

Gain (Loss) Recognized in Other
Comprehensive
Income(Effective Portion)

Gains (Losses) Reclassified from
Other Comprehensive Income into

		Income (Effective Portion)							
		2013		2012					
Coal sales	(1)	\$	(176)	\$	2,493	\$	1,221	\$	201
Coal purchases	(2)		(182)		(202)		(362)		—
Totals		\$	(358)	\$	2,291	\$	859	\$	201

No ineffectiveness or amounts excluded from effectiveness testing relating to the Company's cash flow hedging relationships were recognized in the results of operations in the three month periods ended March 31, 2013 and 2012.

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**Derivatives Not Designated as Hedging Instruments (in thousands)
For the three months ended March 31,**

		Gain (Loss) Recognized			
		2013	2012		
Coal — unrealized	(3)	\$	1,470	\$	7,552
Coal — realized	(4)	\$	9,217	\$	3,158
Heating oil — diesel purchases	(4)	\$	(4,261)	\$	423
Heating oil — fuel surcharges	(4)	\$	(565)	\$	367

Location in statement of operations:

- (1) — Revenues
- (2) — Cost of sales
- (3) — Change in fair value of coal derivatives and coal trading activities, net
- (4) — Other operating income, net

The Company recognized net unrealized and realized losses of \$2.8 million and \$3.9 million during the three months ended March 31, 2013 and 2012, respectively, related to its trading portfolio, which are included in the caption "Change in fair value of coal derivatives and coal trading activities, net" in the accompanying condensed consolidated statements of operations, and are not included in the previous tables reflecting the effects of derivatives on measures of financial performance.

Based on fair values at March 31, 2013, gains on derivative contracts designated as hedge instruments in cash flow hedges of approximately \$1.0 million are expected to be reclassified from other comprehensive income into earnings during the next twelve months.

8. Debt

	December 31,			
	March 31, 2013	2012		
	(In thousands)			
Term loan (\$1.64 billion face value) due 2018	\$	1,623,955	\$	1,627,384
8.75% senior notes (\$600.0 million face value) due 2016		591,535		590,999
7.00% senior notes due 2019 at par		1,000,000		1,000,000
9.875% senior notes (\$375.0 million face value) due 2019		360,621		360,042
7.25% senior notes due 2020 at par		500,000		500,000
7.25% senior notes due 2021 at par		1,000,000		1,000,000
Other		34,400		40,350
		5,110,511		5,118,775
Less current maturities of debt		28,306		32,896
Long-term debt	\$	5,082,205	\$	5,085,879

9. Fair Value Measurements

The hierarchy of fair value measurements assigns a level to fair value measurements based on the inputs used in the respective valuation techniques. The levels of the hierarchy, as defined below, give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include available-for-sale equity securities, U.S. Treasury securities, and coal futures that are submitted for clearing on the New York Mercantile Exchange.

- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The

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Company's level 2 assets and liabilities include U.S. government agency securities and commodity contracts (coal and heating oil) with fair values derived from quoted prices in over-the-counter markets or from prices received from direct broker quotes.

• Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. These include the Company's commodity option contracts (coal and heating oil) valued using modeling techniques, such as Black-Scholes, that require the use of inputs, particularly volatility, that are rarely observable. Changes in the unobservable inputs would not have a significant impact on the reported Level 3 fair values at March 31, 2013.

The table below sets forth, by level, the Company's financial assets and liabilities that are recorded at fair value in the accompanying condensed consolidated balance sheet:

	Fair Value at March 31, 2013			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets:				
Investments in marketable securities	\$ 256,458	\$ 98,410	\$ 158,048	\$ —
Derivatives	27,290	21,250	—	6,040
Total assets	<u>\$ 283,748</u>	<u>\$ 119,660</u>	<u>\$ 158,048</u>	<u>\$ 6,040</u>
Liabilities:				
Derivatives	<u>\$ 643</u>	<u>\$ —</u>	<u>\$ 245</u>	<u>\$ 398</u>

The Company's contracts with its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. Each level in the table above displays the underlying contracts according to their classification in the accompanying condensed consolidated balance sheet, based on this counterparty netting.

The following table summarizes the change in the fair values of financial instruments categorized as level 3.

	Three Months Ended March 31, 2013
Balance, beginning of period	\$ 8,174
Realized and unrealized losses recognized in earnings, net	(4,472)
Realized and unrealized losses recognized in other comprehensive income, net	—
Purchases	3,217
Issuances	(25)
Settlements	(1,252)
Ending balance	<u>\$ 5,642</u>

Net unrealized losses during the three month period ended March 31, 2013 related to level 3 financial instruments held on March 31, 2013 were \$4.0 million.

Fair Value of Long-Term Debt

At March 31, 2013 and December 31, 2012, the fair value of the Company's debt, including amounts classified as current, was \$5.0 billion. Fair values are based upon observed prices in an active market, when available, or from valuation models using market information, which fall into Level 2 in the fair value hierarchy.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

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	March 31, 2013	December 31, 2012
	(In thousands)	
Payroll and employee benefits	\$ 63,375	\$ 72,405
Taxes other than income taxes	121,159	121,029
Interest	83,855	42,413
Acquired sales contracts	14,456	14,038
Workers' compensation	12,732	10,371
Asset retirement obligations	38,919	38,920
Other	17,544	18,842
	<u>\$ 352,040</u>	<u>\$ 318,018</u>

11. Stock-Based Compensation and Other Incentive Plans

During the three months ended March 31, 2013 the Company granted options to purchase approximately 2.0 million shares of common stock with a weighted average exercise price of \$5.23 per share and a weighted average grant-date fair value of \$2.38 per share. The options' fair value was determined using the Black-Scholes option pricing model, using a weighted average risk-free rate of 0.648%, a weighted average dividend yield of 2.29% and a weighted average volatility of 66.76%. The options' expected life is 4.5 years and the options vest ratably over three years and provide for the continuation of vesting after retirement for recipients that meet certain criteria. The expense for these options will be recognized through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn all or part of the award.

During the three months ended March 31, 2013, the Company also granted restricted stock units totaling 974,500 shares whose grant date fair value at the time of grant was \$5.23. The shares vest at the end of three years.

The Company has a long-term incentive program that allows for the award of performance units. The total number of units earned by a participant is based on financial and operational performance measures, and may be paid out in cash or in shares of the Company's common stock. The Company recognizes compensation expense over the three-year term of the grant. Amounts accrued and unpaid for all grants under the plan totaled \$10.4 million and \$13.1 million as of March 31, 2013 and December 31, 2012, respectively.

12. Workers' Compensation Expense

The following table details the components of workers' compensation expense:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Service cost	\$ 505	\$ 968
Interest cost	656	680
Net amortization	235	277
Total occupational disease	1,396	1,925
Traumatic injury claims and assessments	7,358	5,176
Total workers' compensation expense	<u>\$ 8,754</u>	<u>\$ 7,101</u>

13. Employee Benefit Plans

The following table details the components of pension benefit costs (credits):

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	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Service cost	\$ 7,700	\$ 7,596
Interest cost	3,926	3,980
Expected return on plan assets	(5,806)	(5,538)
Amortization of prior service credits	(158)	(36)
Amortization of other actuarial losses	4,551	3,571
Net benefit cost	<u>\$ 10,213</u>	<u>\$ 9,573</u>

The following table details the components of other postretirement benefit costs (credits):

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Service cost	\$ 556	\$ 549
Interest cost	431	491
Amortization of prior service credits	(2,750)	(2,995)
Amortization of other actuarial losses (gains)	77	(90)
Net benefit credit	<u>\$ (1,686)</u>	<u>\$ (2,045)</u>

14. Earnings (Loss) Per Common Share

The following table provides the basis for earnings (loss) per share calculations by reconciling basic and diluted weighted average shares outstanding:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Weighted average shares outstanding:		
Basic weighted average shares outstanding	212,062	211,687
Effect of common stock equivalents under incentive plans	—	221
Diluted weighted average shares outstanding	<u>212,062</u>	<u>211,908</u>

The effect of options, restricted stock and restricted stock units equaling 8.6 million and 3.0 million shares of common stock were excluded from the calculation of diluted weighted average shares outstanding for the three month periods ended March 31, 2013 and 2012, respectively, because the exercise price or grant price of the securities exceeded the average market price of the Company's common stock for these periods. The weighted average share impact of options, restricted stock and restricted stock units that were excluded from the calculation of weighted average shares due to the Company's incurring a net loss for the three months ended March 31, 2013 were not significant.

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15. Commitments and Contingencies

Allegheny Energy Supply ("Allegheny"), the sole customer of coal produced at the Company's subsidiary Wolf Run Mining Company's ("Wolf Run") Sycamore No. 2 mine, filed a lawsuit against Wolf Run, Hunter Ridge Holdings, Inc. ("Hunter Ridge"), and ICG in state court in Allegheny County, Pennsylvania on December 28, 2006, and amended its complaint on April 23, 2007. Allegheny claimed that Wolf Run breached a coal supply contract when it

declared force majeure under the contract upon idling the Sycamore No. 2 mine in the third quarter of 2006, and that Wolf Run continued to breach the contract by failing to ship in volumes referenced in the contract. The Sycamore No. 2 mine was idled after encountering adverse geologic conditions and abandoned gas wells that were previously unidentified and unmapped. After extensive searching for gas wells and rehabilitation of the mine, it was re-opened in 2007, but with notice to Allegheny that it would necessarily operate at reduced volumes in order to safely and effectively avoid the many gas wells within the reserve. The amended complaint also alleged that the production stoppages constitute a breach of the guarantee agreement by Hunter Ridge and breach of certain representations made upon entering into the contract in early 2005. Allegheny voluntarily dropped the breach of representation claims later. Allegheny claimed that it would incur costs in excess of \$100 million to purchase replacement coal over the life of the contract. ICG, Wolf Run and Hunter Ridge answered the amended complaint on August 13, 2007, disputing all of the remaining claims.

On November 3, 2008, ICG, Wolf Run and Hunter Ridge filed an amended answer and counterclaim against the plaintiffs seeking to void the coal supply agreement due to, among other things, fraudulent inducement and conspiracy. On September 23, 2009, Allegheny filed a second amended complaint alleging several alternative theories of liability in its effort to extend contractual liability to ICG, which was not a party to the original contract and did not exist at the time Wolf Run and Allegheny entered into the contract. No new substantive claims were asserted. ICG answered the second amended complaint on October 13, 2009, denying all of the new claims. ICG's counterclaim was dismissed on motion for summary judgment entered on May 11, 2010. Allegheny's claims against ICG were also dismissed by summary judgment, but the claims against Wolf Run and Hunter Ridge were not. The court conducted a non-jury trial of this matter beginning on January 10, 2011 and concluding on February 1, 2011. At the trial, Allegheny presented its evidence for breach of contract and claimed that it is entitled to past and future damages in the aggregate of between \$228.0 million and \$377.0 million. Wolf Run and Hunter Ridge presented their defense of the claims, including evidence with respect to the existence of force majeure conditions and excuse under the contract and applicable law. Wolf Run and Hunter Ridge presented evidence that Allegheny's damage calculations were significantly inflated because they were not determined as of the time of the breach and, in some instances, artificially assumed future non-delivery or did not take into account the apparent requirement to supply coal in the future. On May 2, 2011, the trial court entered a Memorandum and Verdict determining that Wolf Run had breached the coal supply contract and that the performance shortfall was not excused by force majeure. ICG and Allegheny filed post-verdict motions in the trial court and on August 23, 2011, the court denied the parties' motions. The court entered a final judgment on August 25, 2011, in the amount of \$104.1 million, which included pre-judgment interest. The parties appealed the lower court's decision to the Superior Court of Pennsylvania. Wolf Run and Hunter Ridge have filed an appeal bond in the amount of \$124.9 million. On August 13, 2012, the Superior Court of Pennsylvania ruled that the lower court should have calculated damages as of the date of breach, and remanded the matter back to the lower court with instructions to recalculate the award. This ruling resulted in a reduction of the Company's best estimate of the probable loss related to this lawsuit. On November 19, 2012, Allegheny filed a Petition for Allowance of Appeal with the Supreme Court of Pennsylvania and Wolf Run and Hunter Ridge filed an Answer. This Petition is pending.

In addition, the Company is a party to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. As of March 31, 2013 and December 31, 2012, the Company had accrued \$32.7 million and \$32.8 million, respectively, for all legal matters, including \$4.0 million and \$4.4 million classified as current. The ultimate resolution of any such legal matter could result in outcomes which may be materially different from amounts the Company has accrued for such matters.

16. Segment Information

The Company has three reportable business segments, which are based on the major coal producing basins in which the Company operates. Each of these reportable business segments includes a number of mine complexes. The Company manages its coal sales by coal basin, not by individual mine complex. Geology, coal transportation routes to customers, regulatory environments and coal quality are characteristic to a basin. Accordingly, market and contract pricing have developed by coal basin. Mine operations are evaluated based on their per-ton operating costs (defined as including all mining costs but excluding pass-through transportation expenses), as well as on other non-financial measures, such as safety and environmental performance. The Company's reportable segments are the Powder River Basin (PRB) segment, with operations in Wyoming; the Western Bituminous (WBIT) segment, with operations in Utah and Colorado; the Appalachia (APP) segment, with operations in West Virginia, Kentucky, Maryland and Virginia. The "Other" operating segment represents primarily the Company's Illinois operations and ADDCAR subsidiary, which manufactures and sells its patented highwall mining system.

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Operating segment results for the three months ended March 31, 2013 and 2012 are presented below. Results for the reportable segments include all direct costs of mining, including all depreciation, depletion and amortization related to the mining operations, even if the assets are not recorded at the operating segment level. Corporate, Other and Eliminations includes these charges, as well as the change in fair value of coal derivatives and coal trading activities, net; corporate overhead; land management; other support functions; and the elimination of intercompany transactions.

The asset amounts below represent an allocation of assets consistent with the basis used for the Company's incentive compensation plans. The amounts in Corporate, Other and Eliminations represent primarily corporate assets (cash, receivables, investments, plant, property and equipment) as well as unassigned coal reserves, above-market acquired sales contracts and other unassigned assets. Goodwill is allocated to the respective reporting units, even though it may not be reflected in the subsidiaries' financial statements. Prior year asset amounts have been restated to reflect a change in how certain unassigned coal reserves and goodwill amounts are presented.

	PRB	APP	WBIT	Other Operating Segments	Corporate, Other and Eliminations	Consolidated
	(in thousands)					
Three months ended March 31, 2013						
Revenues	\$ 361,946	\$ 282,618	\$ 155,644	\$ 25,294	\$ —	\$ 825,502
Income (loss) from operations	15,515	(27,117)	24,951	1,435	(47,213)	(32,429)
Depreciation, depletion and amortization	42,227	55,331	17,371	2,609	1,330	118,868
Amortization of acquired sales contracts, net	(1,199)	(2,472)	—	861	—	(2,810)
Total assets	1,939,892	4,334,324	623,243	159,090	2,863,595	9,920,144
Capital expenditures	2,157	49,296	1,502	482	1,085	54,522
Three months ended March 31, 2012						
Revenues	\$ 401,177	\$ 469,058	\$ 144,559	\$ 24,857	\$ —	\$ 1,039,651
Income (loss) from operations	32,543	15,835	31,241	(3,750)	(21,788)	54,081

Depreciation, depletion and amortization	41,223	76,017	18,600	3,687	439	139,966
Amortization of acquired sales contracts, net	(816)	(13,088)	—	(113)	—	(14,017)
Total assets	2,263,517	4,640,344	752,197	72,382	2,436,678	10,165,118
Capital expenditures	3,986	66,303	15,137	5,644	2,201	93,271

A reconciliation of segment income (loss) from operations to consolidated loss before income taxes follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Income (loss) from operations	\$ (32,429)	\$ 54,081
Interest expense	(95,087)	(74,772)
Interest and investment income	2,836	1,021
Loss before income taxes	<u>\$ (124,680)</u>	<u>\$ (19,670)</u>

17. Supplemental Condensed Consolidating Financial Information

Pursuant to the indentures governing Arch Coal, Inc.'s senior notes, certain wholly-owned subsidiaries of the Company have fully and unconditionally guaranteed the senior notes on a joint and several basis. The following tables present condensed consolidating financial information for (i) the Company, (ii) the issuer of the senior notes, (iii) the guarantors under the senior

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notes, and (iv) the entities which are not guarantors under the senior notes (Arch Receivable Company, LLC and the Company's subsidiaries outside the U.S.):

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Condensed Consolidating Statements of Operations Three Months Ended March 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenues	\$ —	\$ 825,502	\$ —	\$ —	\$ 825,502
Costs, expenses and other					
Cost of sales	2,883	707,690	—	—	710,573
Depreciation, depletion and amortization	1,406	117,453	9	—	118,868
Amortization of acquired sales contracts, net	—	(2,810)	—	—	(2,810)
Change in fair value of coal derivatives and coal trading activities, net	—	1,308	—	—	1,308
Selling, general and administrative expenses	21,698	10,035	1,476	—	33,209
Other operating income, net	(5,907)	3,702	(1,012)	—	(3,217)
	20,080	837,378	473	—	857,931
Income from investment in subsidiaries	(2,871)	—	—	2,871	—
Loss from operations	(22,951)	(11,876)	(473)	2,871	(32,429)
Interest expense, net:					
Interest expense	(110,827)	(6,455)	(1,041)	23,236	(95,087)
Interest and investment income	9,098	15,443	1,531	(23,236)	2,836
	(101,729)	8,988	490	—	(92,251)
Income (loss) before income taxes	(124,680)	(2,888)	17	2,871	(124,680)
Benefit from income taxes	(54,631)	—	—	—	(54,631)
Net income (loss)	<u>(70,049)</u>	<u>(2,888)</u>	<u>17</u>	<u>2,871</u>	<u>(70,049)</u>
Total comprehensive income (loss)	<u>\$ (68,558)</u>	<u>\$ (3,324)</u>	<u>\$ 17</u>	<u>\$ 3,307</u>	<u>\$ (68,558)</u>

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Condensed Consolidating Statements of Operations Three Months Ended March 31, 2012

	Parent/Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenues	\$ —	\$ 1,039,651	\$ —	\$ —	\$ 1,039,651
Costs, expenses and other					

Cost of sales	2,967	847,904	—	—	850,871
Depreciation, depletion and amortization	1,216	138,744	6	—	139,966
Amortization of acquired sales contracts, net	—	(14,017)	—	—	(14,017)
Change in fair value of coal derivatives and coal trading activities, net	—	(3,613)	—	—	(3,613)
Selling, general and administrative expenses	18,644	9,637	2,580	—	30,861
Other operating income, net	(3,111)	(3,027)	(12,360)	—	(18,498)
	19,716	975,628	(9,774)	—	985,570
Income from investment in subsidiaries	77,315	—	—	(77,315)	—
Income from operations	57,599	64,023	9,774	(77,315)	54,081
Interest expense, net:					
Interest expense	(82,097)	(11,484)	(1,038)	19,847	(74,772)
Interest and investment income	4,828	14,128	1,912	(19,847)	1,021
	(77,269)	2,644	874	—	(73,751)
Income (loss) before income taxes	(19,670)	66,667	10,648	(77,315)	(19,670)
Provision for (benefit from) income taxes	(22,660)	—	1,581	—	(21,079)
Net income	2,990	66,667	9,067	(77,315)	1,409
Less: Net income attributable to noncontrolling interest	(203)	—	—	—	(203)
Net income attributable to Arch Coal, Inc.	\$ 2,787	\$ 66,667	\$ 9,067	\$ (77,315)	\$ 1,206
Total comprehensive income	\$ 8,709	\$ 68,111	\$ 9,067	\$ (77,178)	\$ 8,709

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Condensed Consolidating Balance Sheets
March 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 597,308	\$ 120,429	\$ 12,382	\$ —	\$ 730,119
Restricted cash	2,290	—	—	—	2,290
Short term investments	248,414	—	—	—	248,414
Receivables	50,179	36,477	263,123	(4,735)	345,044
Inventories	—	368,240	—	—	368,240
Other	101,003	88,903	369	—	190,275
Total current assets	999,194	614,049	275,874	(4,735)	1,884,382
Property, plant and equipment, net	26,716	7,245,761	64	—	7,272,541
Investment in subsidiaries	8,259,302	—	—	(8,259,302)	—
Intercompany receivables	(1,389,356)	1,637,093	(247,737)	—	—
Note receivable from Arch Western	675,000	—	—	(675,000)	—
Other	184,571	578,560	90	—	763,221
Total other assets	7,729,517	2,215,653	(247,647)	(8,934,302)	763,221
Total assets	\$ 8,755,427	\$ 10,075,463	\$ 28,291	\$ (8,939,037)	\$ 9,920,144
Liabilities and Stockholders' Equity					
Accounts payable	\$ 27,269	\$ 201,925	\$ 75	\$ —	\$ 229,269
Accrued expenses and other current liabilities	105,059	251,850	509	(4,735)	352,683
Current maturities of debt	26,218	2,088	—	—	28,306
Total current liabilities	158,546	455,863	584	(4,735)	610,258
Long-term debt	5,059,611	22,594	—	—	5,082,205
Note payable to Arch Coal	—	675,000	—	(675,000)	—
Asset retirement obligations	1,672	409,303	—	—	410,975
Accrued pension benefits	34,595	34,747	—	—	69,342
Accrued postretirement benefits other than pension	14,486	31,927	—	—	46,413
Accrued workers' compensation	24,032	57,007	—	—	81,039
Deferred income taxes	610,195	—	—	—	610,195
Other noncurrent liabilities	69,936	157,210	217	—	227,363
Total liabilities	5,973,073	1,843,651	801	(679,735)	7,137,790
Stockholders' equity	2,782,354	8,231,812	27,490	(8,259,302)	2,782,354
Total liabilities and stockholders' equity	\$ 8,755,427	\$ 10,075,463	\$ 28,291	\$ (8,939,037)	\$ 9,920,144

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Condensed Consolidating Balance Sheets
December 31, 2012

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 671,313	\$ 100,468	\$ 12,841	\$ —	\$ 784,622
Restricted cash	3,453	—	—	—	3,453
Short term investments	234,305	—	—	—	234,305
Receivables	49,281	40,452	247,171	(4,824)	332,080
Inventories	—	365,424	—	—	365,424
Other	106,786	86,877	557	—	194,220
Total current assets	1,065,138	593,221	260,569	(4,824)	1,914,104
Property, plant and equipment, net	27,476	7,309,550	72	—	7,337,098
Investment in subsidiaries	8,254,508	—	—	(8,254,508)	—
Intercompany receivables	(1,367,739)	1,600,311	(232,572)	—	—
Note receivable from Arch Western	675,000	—	—	(675,000)	—
Other	187,171	568,314	90	—	755,575
Total other assets	7,748,940	2,168,625	(232,482)	(8,929,508)	755,575
Total assets	\$ 8,841,554	\$ 10,071,396	\$ 28,159	\$ (8,934,332)	\$ 10,006,777

Liabilities and Stockholders' Equity

Accounts payable	\$ 19,859	\$ 204,370	\$ 189	\$ —	\$ 224,418
Accrued expenses and other current liabilities	65,293	259,162	124	(4,824)	319,755
Current maturities of debt	32,054	842	—	—	32,896
Total current liabilities	117,206	464,374	313	(4,824)	577,069
Long-term debt	5,061,925	23,954	—	—	5,085,879
Note payable to Arch Coal	—	675,000	—	(675,000)	—
Asset retirement obligations	1,646	408,059	—	—	409,705
Accrued pension benefits	33,456	34,174	—	—	67,630
Accrued postretirement benefits other than pension	13,953	31,133	—	—	45,086
Accrued workers' compensation	25,323	56,306	—	—	81,629
Deferred income taxes	664,182	—	—	—	664,182
Other noncurrent liabilities	69,296	151,360	374	—	221,030
Total liabilities	5,986,987	1,844,360	687	(679,824)	7,152,210
Stockholders' equity	2,854,567	8,227,036	27,472	(8,254,508)	2,854,567
Total liabilities and stockholders' equity	\$ 8,841,554	\$ 10,071,396	\$ 28,159	\$ (8,934,332)	\$ 10,006,777

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Condensed Consolidating Statements of Cash Flows Three Months Ended March 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Cash provided by (used in) operating activities	\$ (61,840)	\$ 120,755	\$ (15,624)	\$ —	\$ 43,291
Investing Activities					
Change in restricted cash	1,163	—	—	—	1,163
Capital expenditures	(615)	(53,907)	—	—	(54,522)
Proceeds from dispositions of property, plant and equipment	—	714	—	—	714
Investments in and advances to affiliates	(2,043)	(2,383)	—	128	(4,298)
Purchases of short term investments	(26,787)	—	—	—	(26,787)
Proceeds from sales of short term investments	11,534	—	—	—	11,534
Minimum royalty payments	—	(9,142)	—	—	(9,142)
Cash provided by (used in) investing activities	(16,748)	(64,718)	—	128	(81,338)
Financing Activities					
Contributions from parent	—	128	—	(128)	—
Payments on term note	(4,125)	—	—	—	(4,125)
Net payments on other debt	(5,836)	(128)	—	—	(5,964)
Dividends paid	(6,367)	—	—	—	(6,367)
Transactions with affiliates, net	20,911	(36,076)	15,165	—	—
Cash provided by (used in) financing activities	4,583	(36,076)	15,165	(128)	(16,456)
Increase (decrease) in cash and cash equivalents	(74,005)	19,961	(459)	—	(54,503)
Cash and cash equivalents, beginning of period	671,313	100,468	12,841	—	784,622
Cash and cash equivalents, end of period	\$ 597,308	\$ 120,429	\$ 12,382	\$ —	\$ 730,119

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Condensed Consolidating Statements of Cash Flows
Three Months Ended March 31, 2012

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Cash provided by (used in) operating activities	\$ (39,702)	\$ 19,456	\$ 75,236	\$ —	\$ 54,990
Investing Activities					
Change in restricted cash	1,455	—	—	—	1,455
Capital expenditures	(1,177)	(92,094)	—	—	(93,271)
Proceeds from dispositions of property, plant and equipment	—	608	21,497	—	22,105
Investments in and advances to affiliates	(3,619)	(3,488)	—	1,330	(5,777)
Minimum royalty payments	—	(8,262)	—	—	(8,262)
Cash provided by (used in) investing activities	(3,341)	(103,236)	21,497	1,330	(83,750)
Financing Activities					
Contributions from parent	—	1,330	—	(1,330)	—
Net increase (decrease) in borrowings under lines of credit	50,000	—	(16,000)	—	34,000
Net payments from other debt	(5,993)	(1,330)	—	—	(7,323)
Debt financing costs	(54)	—	(46)	—	(100)
Dividends paid	(23,327)	—	—	—	(23,327)
Issuance of common stock under incentive plans	5,131	—	—	—	5,131
Transactions with affiliates, net	(14,060)	84,037	(69,977)	—	—
Cash provided by (used in) financing activities	11,697	84,037	(86,023)	(1,330)	8,381
Increase (decrease) in cash and cash equivalents	(31,346)	257	10,710	—	(20,379)
Cash and cash equivalents, beginning of period	66,542	70,258	1,349	—	138,149
Cash and cash equivalents, end of period	\$ 35,196	\$ 70,515	\$ 12,059	\$ —	\$ 117,770

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Global coal markets showed continued weakness in the first quarter of 2013, impacting our results for the period in both sales volumes and pricing. International thermal markets are not showing signs of near-term improvement and we expect thermal coal exports to taper off during the remainder of 2013. We expect industry-wide coal exports to be less than 2012 levels, but still high by historical standards, as we are expecting metallurgical coal export activity to remain strong, led by demand in Asia and Latin America. Our export volumes of 2.7 million tons in the first quarter of 2013 were comparable to the levels shipped in the first quarter of 2012, with metallurgical coal exports increasing and thermal coal exports decreasing.

At the same time, several trends relating to the domestic thermal coal markets are improving. First, 2013 power demand increased more than 3% through March 2013 compared with a 4% decline during the same period in 2012. In addition, coal consumption by electricity producers grew more than 10% during the first quarter of 2013, after having fallen by 20% in the first quarter of 2012. Higher natural gas prices, which have more than doubled over what they were a year ago, and cool spring weather have contributed to the stronger power demand and coal consumption trends. These trends should continue to correct the significant coal stockpile levels that were built during 2012, particularly in the PRB and Western Bituminous regions. However, we expect Appalachian coal demand will continue to be weak unless natural gas prices rise further and we currently project that production in that region to fall further in 2013.

During the current market downturn, management has continued to focus on capital spending reductions, cost containment and efficiency efforts and working capital and liquidity management to improve cash flows and prepare the company to capitalize on opportunities when coal markets recover.

Operational results

The following table shows results by operating segment for the three months ended March 31, 2013 and compares it with the information for the three months ended March 31, 2012:

	Three Months Ended March 31,		Increase (Decrease)	
	2013	2012	\$	%
<i>Powder River Basin</i>				
Tons sold (in thousands)	26,612	27,215	(603)	(2.2)%
Coal sales realization per ton sold(1)	\$ 12.68	\$ 13.87	\$ (1.19)	(8.6)%
Cost per ton sold	\$ 12.24	\$ 12.72	\$ (0.48)	(3.8)%
Operating margin per ton sold(2)	\$ 0.44	\$ 1.15	\$ (0.71)	(61.7)%
Adjusted EBITDA(3) (in thousands)	\$ 56,780	\$ 74,194	\$ (17,414)	(23.5)%
<i>Appalachia</i>				
Tons sold (in thousands)	3,387	4,666	(1,279)	(27.4)%
Coal sales realization per ton sold(1)	\$ 74.76	\$ 88.68	\$ (13.92)	(15.7)%
Cost per ton sold	\$ 82.76	\$ 82.15	\$ 0.61	0.7%
Operating margin (loss) per ton sold(2)	\$ (8.00)	\$ 6.53	\$ (14.53)	(222.5)%
Adjusted EBITDA(3) (in thousands)	\$ 25,702	\$ 80,442	\$ (54,740)	(68.0)%
<i>Western Bituminous</i>				
Tons sold (in thousands)	3,508	3,261	247	7.6%
Coal sales realization per ton sold(1)	\$ 35.53	\$ 36.77	\$ (1.24)	(3.4)%
Cost per ton sold	\$ 29.07	\$ 26.98	\$ 2.09	7.7%

Operating margin per ton sold(2)	\$	6.46	\$	9.79	\$	(3.33)	(34.0)%
Adjusted EBITDA(3) (in thousands)	\$	42,310	\$	50,803	\$	(8,493)	(16.7)%

(1) These per-ton measurements reflect adjustments to numbers reported under U.S. GAAP to reflect the complete results we achieved within our operating segments. Since other companies may calculate these per ton amounts differently, our calculation may not be comparable to similarly titled measures used by those companies.

(2) Operating margin per ton sold is calculated as coal sales revenues less cost of coal sales, depreciation, depletion and amortization and sales contract amortization divided by tons sold.

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(3) Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. Segment Adjusted EBITDA is reconciled to net income at the end of this “Results of Operations” section.

Powder River Basin — Segment Adjusted EBITDA decreased in the first quarter of 2013 when compared to the first quarter of 2012, due to the weak coal market conditions, which resulted in lower coal realizations on contracted, market-based and export tons in the first quarter of 2013, as well as lower sales volumes. Lower selling prices were partially offset by a decrease in per-ton costs, which decreased 4% despite the lower volume levels, due to cost control efforts and a decrease in taxes and royalties that fluctuate with selling prices (\$0.29 per ton).

Appalachia — Segment Adjusted EBITDA decreased in the first quarter of 2013 when compared to the first quarter of 2012, due to the weak coal market conditions, resulting in lower sales volumes and lower pricing, particularly on metallurgical coal sales. We sold 1.7 million tons of metallurgical-quality coal in 2013 compared to 1.6 million tons in 2012. Per-ton costs decreased slightly despite a substantial decrease in sales volumes due to the impact of idling higher-cost mining operations in 2012, cost containment and efficiency efforts, as well as lower taxes and royalties that fluctuate with selling prices (\$2.18 per ton).

Western Bituminous — Segment Adjusted EBITDA decreased from 2012 due to lower per-ton sales realizations and lower production volumes, which resulted in an increase in per-ton costs. While sales volumes increased in the first quarter of 2013 when compared to the first quarter of 2012, production volumes were lower, due to the completion of longwall mining at the Dugout Canyon mine in December 2012.

Reconciliation to amounts reported in statement of operations

	Three Months Ended March 31,	
	2013	2012
Transportation costs netted against per-ton realizations to reflect netback price to the region		
Powder River Basin	\$ 0.92	\$ 0.87
Appalachia	\$ 8.40	\$ 10.77
Western Bituminous	\$ 10.70	\$ 11.51
API-2 risk management position settlements included in per-ton realizations not classified as coal sales revenues in statement of operations		
Appalachia	\$ 0.79	\$ 0.45
Western Bituminous	\$ 1.86	\$ 0.30
Diesel risk management position settlements not classified as cost of coal sales in statement of operations		
Powder River Basin	\$ 0.14	\$ —
Appalachia	\$ 0.30	\$ —

Results of Operations

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Summary. Our results during the first quarter of 2013 when compared to the first quarter of 2012 were impacted by continuing weak market conditions.

Revenues. Our revenues consist of coal sales and revenues from our ADDCAR subsidiary.

The following table compares information about coal sales during the three months ended March 31, 2013 with the information for the three months ended March 31, 2012:

	Three Months Ended March 31,		Increase (Decrease)	
	2013	2012	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Coal sales	\$ 824,618	\$ 1,037,140	\$ (212,522)	(20.5)%
Tons sold	34,050	35,660	(1,610)	(4.5)%

Coal sales decreased approximately 20% in the first quarter of 2013 from the first quarter of 2012, due to lower sales volumes and realized prices. Lower sales volumes, primarily the result of weak domestic and international thermal coal

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markets, reduced revenues by approximately \$125 million. Lower average realizations per ton sold, the result of lower pricing on both thermal and metallurgical quality coal sales due to the weak coal markets and a lower percentage of higher-priced thermal coal sales out of Appalachia, resulted in a decrease in revenues of approximately \$87 million.

Costs, expenses and other. The following table compares costs, expenses and other components of operating income for the three months ended March 31, 2013 with the information for the three months ended March 31, 2012:

	Three Months Ended March 31,		Increase (Decrease) in	
	2013	2012	Net Income	
	(Amounts in thousands, except percentages)			
Cost of sales (exclusive of items shown separately below)	\$ 710,573	\$ 850,871	\$	140,298
Depreciation, depletion and amortization	118,868	139,966		21,098
Amortization of acquired sales contracts, net	(2,810)	(14,017)		(11,207)
Change in fair value of coal derivatives and coal trading activities, net	1,308	(3,613)		(4,921)
Selling, general and administrative expenses	33,209	30,861		(2,348)
Other operating income, net	(3,217)	(18,498)		(15,281)
Total costs, expenses and other	\$ 857,931	\$ 985,570	\$	127,639

Cost of sales. Our cost of sales decreased in the first quarter of 2013 from the first quarter of 2012, primarily due to the decrease in sales volumes (\$95 million) and lower per-ton average production costs, (\$33 million), which are discussed in detail in the “Operational results” section. In addition, transportation costs decreased \$12 million to \$108 million in the first quarter of 2013, compared to the first quarter of 2012.

Depreciation, depletion and amortization. When compared with the first quarter of 2012, depreciation, depletion and amortization costs decreased in the first quarter of 2013 due to the decreases in production for the respective periods, including the impact of mine closures in 2012.

Change in fair value of coal derivatives and coal trading activities, net. The gains reflected in 2012 relate primarily to positions in the API-2 market, the derivatives market for coal delivered into Europe. We entered into these positions to manage price risk on physical export sales into Europe. As these positions are not accounted for as hedges, changes in the positions’ fair value prior to settlement is recognized in the condensed consolidated statement of operations. When the positions settle, the realized gains and losses are reclassified to “other operating income, net”.

Selling, general and administrative expenses. Selling, general and administrative expenses in the first quarter of 2013 increased when compared with the first quarter of 2012 primarily due to a reduction in the bonus accrual in the first quarter of 2012 of \$3.8 million relating to ICG employees (nearly all of which was offset by an increase in the accrual in cost of sales) and an increase in costs relating to the deferred compensation plan of \$0.9 million. These factors were offset by a decrease in stock compensation expense of \$1.3 million, as current grants have a lower fair value than previous grants, and other expense reductions, primarily from cost containment efforts.

Other operating income, net. When compared with the first quarter of 2012, the decrease in other operating income, net for the first quarter of 2013 was primarily the result of liquidated damages we incurred under throughput commitments of \$10.5 million and a gain of \$12.5 million recognized in the first quarter of 2012 on the sale of non-core business assets. These were partially offset by gains on settlements on coal derivatives of \$9.2 million in the first quarter of 2013, an increase of \$6.1 million from the first quarter of 2012. Although these coal derivative positions are for the purpose of managing our risk to changing prices, they are not accounted for as hedges, and the realized amounts are reclassified here from “Change in fair value of coal derivatives and coal trading activities, net”.

Net interest expense. The following table summarizes our net interest expense for the three months ended March 31, 2013 and compares it with the information for the three months ended March 31, 2012:

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	Three Months Ended March 31,		Increase (Decrease)	
	2013	2012	in Net Income	
	(Amounts in thousands, except percentages)			
Interest expense	\$ (95,087)	\$ (74,772)	\$ (20,315)	(27.2)%
Interest and investment income	2,836	1,021	1,815	177.8%
	\$ (92,251)	\$ (73,751)	\$ (18,500)	(25.1)%

The increase in interest expense is due to an increase in our outstanding debt in the first quarter of 2013 when compared with the first quarter of 2012, primarily as a result of the financing transactions during 2012, which resulted in a net increase in debt outstanding of over \$1 billion.

Income taxes. Our effective income tax rate is sensitive to changes in and the relationship between annual profitability and the deduction for percentage depletion. The increase in the income tax benefit is primarily the result of an increase in our reported losses for the first quarter of 2013 when compared to the first quarter of 2012.

	Three Months Ended March 31,		Increase	
	2013	2012	In Net Income	
	(In thousands)			
Benefit from income taxes		(54,631)	(21,079)	33,552

Reconciliation of Segment Adjusted EBITDA to Net Income

The discussion in “Results of Operations” includes references to our Adjusted EBITDA. Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. We believe that Adjusted EBITDA presents a useful measure

of our ability to service and incur debt based on ongoing operations. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

	Three Months Ended March 31,	
	2013	2012
Reported Segment Adjusted EBITDA	\$ 124,792	\$ 205,439
Corporate and other(1)	(41,163)	(25,612)
Adjusted EBITDA	83,629	179,827
Income tax expense (benefit)	54,631	21,079
Interest expense, net	(92,251)	(73,751)
Depreciation, depletion and amortization	(118,868)	(139,966)
Amortization of acquired sales contracts, net	2,810	14,017
Net income (loss) attributable to Arch Coal	\$ (70,049)	\$ 1,206

(1) Corporate and other Adjusted EBITDA includes primarily selling, general and administrative expenses, income from our equity investments, certain changes in the fair value of coal derivatives and coal trading activities.

Liquidity and Capital Resources

Our primary sources of cash are coal sales to customers, borrowings under our credit facilities and other financing arrangements, and debt and equity offerings related to significant transactions or refinancing activity. Excluding any significant mineral reserve acquisitions, we generally satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations, cash on hand or borrowings under our lines of credit. Such plans are subject to change based on our cash needs. Availability under our sources of liquidity, including cash and short-term investments totaled \$1.3 billion at March 31, 2013.

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There were no borrowings under lines of credit during the three months ended March 31, 2013. Our average borrowing level under lines of credit was approximately \$492 million for the three months ended March 31, 2012.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2013 and March 31, 2012:

	Three Months Ended March 31,	
	2013	2012
	(Dollars in thousands)	
Cash provided by (used in):		
Operating activities	\$ 43,291	\$ 54,990
Investing activities	(81,338)	(83,750)
Financing activities	(16,456)	8,381

Cash provided by operating activities decreased in the first quarter of 2013 compared to the first quarter of 2012, driven by the decrease in our profitability resulting from weak coal market conditions, largely offset by a decrease in cash invested in working capital.

Cash used in investing activities was consistent between the first quarter of 2013 and the first quarter of 2012. Capital expenditures decreased approximately \$38.7 million during the three months ended March 31, 2013 when compared with the three months ended March 31, 2012 due to cash conservation efforts. We spent approximately \$49 million during the three months ended March 31, 2013 on the development of the Leer mine. Proceeds from dispositions of property, plant and equipment decreased by \$21.4 million for the same periods. We purchased short term investments of \$26.8 million in 2013, offset by proceeds from the sales of short term investments of \$11.5 million.

Cash used in financing activities was approximately \$16.5 million in the first quarter of 2013, compared to cash provided by financing activities of approximately \$8.4 million in the first quarter of 2012. There were no borrowings under lines of credit during the three months ended March 31, 2013, while we borrowed \$34 million under our accounts receivable securitization program during the three months ended March 31, 2012. The decrease in the dividend rate in the second quarter of 2012 from \$0.11 to \$0.03 reduced dividends paid \$17.0 million to \$6.4 million during the first quarter of 2013 compared to the first quarter of 2012.

Ratio of Earnings to Fixed Charges

The following table sets forth our ratios of earnings to combined fixed charges and preference dividends for the periods indicated:

	Three Months Ended March 31,	
	2013	2012
Ratio of earnings to combined fixed charges and preference dividends(1)	N/A(2)	0.74x

(1) Earnings consist of income from operations before income taxes and are adjusted to include only distributed income from affiliates accounted for on the equity method and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

(2) Total losses for the ratio calculation were \$27.9 million and total fixed charges were \$101.6 million for the three months ended March 31, 2013

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We manage our commodity price risk for our non-trading, thermal coal sales through the use of long-term coal supply agreements, and to a limited extent, through the use of derivative instruments. Sales commitments in the metallurgical coal market are typically not long-term in nature, and we are therefore subject to the fluctuations in the market pricing. We expect to sell a total of approximately 8 million to 9 million tons of metallurgical coal in 2013.

Our commitments for 2013 and 2014 are as follows:

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	2013		2014	
	Tons (in millions)	\$ per ton	Tons (in millions)	\$ per ton
Powder River Basin				
Committed, Priced	94.3	\$ 13.13	52.6	\$ 14.18
Committed, Unpriced	7.1		14.6	
Western Bituminous				
Committed, Priced	12.7	\$ 37.38	8.2	\$ 40.69
Committed, Unpriced	1.4		0.2	
Appalachia				
Committed, Priced Thermal	6.4	\$ 63.95	1.7	\$ 53.98
Committed, Unpriced Thermal	0.2		0.3	
Committed, Priced Metallurgical	6.1	\$ 91.01	—	\$ —
Committed, Unpriced Metallurgical	0.4		—	
Illinois Basin				
Committed, Priced	2.1	\$ 42.50	1.7	\$ 42.33

We are also exposed to commodity price risk in our coal trading activities, which represents the potential future loss that could be caused by an adverse change in the market value of coal. Our coal trading portfolio included forward, swap and put and call option contracts at March 31, 2013. The estimated future realization of the value of the trading portfolio is \$4.1 million of losses in the remainder of 2013 and \$3.6 million of gains in 2014.

We monitor and manage market price risk for our trading activities with a variety of tools, including Value at Risk (VaR), position limits, management alerts for mark to market monitoring and loss limits, scenario analysis, sensitivity analysis and review of daily changes in market dynamics. Management believes that presenting high, low, end of year and average VaR is the best available method to give investors insight into the level of commodity risk of our trading positions. Illiquid positions, such as long-dated trades that are not quoted by brokers or exchanges, are not included in VaR.

VaR is a statistical one-tail confidence interval and down side risk estimate that relies on recent history to estimate how the value of the portfolio of positions will change if markets behave in the same way as they have in the recent past. While presenting VaR will provide a similar framework for discussing risk across companies, VaR estimates from two independent sources are rarely calculated in the same way. Without a thorough understanding of how each VaR model was calculated, it would be difficult to compare two different VaR calculations from different sources. The level of confidence is 95%. The time across which these possible value changes are being estimated is through the end of the next business day. A closed-form delta-neutral method used throughout the finance and energy sectors is employed to calculate this VaR. VaR is back tested to verify usefulness.

On average, portfolio value should not fall more than VaR on 95 out of 100 business days. Conversely, portfolio value declines of more than VaR should be expected, on average, 5 out of 100 business days. When more value than VaR is lost due to market price changes, VaR is not representative of how much value beyond VaR will be lost.

During the three months ended March 31, 2013, VaR for our coal trading positions that are recorded at fair value through earnings ranged from under \$0.1 million to \$0.5 million. The linear mean of each daily VaR was \$0.2 million. The final VaR at March 31, 2013 was \$0.1 million.

We are exposed to fluctuations in the fair value of coal derivatives that we enter into to manage the price risk related to future coal sales, but for which we do not elect hedge accounting. Any gains or losses on these derivative instruments would be offset in the pricing of the physical coal sale. During the three months ended March 31, 2013 VaR for our risk management positions that are recorded at fair value through earnings ranged from under \$0.6 million to \$1.1 million. The linear mean of each daily VaR was \$0.9 million. The final VaR at March 31, 2013 was \$0.9 million.

We are also exposed to the risk of fluctuations in cash flows related to our purchase of diesel fuel. We expect to use approximately 57 to 67 million gallons of diesel fuel for use in our operations during 2013. We enter into forward physical purchase contracts, as well as purchased heating oil options, to reduce volatility in the price of diesel fuel for our operations. At March 31, 2013, we had protected the price of approximately 97% of our expected purchases for the remainder of 2013 and 42% of our 2014 purchases. At March 31, 2013, we had purchased heating oil call options for approximately 71 million gallons for the purpose of managing the price risk associated with future diesel purchases. We also purchase heating oil call options

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manage the price risk associated with fuel surcharges on barge and rail shipments, which cover increases in diesel fuel prices. At March 31, 2013, we held purchased call options for approximately 11 million gallons for the purpose of managing the fluctuations in cash flows associated with fuel surcharges on future shipments. These positions reduce our risk of cash flow fluctuations related to these surcharges but the positions are not accounted for as hedges. A \$0.25 per gallon decrease in the price of heating oil would not result in an increase in our expense related to the heating oil derivatives.

We are exposed to market risk associated with interest rates due to our existing level of indebtedness. At March 31, 2013, of our \$5.1 billion principal amount of debt outstanding, approximately \$1.7 billion of outstanding borrowings have interest rates that fluctuate based on changes in the market rates. An increase in the interest rates related to these borrowings of 25 basis points would not result in an annualized increase in interest expense based on interest rates in effect at March 31, 2013.

Item 4. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2013. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that the disclosure controls and procedures were effective as of such date. There were no changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

In addition to the following matters, we are involved in various claims and legal actions arising in the ordinary course of business, including employee injury claims. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Permit Litigation Matters

Surface mines at our Mingo Logan and Coal-Mac mining operations were identified in an existing lawsuit brought by the Ohio Valley Environmental Coalition (OVEC) in the U.S. District Court for the Southern District of West Virginia as having been granted Clean Water Act § 404 permits by the Army Corps of Engineers ("Corps"), allegedly in violation of the Clean Water Act and the National Environmental Policy Act. The lawsuit, brought by OVEC in September 2005, originally was filed against the Corps for permits it had issued to four subsidiaries of a company unrelated to us or our operating subsidiaries. The suit claimed that the Corps had issued permits to the subsidiaries of the unrelated company that did not comply with the National Environmental Policy Act and violated the Clean Water Act.

The court ruled on the claims associated with those four permits in orders of March 23 and June 13, 2007. In the first of those orders, the court rescinded the four permits, finding that the Corps had inadequately assessed the likely impact of valley fills on headwater streams and had relied on inadequate or unproven mitigation to offset those impacts. In the second order, the court entered a declaratory judgment that discharges of sediment from the valley fills into sediment control ponds constructed in-stream to control that sediment must themselves be permitted under a different provision of the Clean Water Act, § 402, and meet the effluent limits imposed on discharges from these ponds. Both of the district court rulings were appealed to the U.S. Court of Appeals for the Fourth Circuit.

Before the court entered its first order, the plaintiffs were permitted to amend their complaint to challenge the Coal-Mac and Mingo Logan permits. Plaintiffs sought preliminary injunctions against both operations, but later reached agreements with our operating subsidiaries that have allowed mining to progress in limited areas while the district court's rulings were on appeal. The claims against Coal-Mac were thereafter dismissed.

In February 2009, the Fourth Circuit reversed the District Court. The Fourth Circuit held that the Corps' jurisdiction under Section 404 of the Clean Water Act is limited to the narrow issue of the filling of jurisdictional waters. The court also held that the Corps' findings of no significant impact under the National Environmental Policy Act and no significant degradation under the Clean Water Act are entitled to deference. Such findings entitle the Corps to avoid preparing an environmental impact statement, the absence of which was one issue on appeal. These holdings also validated the type of

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mitigation projects proposed by our operations to minimize impacts and comply with the relevant statutes. Finally, the Fourth Circuit found that stream segments, together with the sediment ponds to which they connect, are unitary "waste treatment systems," not "waters of the United States," and that the Corps had not exceeded its authority in permitting them.

OVEC sought rehearing before the entire appellate court, which was denied in May 2009, and the decision was given legal effect in June 2009. An appeal to the U.S. Supreme Court was then filed in August 2009. On August 3, 2010 OVEC withdrew its appeal.

Mingo Logan filed a motion for summary judgment with the district court in July 2009, asking that judgment be entered in its favor because no outstanding legal issues remained for decision as a result of the Fourth Circuit's February 2009 decision. By a series of motions, the United States obtained extensions and stays of the obligation to respond to the motion in the wake of its letters to the Corps dated September 3 and October 16, 2009 (discussed below). By order dated April 22, 2010, the District Court stayed the case as to Mingo Logan for the shorter of either six months or the completion of the U.S. Environmental Protection Agency's (the "EPA") proposed action to deny Mingo Logan the right to use its Corps' permit (as discussed below).

On October 15, 2010, the United States moved to extend the existing stay for an additional 120 days (until February 22, 2011) while the EPA Administrator reviewed the "Recommended Determination" issued by the EPA Region 3. By Memorandum Opinion and Order dated November 2, 2010, the court granted the United States' motion. On January 13, 2011, the EPA issued its "Final Determination" to withdraw the specification of two of the three watersheds as a disposal site for dredged or fill material approved under the current Section 404 permit. The court was notified of the Final Determination and by order dated March 21, 2011 stayed further proceedings in the case until further order of the court, in light of the challenge to the EPA's "Final Determination" then pending in federal court in Washington, DC. In a Memorandum and Opinion and separate Order, each dated March 23, 2012, the federal court granted Mingo Logan's motion for summary judgment, vacated the EPA's Final Determination and found valid and in full force Mingo Logan's Section 404 permit. As described more fully below, the EPA appealed that order to the United States Court of Appeals for the District of Columbia Circuit and by Opinion of the Court dated April 23, 2013, the court reversed the lower court's order and remanded the matter to the district court for further proceedings.

On April 5, 2012, Mingo Logan moved to lift the stay referenced above. On June 5, 2012, the Court entered an order lifting the stay and allowing the case to proceed on Mingo Logan's Motion for Summary Judgment. Shortly thereafter, OVEC filed a motion for leave to file a seventh amended and supplemental complaint seeking to update existing counts and raising two new claims (one, to enforce EPA's "Final Determination" and, the other, that the Corps' refusal to prepare a Supplemental Environmental Impact Statement violates the APA and NEPA). By Memorandum, Opinion and Order dated July 25,

2012, the Court granted OVEC's motion and directed the Clerk to file OVEC's Seventh Amended and Supplemental Complaint. Mingo Logan filed its Motion for Summary Judgment on August 31, 2012, along with its Answer to the Seventh Amended and Supplemental Complaint and the matter remains pending before the Court.

EPA Actions Related to Water Discharges from the Spruce Permit

By letter of September 3, 2009, the EPA asked the Corps of Engineers to suspend, revoke or modify the existing permit it issued in January 2007 to Mingo Logan under Section 404 of the Clean Water Act, claiming that "new information and circumstances have arisen which justify reconsideration of the permit." By letter of September 30, 2009, the Corps of Engineers advised the EPA that it would not reconsider its decision to issue the permit. By letter of October 16, 2009, the EPA advised the Corps that it has "reason to believe" that the Mingo Logan mine will have "unacceptable adverse impacts to fish and wildlife resources" and that it intends to issue a public notice of a proposed determination to restrict or prohibit discharges of fill material that already are approved by the Corps' permit. By federal register publication dated April 2, 2010, the EPA issued its "Proposed Determination to Prohibit, Restrict or Deny the Specification, or the Use for Specification of an Area as a Disposal Site: Spruce No. 1 Surface Mine, Logan County, WV" pursuant to Section 404(c) of the Clean Water Act, the EPA accepted written comments on its proposed action (sometimes known as a "veto proceeding"), through June 4, 2010 and conducted a public hearing, as well, on May 18, 2010. We submitted comments on the action during this period. On September 24, 2010, the EPA Region 3 issued a "Recommended Determination" to the EPA Administrator recommending that the EPA prohibit the placement of fill material in two of the three watersheds for which filling is approved under the current Section 404 permit. Mingo Logan, along with the Corps, West Virginia DEP and the mineral owner, engaged in a consultation with the EPA as required by the regulations, to discuss "corrective action" to address the "unacceptable adverse effects" identified. On January 13, 2011, the EPA issued its "Final Determination" pursuant to Section 404(c) of the Clean Water Act to withdraw the specification of two of the three watersheds approved in the current Section 404 permit as a disposal site for dredged or fill material. By separate action, Mingo Logan sued the EPA on April 2, 2010 in federal court in Washington, D.C. seeking a ruling that the EPA has no authority under the Clean Water Act to veto a previously issued permit (Mingo Logan Coal Company, Inc. v. USEPA, No. 1:10-cv-00541(D.D.C.)). The EPA moved to dismiss that action, and we responded to that motion.

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Pursuant to a scheduling order for summary disposition of the case, motions and cross-motions for summary judgment by both parties were filed. On November 30, 2011, the court heard arguments from the parties limited only to the threshold issue of whether the EPA had the authority under Section 404(c) of the Clean Water Act to withdraw the specification of the disposal site after the Corps had already issued a permit under Section 404(a). The court deferred consideration of the remaining issue (i.e. whether the EPA's "Final Determination" is otherwise lawful) until after consideration of the threshold issue. On March 23, 2012, the court entered an Order and a Memorandum Opinion granting Mingo Logan's motion for summary judgment, denying the EPA's cross-motion for summary judgment, vacating the Final Determination and ordering that Mingo Logan's Section 404 permit remains valid and in full force.

On May 11, 2012, the EPA filed a notice of appeal to the United States Court of Appeals for the District of Columbia Circuit. The court heard oral arguments on March 14, 2013. By Opinion of the Court filed on April 23, 2013, the court reversed the district court on the threshold issue and remanded the matter to the district court to address the merits of our APA challenge to the Final Determination.

Allegheny Energy Contract Matter

Allegheny Energy Supply ("Allegheny"), the sole customer of coal produced at our subsidiary Wolf Run Mining Company's ("Wolf Run") Sycamore No. 2 mine, filed a lawsuit against Wolf Run, Hunter Ridge Holdings, Inc. ("Hunter Ridge"), and ICG in state court in Allegheny County, Pennsylvania on December 28, 2006, and amended its complaint on April 23, 2007. Allegheny claimed that Wolf Run breached a coal supply contract when it declared force majeure under the contract upon idling the Sycamore No. 2 mine in the third quarter of 2006, and that Wolf Run continued to breach the contract by failing to ship in volumes referenced in the contract. The Sycamore No. 2 mine was idled after encountering adverse geologic conditions and abandoned gas wells that were previously unidentified and unmapped.

After extensive searching for gas wells and rehabilitation of the mine, it was re-opened in 2007, but with notice to Allegheny that it would necessarily operate at reduced volumes in order to safely and effectively avoid the many gas wells within the reserve. The amended complaint also alleged that the production stoppages constitute a breach of the guarantee agreement by Hunter Ridge and breach of certain representations made upon entering into the contract in early 2005. Allegheny voluntarily dropped the breach of representation claims later. Allegheny claimed that it would incur costs in excess of \$100 million to purchase replacement coal over the life of the contract. ICG, Wolf Run and Hunter Ridge answered the amended complaint on August 13, 2007, disputing all of the remaining claims.

On November 3, 2008, ICG, Wolf Run and Hunter Ridge filed an amended answer and counterclaim against the plaintiffs seeking to void the coal supply agreement due to, among other things, fraudulent inducement and conspiracy. On September 23, 2009, Allegheny filed a second amended complaint alleging several alternative theories of liability in its effort to extend contractual liability to ICG, which was not a party to the original contract and did not exist at the time Wolf Run and Allegheny entered into the contract. No new substantive claims were asserted. ICG answered the second amended complaint on October 13, 2009, denying all of the new claims. The Company's counterclaim was dismissed on motion for summary judgment entered on May 11, 2010. Allegheny's claims against ICG were also dismissed by summary judgment, but the claims against Wolf Run and Hunter Ridge were not. The court conducted a non-jury trial of this matter beginning on January 10, 2011 and concluding on February 1, 2011.

At the trial, Allegheny presented its evidence for breach of contract and claimed that it is entitled to past and future damages in the aggregate of between \$228 million and \$377 million. Wolf Run and Hunter Ridge presented their defense of the claims, including evidence with respect to the existence of force majeure conditions and excuse under the contract and applicable law. Wolf Run and Hunter Ridge presented evidence that Allegheny's damages calculations were significantly inflated because it did not seek to determine damages as of the time of the breach and in some instances artificially assumed future nondelivery or did not take into account the apparent requirement to supply coal in the future. On May 2, 2011, the trial court entered a Memorandum and Verdict determining that Wolf Run had breached the coal supply contract and that the performance shortfall was not excused by force majeure. The trial court awarded total damages and interest in the amount of \$104.1 million. ICG and Allegheny filed post-verdict motions in the trial court and on August 23, 2011, the court denied the parties' motions. The court entered a final judgment on August 25, 2011, in the amount of \$104.1 million, which included pre-judgment interest. The parties appealed the lower court's decision to the Superior Court of Pennsylvania. On August 13, 2012, the Superior Court of Pennsylvania ruled that the lower court should have calculated damages as of the date of breach, and remanded the matter back to the lower court with

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ICG Hazard

The Sierra Club, on December 3, 2010, filed a Notice of Intent (“NOI”) to sue ICG Hazard, LLC (“Hazard”), alleging violations of the Clean Water Act and the Surface Mining Control and Reclamation Act of 1977 at Hazard’s Thunder Ridge surface mine. The NOI, which was supplemented by a revised filing on February 24, 2011, claims that Hazard is discharging selenium and contributing to conductivity levels in the receiving streams in violation of state and federal regulations. On May 24, 2011, the Sierra Club sued Hazard in U.S. District Court for the Eastern District of Kentucky under the Citizens Suit provisions of the Clean Water Act and the Surface Mining Control and Reclamation Act seeking civil penalties, injunctive relief and attorneys’ fees. On February 17, 2012, ICG Hazard filed a motion for summary judgment. Also on February 17, 2012, the Sierra Club filed a competing motion for summary judgment.

On September 28, 2012, the court entered a Memorandum Opinion and Order granting Hazard summary judgment on both Clean Water Act (“CWA”) and Surface Mining Control and Reclamation Act (“SMCRA”) claims finding that the CWA permit “shield” applies and that the SMCRA cannot be used to circumvent the CWA permit shield with respect to “point source” discharges. The court denied summary judgment to the extent the facts showed there were “non-point source” discharges from areas disturbed by surface mining activities. On October 4, 2012, the Sierra Club filed a Motion to Clarify Claims and Request Final Judgment Order notifying the court that all of its claims in the matter involved discharges from discrete “point sources” and that there remain no issues of law or fact that require court resolution. The court entered a final judgment on January 11, 2013. On January 22, 2013, the Sierra Club filed a notice of appeal to the United States Court of Appeals for the Sixth Circuit. The parties are currently subject to the court’s briefing schedule issued on February 7, 2013.

Patriot Coal Corporation Bankruptcy

On December 31, 2005, Arch entered into a purchase and sale agreement with Magnum Coal Company (“Magnum”) to sell certain assets to Magnum. On July 23, 2008, Patriot Coal Corporation acquired Magnum. On July 9, 2012, Patriot Coal Corporation and certain of its wholly owned subsidiaries, including Magnum (collectively, “Patriot”), filed voluntary petitions for reorganization under Chapter 11 of the U.S. Code in the U.S. Bankruptcy Court for the Southern District of New York.

On September 20, 2012, Patriot filed a motion with the U.S. Bankruptcy Court for the Southern District of New York to reject a master coal sales agreement entered into on December 31, 2005 between us and Magnum, which was established in order to meet obligations under a coal sales agreement with a customer who did not consent to the assignment of their contract to Magnum. On December 18, 2012, the court accepted Patriot’s motion to reject the master coal sales agreement. As a result of the court’s decision, Arch has accrued \$58.3 million, which represents the discounted value of the remaining monthly buyout amounts under the underlying coal sales agreement.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In September 2006, our board of directors authorized a share repurchase program for the purchase of up to 14,000,000 shares of our common stock. There is no expiration date on the current authorization, and we have not made any decisions to suspend or cancel purchases under the program. As of March 31, 2013, there were 10,925,800 shares of our common stock available for purchase under this program. We did not purchase any shares of our common stock under this program during the quarter ended March 31, 2013. Based on the closing price of our common stock as reported on the New York Stock Exchange on May 1, 2013, the approximate dollar value of our common stock that may yet be purchased under this program was \$53 million.

Item 4. Mine Safety Disclosures.

The statement concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q for the period ended March 31, 2013.

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Item 6. Exhibits.

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q:

10.1	Arch Coal, Inc.’s Omnibus Incentive Plan
10.2	Form of Performance Unit Contract
10.3	Form of Non-Qualified Stock Option Award Agreement
10.4	Form of Restricted Stock Unit Contract
10.5	Form of Restrict Stock Unit Contract for Non-Employee Directors
12.1	Computation of ratio of earnings to combined fixed charges and preference dividends.
31.1	Rule 13a-14(a)/15d-14(a) Certification of John W. Eaves.
31.2	Rule 13a-14(a)/15d-14(a) Certification of John T. Drexler.
32.1	Section 1350 Certification of John W. Eaves.
32.2	Section 1350 Certification of John T. Drexler.
95	Mine Safety Disclosure required by Item 104 of Regulation S-K
101	Interactive Data File (Form 10-Q for the period ended March 31, 2013 filed in XBRL). The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed.”

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Arch Coal, Inc.

By: /s/ John T. Drexler

John T. Drexler

Senior Vice President and Chief Financial Officer (On behalf of the registrant and as Principal Financial Officer)

May 8, 2013

ARCH COAL, INC.
OMNIBUS INCENTIVE PLAN
(Formerly Known as 1997 Stock Incentive Plan)
(As Amended and Restated Effective January 1, 2013)

ARTICLE I
PURPOSE AND ADOPTION OF THE PLAN

1.01. Purpose. The purpose of the Arch Coal, Inc. Omnibus Incentive Plan (as amended from time to time, the “Plan”) is to assist in attracting and retaining highly competent employees, directors and Consultants, to act as an incentive in motivating selected employees, directors and Consultants of the Company and its Subsidiaries to achieve long-term corporate objectives and to enable stock-based and cash-based incentive awards to qualify as performance-based compensation for purposes of the tax deduction limitations under Section 162(m) of the Code.

1.02. Adoption and Term. The Plan was originally titled the Arch Coal, Inc. 1997 Stock Incentive Plan, and was effective April 1, 1997. The Plan as amended and restated herein was approved by the Board to be effective as of January 1, 2013 (the “Effective Date”), subject to approval by the stockholders of the Company at the Company’s 2013 Annual Meeting of Stockholders. The Plan shall remain in effect until the tenth anniversary of the Effective Date, or until terminated by action of the Board, whichever occurs sooner. Further, all Awards outstanding under the Plan immediately prior to the Effective Date shall continue to be subject to and governed by the provisions of the Plan in effect prior to this restatement and the terms and conditions set forth in the applicable Award Agreement.

ARTICLE II
DEFINITIONS

For the purpose of this Plan, capitalized terms shall have the following meanings:

2.01. Award means any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in *Article VI*, Stock Appreciation Rights described in *Article VI*, Restricted Shares and Restricted Stock Units described in *Article VII*, other stock-based Awards described in *Article VIII*, cash-based incentive Awards described in *Article IX* or any other award made under the terms of the Plan.

2.02. Award Agreement means a written agreement between the Company and a Participant or a written acknowledgment from the Company to a Participant evidencing the terms and conditions of an individual Award granted under and subject to the Plan. Such agreement or acknowledgement may be in a paper or electronic format approved by the Company and may be delivered by email or other electronic means (including posting on a website maintained by the

Company or a third party under contract with the Company and to which a participant has access), along with all other documents relating to the Plan or any Award that the Company is required to deliver to its security holders (including, without limitation, annual reports, prospectuses and proxy statements).

2.03. Award Period means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

2.04. Beneficiary means an individual, trust or estate who or which, by a written designation of the Participant filed with the Company, or if no such written designation is filed, by operation of law, succeeds to the rights and obligations of the Participant under the Plan and the Award Agreement upon the Participant’s death.

2.05. Board means the Board of Directors of the Company.

2.06. Cause unless otherwise defined in the applicable Award Agreement, shall have the same meaning as that term is defined in a Participant’s offer letter or other applicable employment agreement; or, if there is no such definition, “Cause” means, as determined by the Committee in good faith, (a) the continued failure by the Participant to substantially perform his or her duties with the Company (other than any such failure resulting from his or her incapacity due to physical or mental illness), or (b) the engaging by the Participant in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise.

2.07. Change in Control means, and shall be deemed to have occurred upon the occurrence of, any of the following events: (a) consummation of any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property, other than a merger in which the holders of the Common Stock immediately prior to the merger will have more than 50% of the ownership of common stock of the surviving corporation immediately after the merger, (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, (c) adoption of any plan or proposal for the liquidation or dissolution of the Company, or (d) when any “person” (as defined in Section 13(d) of the Exchange Act), other than a Significant Stockholder, or any Subsidiary or employee benefit plan or trust maintained by the Company or any of its Subsidiaries, shall become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 20% of the Outstanding Company Stock at the time. Notwithstanding the foregoing, with respect to any payment pursuant to a Section 409A Covered Award that is triggered upon a Change in Control, a transaction shall not be deemed to be a Change in Control unless such transaction constitutes a “change in control event” within the meaning of Section 409A of the Code.

2.08. Code means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.09. Committee means the Personnel & Compensation Committee of the Board.

- 2.10. Common Stock means the common stock of the Company, par value \$0.01 per share.
- 2.11. Company means Arch Coal, Inc., a Delaware corporation, and its successors.
- 2.12. Consultant means any natural person who provides bona fide consulting or advisory services to the Company or its Subsidiaries pursuant to a written agreement, which are not in connection with the offer and sale of securities in a capital-raising transaction, and do not, directly or indirectly, promote or maintain a market for the Company's or its Subsidiaries' securities.
- 2.13. Date of Grant means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.
- 2.14. Dividend Equivalent Account means a bookkeeping account in accordance with *Section 10.17* and related to an Award that is credited with the amount of any cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.
- 2.15. Exchange Act means the Securities Exchange Act of 1934, as amended.
- 2.16. Exercise Price means, with respect to Options, the amount established by the Committee in the Award Agreement in accordance with *Section 6.01(b)* which is required to purchase each share of Common Stock upon exercise of the Option, or with respect to a Stock Appreciation Right, the amount established by the Committee in the Award Agreement in accordance with *Section 6.02(b)* which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant.
- 2.17. Fair Market Value means, on any date, (a) the closing sale price of a share of Common Stock as reported on an established stock exchange on which the Common Stock is regularly traded on such date or, if there were no sales on such date, on the last date preceding such date on which a sale was reported; or (b) if shares of Common Stock are not listed for trading on an established stock exchange, Fair Market Value shall be determined by the Committee in good faith and otherwise in accordance with Section 409A of the Code, and any regulations and other guidance thereunder.
- 2.18. Full Value Award means any Award the net value of which to the Participant is equal to the aggregate Fair Market Value of the total number of Shares subject to the Award.
- 2.19. Immediate Family means, whether through consanguinity or adoptive relationships, a Participant's spouse, children, stepchildren, siblings and grandchildren.
- 2.20. Incentive Stock Option means a stock option within the meaning of Section 422 of the Code.
- 2.21. Merger means any merger, reorganization, consolidation, exchange, transfer of assets or other transaction having similar effect involving the Company.

- 2.22. Non-Qualified Stock Option means a stock option which is not an Incentive Stock Option.
- 2.23. Options means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.
- 2.24. Outstanding Common Stock means, at any time, the issued and outstanding shares of Common Stock.
- 2.25. Participant means a person designated to receive an Award under the Plan in accordance with *Section 5.01*.
- 2.26. Performance Goals means the goals established by the Committee under an Award which, if met, shall entitle the Participant to payment under such Award and shall qualify such payment as "performance-based compensation" as that term is used in Section 162(m)(4)(C) of the Code. Such goals will be based upon such specified levels of achievement as the Committee may from time to time determine with respect to one or more of the following: operating income; net income; debt reduction; earnings per share; cash flow; cost reduction; earnings before interest, taxes, depreciation and amortization (EBITDA); environmental compliance; safety performance; production rates; operating cost per ton; total shareholder return; financial return measures; any one of such Goals may be measured with respect to the Company or any one or more of its Subsidiaries and divisions and either in absolute terms or as compared to another company or companies, or an index established or designed by the Committee.
- 2.27. Plan has the meaning given to such term in *Section 1.01*.
- 2.28. Restricted Shares means Common Stock subject to restrictions imposed in connection with Awards granted under *Article VII*.
- 2.29. Restricted Stock Unit means a unit representing the right to receive Common Stock or the value thereof in the future subject to restrictions imposed in connection with Awards granted under *Article VII*.
- 2.30. Retirement means a Participant's voluntary Termination of Service on or after the date on which the Participant attains age 58 and has five years of continuous service with the Company or a Subsidiary, and such Participant has not been terminated for Cause.
- 2.31. Rule 16b-3 means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.
- 2.32. Section 409A Covered Award means an Award granted under the Plan that constitutes "non-qualified deferred compensation" pursuant to Section 409A of the Code.

2.34. Significant Stockholder means any shareholder of the Company who, immediately prior to the Effective Date, owned more than 5% of the Outstanding Common Stock of the Company.

2.35. Stock Appreciation Rights means awards granted in accordance with *Article VI*.

2.36. Subsidiary means a subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.37. Substitute Award means any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or with which the Company or a Subsidiary combined.

2.38. Termination of Service means the voluntary or involuntary termination of a Participant's service as an employee, director or Consultant with the Company or a Subsidiary for any reason, including death, disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be the Company or a Subsidiary; provided, that unless otherwise set forth in an Award Agreement, if a Participant ceases to provide services in one capacity and commences to provide services to the Company or a Subsidiary in another capacity (*i.e.*, an employee becomes a Consultant upon termination of employment), then a Termination of Service shall not be deemed to have occurred until such time as the Participant is no longer providing services to the Company or Subsidiary in such other capacity. Whether entering military or other government service shall constitute Termination of Service, or whether and when a Termination of Service shall occur as a result of disability, shall be determined in each case by the Committee in its sole discretion.

ARTICLE III ADMINISTRATION

3.01. Committee.

(a) Duties and Authority. The Committee shall have exclusive and final authority to administer, manage and control the operation, interpretation and administration of the Plan, which authority shall include, but shall not be limited to:

(i) Subject to the provisions of the Plan, the authority and discretion to select employees, directors and Consultants to receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the respective individual, his or her present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(ii) Subject to the provisions of the Plan, the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to "performance-based compensation" as described in Section 162(m) of the Code, and to take such action, establish such procedures, and impose such restrictions at the time such awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(iii) The authority and discretion to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, to make all other determinations, factual or otherwise, that it deems necessary or advisable for the administration of the Plan and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award, in each case, in the manner and to the extent the Committee deems necessary or advisable to carry it into effect.

Any interpretation of the Plan by the Committee and any decision made by it under the Plan shall be final and binding on all persons. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. The Committee may only act at a meeting by unanimous consent if comprised of two members, and otherwise by a majority of its members. Any determination of the Committee may be made without a meeting by the unanimous written consent of its members.

(b) Delegation. To the extent permitted by applicable law, the Committee may delegate such of its powers and authority under the Plan as it deems appropriate to a subcommittee of the Committee or designated officers or employees of the Company. In addition, the full Board may exercise any of the powers and authority of the Committee under the Plan. In the event of such delegation of authority or exercise of authority by the Board, references in the Plan to the Committee shall be deemed to refer, as appropriate, to the delegate of the Committee or the Board. Actions taken by the Committee or any subcommittee thereof, and any delegation by the Committee to designated officers or employees, under this *Section 3.01* shall comply with Section 16(b) of the Exchange Act, the performance-based provisions of Section 162(m) of the Code, and the regulations promulgated under each of such statutory provisions, or the respective successors to such statutory provisions or regulations, as in effect from time to time, to the extent applicable.

(c) Indemnification. Each person who is or shall have been a member of the Board or the Committee, or an officer or employee of the Company to whom authority was delegated in accordance with the Plan, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf; provided,

however, that the foregoing indemnification shall not apply to any loss, cost, liability, or expense that is a result of his or her own willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, conferred in a separate agreement with the Company, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

3.02. Limitation on Vesting for Awards. Notwithstanding any provision of the Plan to the contrary, (a) any stock-settled Full Value Award granted under the Plan that vests solely on the basis of the passage of time (e.g., not on the basis of achievement of performance goals) shall not vest more quickly than three (3)-years following the Date of Grant and (b) any stock-settled Full Value Award that vests based on the achievement of performance goals may not have a period for such performance goals shorter than one year; provided, however that vesting prior to either period may occur (i) in the event of the Participant's death, disability or involuntary Termination of Service, (ii) upon a Change in Control, or (iii) in connection with establishing the terms and conditions of employment of a Participant necessary for the recruitment of the Participant. The provisions of this Section 3.02 shall not apply to (A) any Awards granted to non-employee directors or Consultants, (B) Substitute Awards, or (C) Awards involving an aggregate number of shares of Common Stock not exceeding 5.0% of the number of shares available for Awards under the first sentence of Section 4.01.

ARTICLE IV SHARES

4.01. Number of Shares Issuable. The total number of shares of Common Stock authorized to be issued under the Plan in connection with Awards, including Incentive Stock Option Awards, shall be 30,900,000. The foregoing share limits shall be subject to adjustment in accordance with *Section 10.07*. The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company.

4.02. Shares Subject to Terminated Awards. If any portion or all of an Award is forfeited, cancelled, exchanged, settled in cash in lieu of shares, or surrendered or, if an Award otherwise terminates or expires without a distribution of shares to the Participant, the shares of Common Stock underlying such Award shall, to the extent of any such forfeiture, cancellation, exchange, cash settlement, surrender, termination or expiration, again be available for Awards under the Plan. Any shares of Common Stock that were subject to a Stock Appreciation Right that were not issued upon the exercise of such Stock Appreciation Right shall be available for the grant of new Awards under the Plan. In addition, shares of Common Stock surrendered to or withheld by the Company in payment or satisfaction of the Exercise Price of an Option or Stock Appreciation Right, or tax withholding obligation with respect to an Award, shall be available for the grant of new Awards under the Plan. Notwithstanding anything to the contrary herein, Awards that may be settled solely in cash shall not be deemed to use any shares of Common Stock which may be issued under the Plan.

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4.03. Substitute Awards and Shares Issuable under Acquired Company Plans. Substitute Awards shall not be counted against or otherwise reduce the number of shares available for future issuance under the Plan. In addition, if a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares available for future issuance under the Plan. Awards using such available shares under acquired plans shall not be made after the date awards could have been made under the terms of the acquired plan, absent the acquisition or combination, and shall only be made to individuals who were not eligible to participate in the Plan prior to such acquisition or combination.

ARTICLE V PARTICIPATION

5.01. Eligible Participants and Award Limits. Participants in the Plan shall be such employees, directors and Consultants of the Company and its Subsidiaries as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan does not require the Committee to include such Participant under other portions of the Plan. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards.

5.02. Subject to adjustment in accordance with *Section 10.07*, in any calendar year, no Participant shall be granted (a) Options or Stock Appreciation Rights in excess of 1,250,000 shares of Common Stock; (b) Awards of Restricted Stock or Restricted Stock Units in excess of 500,000 shares of Common Stock; (c) Other Stock—Based Awards in excess of 500,000 shares of Common Stock; and (d) cash-based Awards under *Article IX* or any other Award that may be settled solely in cash in excess of \$5,000,000. Notwithstanding the foregoing, the Committee may grant Awards to a Participant in excess of the preceding Award limits if the Committee expressly determines that a particular Award shall not be designed to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code.

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ARTICLE VI STOCK OPTIONS

6.01. Option Awards.

(a) Grant of Options. The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant to purchase shares of Common Stock from the Company in such number, at such price, and on such terms and subject to such conditions, not inconsistent

with the terms of this Plan, as may be established by the Committee. The terms of any Option granted under this Plan shall be set forth in an Award Agreement.

(b) Exercise Price of Options. The Exercise Price of each share of Common Stock which may be purchased upon exercise of any Option granted under the Plan shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant.

(c) Designation of Options. The Committee shall designate, at the time of the grant of each Option, the Option as an Incentive Stock Option or a Non-Qualified Stock Option; *provided, however*, that an Option may be designated as an Incentive Stock Option only if the applicable Participant is an employee of the Company on the Date of Grant.

(d) Special Incentive Stock Option Rules. To the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company and its parent and subsidiary corporations) exceeds \$100,000, such Incentive Stock Options shall constitute Non-Qualified Stock Options. For purposes of this *Section 6.01(d)*, Incentive Stock Options shall be taken into account in the order in which they were granted. If pursuant to the above, an Incentive Stock Option is treated as an Incentive Stock Option in part and a Non-Qualified Stock Option in part, the Participant may designate at the time of exercise which portion shall be deemed to be exercised, and in the absence of such express designation in writing, the portion of the Option treated as an Incentive Stock Option shall be deemed to be exercised first. Further, no Incentive Stock Option shall be granted to any person who, at the time the Option is granted, owns stock (including stock owned by application of the constructive ownership rules in Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, unless at the time the Incentive Stock Option is granted the Exercise Price of the Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to the Incentive Stock Option and the Incentive Stock Option, by its terms, is not exercisable for more than five years from the Date of Grant.

6.02. Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee is authorized to grant to any Participant one or more Stock Appreciation Rights. Upon exercise of a Stock Appreciation Right with respect to a share of Common Stock, the Participant shall be entitled to receive an amount equal to the excess, if any, of (i) the Fair Market Value of a share of Common Stock on the date of exercise over (ii) the Exercise Price of such Stock Appreciation Right established in the Award Agreement, which amount shall be payable as provided in *Section 6.02(c)*.

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(b) Exercise Price. The Exercise Price of any Stock Appreciation Right granted under this Plan shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant.

(c) Payment of Incremental Value. Any payment which may become due from the Company by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Committee (i) all in cash, (ii) all in Common Stock, or (iii) in any combination of cash and Common Stock. In the event that all or a portion of the payment is made in Common Stock, the number of shares of Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of such payment or portion thereof by the Fair Market Value on the exercise date. No fractional share of Common Stock shall be issued to make any payment in respect of Stock Appreciation Rights; if any fractional share would be issuable, the combination of cash and Common Stock payable to the Participant shall be adjusted as directed by the Committee to avoid the issuance of any fractional share.

6.03. Terms of Stock Options and Stock Appreciation Rights.

(a) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments) as may be determined by the Committee at the time of grant.

(b) Duration. Options and Stock Appreciation Rights shall terminate upon the first to occur of the following events:

(i) Expiration of the Award as provided in the Award Agreement; or

(ii) Termination of the Award in the event of a Participant's disability, retirement, death or other Termination of Service as provided in the Award Agreement; or

(iii) Ten years from the Date of Grant (five years in certain cases, as described in *Section 6.01(d)*).

(c) Extension of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not be obligated), exercisable on or at any time after the Date of Grant, to extend the exercise period of an Option or Stock Appreciation Right beyond the termination or expiration of the Option or Stock Appreciation Right under the terms of the Award Agreement; *provided*, in no event shall the exercise period be extended beyond the date set forth in *Section 6.03(b)(iii)*.

(d) Vesting of Awards. An Option or Stock Appreciation Right may be exercised, and payment shall be made upon exercise of such Option or Stock Appreciation Right, only to the extent that the Option or Stock Appreciation Right has vested in accordance with the terms of the Award Agreement.

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(e) Effect of Termination of Service. Unless otherwise provided in an applicable Award Agreement, no Option or Stock Appreciation Right, whether vested or unvested, may be exercised after the Participant has incurred a Termination of Service except as or as set forth below:

(i) if the Participant's Termination of Service is due to any reason other than death, disability, Retirement or a termination for Cause, any vested portion of an Option or Stock Appreciation Right may be exercised on or before the earlier of (A) sixty (60) days after such Termination and (B) the expiration of the term of the Option or Stock Appreciation Right;

(ii) if the Participant's Termination of Service is due to death or disability, any unvested outstanding Option or Stock Appreciation Right shall, for a period of one year from the date of such Termination, continue to vest on schedule and all Options or Stock Appreciation Rights that are vested, or become vested, may be exercised on or before the earlier of (A) one year after the date of such Termination and (B) the expiration of the term of the Option or Stock Appreciation Right;

(iii) if the Participant's Termination of Service is due to Retirement, any unvested outstanding Option or Stock Appreciation Right shall, for a period of five years from the date of such Termination, continue to vest on schedule and all Options or Stock Appreciation Rights that are vested, or become vested, may be exercised on or before the earlier of (A) five years after the date of such Termination and (B) the expiration of the term of the Option or Stock Appreciation Right; and

(iv) if the Participant's Termination of Service is due to a discharge by the Company for Cause, the right to exercise any outstanding Option or Stock Appreciation Right, whether vested or not, shall terminate immediately upon such Termination of Service.

In no event may any Option or Stock Appreciation Right be exercised after the expiration of its term. Any Option or Stock Appreciation Right, or portion thereof, that is not exercised during the applicable time period specified above (or any other applicable period specified in an Award Agreement) shall be deemed terminated and no longer exercisable at the expiration of the applicable time period.

(f) Rights as a Shareholder. A Participant or a transferee of an Option or Stock Appreciation Rights pursuant to *Section 10.04* shall have no rights as a shareholder with respect to Common Stock covered by an Option or Stock Appreciation Right until the Participant or transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option or Stock Appreciation Right shall have become the holder of record of any such shares covered by the Option or Stock Appreciation Right; provided, however, that Participants are entitled to share adjustments to reflect capital changes under *Section 10.07*.

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6.04. Exercise Procedures. Each Option or Stock Appreciation Right granted under the Plan shall be exercised prior to the close of business on the expiration date of the Option or Stock Appreciation Right by notice to the Company or by such other method as provided in the Award Agreement or as the Committee may establish or approve from time to time. The Exercise Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; *provided, however*, that the Committee may (but shall not be required to) permit payment to be made (a) by tendering (either by actual delivery or attestation) previously acquired shares of Common Stock, (b) by a "net exercise" method under which the Company reduces the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate Exercise Price, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment under an arrangement constituting a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board, unless prohibited by Section 402 of the Sarbanes-Oxley Act of 2002). In the event that any Common Stock shall be transferred to the Company to satisfy all or any part of the Exercise Price, the part of the Exercise Price deemed to have been satisfied by such transfer of Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares of Common Stock transferred to the Company. The Participant may not transfer to the Company in satisfaction of the Exercise Price any fractional share of Common Stock. Any part of the Exercise Price paid in cash upon the exercise of any Option shall be added to the general funds of the Company and may be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Common Stock transferred to the Company as payment of all or part of the Exercise Price upon the exercise of any Option shall be held as treasury shares.

6.05. Change in Control. With respect to each Award of Options or Stock Appreciation Rights, the Committee shall determine whether and to what extent such Options or Stock Appreciation Rights will become immediately and fully exercisable in the event of a Change in Control or upon the occurrence of one or more specified conditions following a Change in Control. Such provisions relating to the effect of a Change in Control on an outstanding Award of Options or Stock Appreciation Rights shall be set forth in the applicable Award Agreement.

ARTICLE VII RESTRICTED SHARES AND RESTRICTED STOCK UNITS

7.01. Award of Restricted Stock and Restricted Stock Units. The Committee may grant to any Participant an Award of Restricted Shares consisting of a specified number of shares of Common Stock issued to the Participant subject to such terms, conditions and forfeiture and transfer restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. The Committee may also grant Restricted Stock Units representing the right to receive shares of Common Stock in the future subject to such terms, conditions and restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the

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Committee shall establish. With respect to performance-based Awards of Restricted Shares or Restricted Stock Units intended to qualify as "performance-based" compensation for purposes of Section 162(m) of the Code, performance targets will consist of specified levels of one or more of the Performance Goals. The terms of any Restricted Share and Restricted Stock Unit Awards granted under this Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with this Plan.

7.02. Restricted Shares.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Committee, the Company shall cause to be transferred on the books of the Company, or its agent, Common Stock, registered on behalf of the Participant, evidencing the

Restricted Shares covered by the Award, but subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Company. All Common Stock covered by Awards under this *Article VII* shall be subject to the restrictions, terms and conditions contained in the Plan and the Award Agreement entered into by the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the share certificates representing such Restricted Shares may be held in custody by the Company, its designee, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in *Section 7.02(d)*, one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in *Section 7.02(d)*, free of any restrictions set forth in the Plan and the Award Agreement shall be delivered to the Participant.

(b) Shareholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in *Section 7.02(a)*, the Participant shall become a shareholder of the Company with respect to all shares subject to the Award Agreement and shall have all of the rights of a shareholder, including, but not limited to, the right to vote such shares and the right to receive dividends; *provided, however*, that unless otherwise provided in the applicable Award Agreement, any dividends or distributions of Shares with respect to any Restricted Shares as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Shares and held or restricted as provided in *Section 7.02(a)*.

(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to an inter vivos trust with respect to which the Participant is treated as the owner under Sections 671 through 677 of the Code, except to the extent that Section 16 of the Exchange Act limits a Participant's right to make such transfers), pledged or sold prior to lapse of the restrictions applicable thereto.

(d) Delivery of Shares upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under the provisions of the applicable Award Agreement, the restrictions applicable to the Restricted

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Shares shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of *Section 10.05*, the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more share certificates for the appropriate number of shares of Common Stock, free of all such restrictions, except for any restrictions that may be imposed by law.

(e) Forfeiture of Restricted Shares. All Restricted Shares shall be forfeited and returned to the Company and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Company or a Subsidiary as an employee until the expiration of the forfeiture period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. Subject to *Section 3.02*, the Committee shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

7.03. Restricted Stock Units.

(a) Settlement of Restricted Stock Units. Payments shall be made to Participants with respect to their Restricted Stock Units as soon as practicable after the Committee has determined that the terms and conditions applicable to such Award have been satisfied or at a later date if distribution has been deferred. Payments to Participants with respect to Restricted Stock Units shall be made in the form of Common Stock, or cash or a combination of both, as the Committee may determine. The amount of any cash to be paid in lieu of Common Stock shall be determined on the basis of the Fair Market Value of the Common Stock on the date any such payment is processed. As to shares of Common Stock which constitute all or any part of such payment, the Committee may impose such restrictions concerning their transferability and/or their forfeiture as may be provided in the applicable Award Agreement or as the Committee may otherwise determine, provided such determination is made on or before the date certificates for such shares are first delivered to the applicable Participant.

(b) Effect of Termination of Service. Unless otherwise provided in an applicable Award Agreement, except as set forth below all unvested Restricted Stock Units will be forfeited upon a Participant's Termination of Service:

(i) if the Participant's Termination of Service is due to death, disability or Retirement, Participant shall retain, and such retained Restricted Stock Unit shall vest in accordance with its vesting schedule, a pro-rated number of unvested Restricted Stock Units equal to the total number of days such Participant worked for the Company over the total number of days included in the vesting period for such Restricted Stock Units.

(c) Shareholder Rights. Until the lapse or release of all restrictions applicable to an Award of Restricted Stock Units, no shares of Common Stock shall be issued in respect of such Awards and no Participant shall have any rights as a shareholder of the Company with respect to the shares of Common Stock covered by such Award of Restricted Stock Units.

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(d) Dividend Equivalents. For any Restricted Stock Unit granted under the Plan, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Restricted Stock Unit, in accordance with *Section 10.17*.

(e) Deferral of Payment. If approved by the Committee and set forth in the applicable Award Agreement, a Participant may elect to defer the amount payable with respect to the Participant's Restricted Stock Units in accordance with such terms as may be established by the Committee, subject to the requirements of Section 409A of the Code.

7.04. Change in Control. With respect to each Award of Restricted Shares or Restricted Stock Units, the Committee shall determine whether and to what extent such Award will become immediately and fully vested and nonforfeitable in the event of a Change in Control or upon the occurrence of one or

more specified conditions following a Change in Control. Such provisions relating to the effect of a Change in Control on an outstanding Award of Restricted Shares or Restricted Stock Units shall be set forth in the applicable Award Agreement.

ARTICLE VIII OTHER STOCK-BASED AWARDS

8.01. Grant of Other Stock-Based Awards. Other stock-based awards, consisting of Substitute Awards, stock purchase rights (with or without loans to Participants by the Company containing such terms as the Committee shall determine), Awards of Common Stock, phantom stock arrangements, or Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Committee and the Participant, which Award Agreement shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

8.02. Terms of Other Stock-Based Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this *Article VIII* shall be subject to the following:

(a) Any Common Stock subject to Awards made under this *Article VIII* may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses;

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(b) For any such Award, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a related Dividend Equivalent Account, in accordance with *Section 10.17*; and

(c) Subject to *Section 3.02*, the Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Service prior to the exercise, payment or other settlement of such Award, with such provisions taking account of the specific nature and purpose of the Award.

8.03. Change in Control. With respect to each grant of an Other Stock Based Award, the Committee shall determine whether and to what extent such Award will become immediately and fully vested and nonforfeitable in the event of a Change in Control or upon the occurrence of one or more specified conditions following a Change in Control. Such provisions relating to the effect of a Change in Control on an outstanding Other Stock-Based Award shall be set forth in the applicable Award Agreement.

ARTICLE IX CASH-BASED INCENTIVE AWARDS

9.01. Eligibility. Executive officers of the Company who are from time to time determined by the Committee to be “covered employees” for purposes of Section 162(m) of the Code will be eligible to receive cash-based incentive awards under this *Article IX*.

9.02. Awards.

(a) Performance Targets. The Committee shall establish objective performance targets based on specified levels of one or more of the Performance Goals. Such performance targets shall be established by the Committee on a timely basis to ensure that the targets are considered “preestablished” for purposes of Section 162(m) of the Code.

(b) Amounts of Awards. In conjunction with the establishment of performance targets established by the Committee, the Committee shall adopt an objective formula (on the basis of percentages of Participants’ salaries, shares in a bonus pool or otherwise) for computing the respective amounts payable under the Plan to Participants if and to the extent that the performance targets are attained. Such formula shall comply with the requirements applicable to performance-based compensation plans under Section 162(m) of the Code and, to the extent based on percentages of a bonus pool, such percentages shall not exceed 100% in the aggregate.

(c) Payment of Awards. Awards will be payable to Participants in cash each year upon prior written certification by the Committee of attainment of the specified performance targets for the preceding fiscal year or other applicable performance period.

(d) Negative Discretion. Notwithstanding the attainment by the Company of the specified performance targets, the Committee shall have the discretion, which need not be exercised uniformly among the Participants, to reduce or eliminate the Award that would be otherwise paid.

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(e) Guidelines. The Committee may adopt from time to time written policies for its implementation of this *Article IX*. Such guidelines shall reflect the intention of the Company that all payments hereunder qualify as performance-based compensation under Section 162(m) of the Code.

(f) Non-Exclusive Arrangement. The adoption and operation of this *Article IX* shall not preclude the Board or the Committee from approving other cash-based incentive compensation arrangements for the benefit of individuals who are Participants hereunder as the Board or Committee, as the case may be, deems appropriate and in the best interests of the Company.

ARTICLE X TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

10.01. Plan Provisions Control Award Terms. Except as provided in *Section 10.16*, the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any provision in the Plan as constituted on the Date of Grant of such Award, the provision in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in *Section 10.03* and *Section 10.07*, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the holder.

10.02. Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

10.03. Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Company and the Participant, provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee.

10.04. Limitation on Transfer. Except as provided in *Section 7.02(c)* in the case of Restricted Shares, Awards under the Plan are not transferable except by will or by the laws of descent and distribution. To the extent that a Participant who receives an Award under the Plan has the right to exercise such Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions of this *Section 10.04*, the Committee may, subject to any restrictions under applicable securities laws, permit Awards of Options (other than an Incentive Stock Option) to be transferred by a Participant for

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no consideration to or for the benefit of the Participant's Immediate Family (including, without limitation, to a trust for the benefit of a Participant's Immediate Family or to a partnership comprised solely of members of the Participant's Immediate Family), subject to such limits as the Committee may establish, provided the transferee shall remain subject to all of the terms and conditions applicable to such Award prior to such transfer.

10.05. Taxes. The Company shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the minimum statutory amount to satisfy federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan, but in no event shall such deduction or withholding or remittance exceed the minimum statutory withholding requirements, and the Company may defer payment or issuance of the cash or shares upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at such time as the Committee determines in accordance with the following rules:

(a) The Participant shall have the right to elect to meet his or her withholding requirement (i) by having withheld from such Award at the appropriate time that number of shares of Common Stock, rounded down to the next whole share, whose Fair Market Value is equal to the amount of withholding taxes due, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award or (iii) by a combination of shares and cash.

(b) In the case of Participants who are subject to Section 16 of the Exchange Act, the Committee may impose such limitations and restrictions as it deems necessary or appropriate with respect to the delivery or withholding of shares of Common Stock to meet tax withholding obligations.

10.06. Surrender of Awards. Any Award granted under the Plan may be surrendered to the Company for cancellation on such terms as the Committee and the Award holder approve. With the consent of the Participant, the Committee may substitute a new Award under this Plan in connection with the surrender by the Participant of an equity compensation award previously granted under this Plan or any other plan sponsored by the Company; *provided, however*, that no such substitution shall be permitted without the approval of the Company's shareholders if such approval is required by the rules of any applicable stock exchange.

10.07. Adjustments to Reflect Capital Changes or Transactions.

(a) Recapitalization. In the event of any "equity restructuring" (within the meaning of FASB ASC Topic 718, Compensation—Stock Compensation) that causes the per share value of the Common Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the Committee shall make such adjustments as it deems equitable and appropriate to (a) the aggregate number and kind of shares of Common Stock or other securities issued or reserved for issuance under the Plan, (b) the number and kind of shares of Common Stock or other securities subject to outstanding Awards, (c) the Exercise Price of outstanding Options or Stock Appreciation Rights, and

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(d) the annual award limits specified in *Section 5.02* or any other maximum limitations prescribed by the Plan with respect to certain types of Awards or the grants to individuals of certain types of Awards. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) to prevent dilution or enlargement of the rights of Participants. No adjustment shall be made pursuant to this *Section 10.07* in connection with the conversion of any convertible securities of the Company, or in a manner that would cause an Award to be subject to adverse tax consequences under Sections 409A or 422 of the Code. The Committee shall have the power and sole discretion to determine the amount of the adjustment to be made in each case under this *Section 10.07(a)*.

(b) Merger. After any Merger in which the Company is the surviving corporation, each Participant shall, at no additional cost, be entitled upon any exercise of all Options or receipt of other Award to receive (subject to any required action by shareholders), in lieu of the number of shares of Common Stock receivable or exercisable pursuant to such Award, the number and class of shares or other securities to which such Participant

would have been entitled pursuant to the terms of the Merger if, at the time of the Merger, such Participant had been the holder of record of a number of shares equal to the number of shares receivable or exercisable pursuant to such Award. Comparable rights shall accrue to each Participant in the event of successive Mergers of the character described above. Notwithstanding *Section 10.15*, in the event of a Merger in which the Company is not the surviving corporation, outstanding Awards shall be subject to the agreement governing the Merger, which may provide, without limitation, for the assumption of Awards by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such Awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents. In any event, the exercise and/or vesting of any Award that was permissible solely by reason of this *Section 10.07(b)* shall be conditioned upon the consummation of the Merger.

(c) Options to Purchase Shares or Stock of Acquired Companies. After any Merger in which the Company or a Subsidiary shall be a surviving corporation, the Committee may grant substituted Options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the Merger whose shares or stock subject to the old options may no longer be issued following the Merger. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options.

10.08. No Right to Continued Service. No person shall have any claim of right to be granted an Award under this Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the service of the Company or any of its Subsidiaries.

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10.09. Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Participant which is maintained by the Company or any of its Subsidiaries, except as may be provided under the terms of such plans or determined by the Board.

10.10. Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Delaware and construed in accordance therewith.

10.11. No Strict Construction. No rule of strict construction shall be implied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

10.12. Compliance with Rule 16b-3. It is intended that, unless the Committee determines otherwise, Awards under the Plan be eligible for exemption under Rule 16b-3. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

10.13. Captions. The captions (*i.e.*, all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

10.14. Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

10.15. Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time; *provided, however*, that the Board shall not, without the requisite affirmative approval of shareholders of the Company, make any amendment which requires shareholder approval under the Code or under any other applicable law or rule of any stock exchange which lists the Common Stock or any other securities of the Company. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the

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time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

(c) No Repricing Without Shareholder Approval. Notwithstanding any provision herein to the contrary, the repricing of Options or Stock Appreciation Rights is prohibited without prior approval of the Company's shareholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of an Option or Stock Appreciation Right to lower its Exercise Price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling an Option or Stock Appreciation Right at a time when its Exercise Price is greater than the Fair Market Value of the underlying Common Stock in exchange for another Award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under *Section 10.07* above. Such cancellation and exchange as described in clause (iii) of the preceding sentence would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant.

10.16. Foreign Qualified Awards. Awards under the Plan may be granted to such employees of the Company and its Subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such

laws; provided, however, that no Award shall be granted under any such supplement with terms or conditions inconsistent with the provision set forth in the Plan.

10.17. Dividend Equivalents. For any Award granted under the Plan other than an Option or Stock Appreciation Right, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm such establishment. If a Dividend Equivalent Account is established, the following terms shall apply:

(a) Terms and Conditions. Dividend Equivalent Accounts shall be subject to such terms and conditions as the Committee shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

(b) Unfunded Obligation. Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.

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(c) Performance Award Limitations. Notwithstanding any other provision of this Section 10.17 or the Plan to the contrary, amounts credited to a Participant's Dividend Equivalent Account with respect to any unvested portions of an Award whose vesting is subject to the achievement of specified Performance Goals or other performance-based criteria shall be subject to the same vesting or forfeiture restrictions as the shares or units underlying the Award to which such dividend equivalents relate.

10.18. Adjustment of Performance Goals and Targets. Notwithstanding any provision of the Plan to the contrary, the Committee shall have the authority to adjust any Performance Goal, performance target or other performance-based criteria established with respect to any Award under the Plan if circumstances occur (including, but not limited to, unusual or nonrecurring events, changes in tax laws or accounting principles or practices or changed business or economic conditions) that cause any such Performance Goal, performance target or performance-based criteria to be inappropriate in the judgment of the Committee; provided, that with respect to any Award that is intended to qualify for the "performance-based compensation" exception under Section 162(m) of the Code and the regulations thereunder, any adjustment by the Committee shall be consistent with the requirements of Section 162(m) and the regulations thereunder.

10.19. Legality of Issuance. Notwithstanding any provision of this Plan or any applicable Award Agreement to the contrary, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Award unless and until the Committee determines that such issuance complies with (a) any applicable registration requirements under the Securities Act (or the Committee has determined that an exemption therefrom is available), (b) any applicable listing requirement of any stock exchange on which the Common Stock is listed, (c) any applicable Corporate policy or administrative rules, and (d) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

10.20. Restrictions on Transfer. Regardless of whether the offering and sale of Common Stock under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Common Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act, the securities laws of any state, the United States or any other applicable foreign law.

10.21. Further Assurances. As a condition to receipt of any Award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

10.22. Compliance with Section 409A. Although the Company does not guarantee to a Participant the particular tax treatment of an Award granted under the Plan, the Plan is, and Awards made under the Plan are, intended to comply with, or be exempt from, the requirements of Section 409A of the Code, and the Plan and any Award Agreements shall be interpreted in a

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manner consistent with such intent. In addition, and notwithstanding any provision of the Plan to the contrary, the Company reserves the right to amend the Plan or any Award granted under the Plan, by action of the Committee, without the consent of any affected Participant, to the extent deemed necessary or appropriate for purposes of maintaining compliance with Section 409A of the Code and the regulations promulgated thereunder. All Section 409A Covered Awards shall be paid in a manner intended to comply with Section 409A of the Code. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code or this Section 10.22. Notwithstanding anything in the Plan or in an Award Agreement to the contrary, the following provisions shall apply to Section 409A Covered Awards:

(a) A Termination of Service shall not be deemed to have occurred for purposes of any provision of a Section 409A Covered Award providing for payment upon or following a termination of the Participant's service unless such termination is also a "Separation from Service" within the meaning of Section 409A of the Code and, for purposes of any such provision of Section 409A Covered Award, references to a "termination," "termination of employment" or like terms shall mean Separation from Service. Notwithstanding any provision to the contrary in the Plan or Award Agreement, if the Participant is deemed on the date of the Participant's Termination of Service to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code and using the identification methodology selected by the Company from time to time, or if none, the default methodology set forth in Section 409A, then with regard to any such payment under a Section 409A Covered Award, to the extent required to be delayed in compliance with Section 409A(a)(2)(B) of the Code, such payment shall not be made prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the Participant's Separation from Service, and (ii) the date of the Participant's death. All payments delayed pursuant to this

Section 10.22(a) shall be paid to the Participant on the first day of the seventh month following the date of the Participant's Separation from Service or, if earlier, on the date of the Participant's death.

(b) Whenever a payment under a Section 409A Covered Award specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(c) If under the Section 409A Covered Award an amount is to be paid in two or more installments, for purposes of Section 409A of the Code, each installment shall be treated as a separate payment.

10.23. Recovery of Compensation in Connection with Financial Restatement. Notwithstanding any other provision of this Plan or any applicable Award Agreement to the contrary, if the Board determines that the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the law, whether such noncompliance is the result of misconduct or other circumstances, a Participant shall be required to reimburse the Company for any amounts earned or payable with respect to an Award to the extent required by and otherwise in accordance with applicable law and any Company policies. Without limiting the foregoing, all Awards granted or other compensation paid by the Company under the Plan will be subject to any compensation recapture policies required by

applicable law (including the Sarbanes-Oxley Act of 2002) or that are established by the Board or the Committee from time to time, in their respective sole discretion, including any clawback policy adopted or implemented by the Board or Committee in respect of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and such regulations as are promulgated thereunder from time to time to the extent required therein and the implementing regulations.

Participant Name:

Name of Plan:

Employee Number:

Grant Name:

Grant Date:

Expiry:

Grant Price:

Performance Period:

Total Performance Units:

Vesting Schedule — Performance Units

Vesting Date	Vesting Quantity

Form of Performance Unit Contract (Not Transferable)

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the “Company”), and (the “Participant Name”), is made and entered into as a separate inducement in connection with the Participant’s employment and not in lieu of any salary or other compensation for the Participant’s services, pursuant to which the company has awarded up to performance units (“Performance Units”) to the Participant. The Company’s stockholders approved, at the April 25, 2013 Annual Stockholder Meeting, amendments (the “Omnibus Amendments”) to the 1997 Stock Incentive Plan (the “Current Plan”), which did, among other things, rename the plan as the Omnibus Incentive Plan (the Current Plan, as amended by the Omnibus Amendments, the “Omnibus Plan”). As used herein, the “Plan” shall mean the Omnibus Plan, as amended from time to time.

This Contract is subject to the provisions of the Plan, a copy of which has been provided to the Participant, and to the terms and conditions set forth below, which, together with the Performance Unit Grant Memorandum dated _____ to the Participant, constitute the entire understanding between the Company and the Participant with respect to this Contract.

This Contract is executed as of (the “Grant Date”).

Arch Coal, Inc.

John Ziegler Jr.
Vice President - Human Resources

ACKNOWLEDGMENT

Please click the ‘accept’ button below to confirm your acceptance of the terms and conditions of this Contract and the terms and conditions of the Plan within 60 days of issuance of this Agreement. By confirming acceptance, you (a) acknowledge receipt of a copy of the Plan; (b) represent that you have read and are familiar with the Plan’s terms; (c) accept the award subject to all of the terms and provisions of this Contract and of the Plan under which it is granted, as the Plan may be amended in accordance with its terms; and (d) agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to this Contract.

Terms and Conditions of Performance Unit Contract

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan, as may be amended from time to time.
2. **Performance Period.** The (“Performance Period”) during which the performance criteria shall be measured will be the 3-year period set forth above.
3. **Payout of Award.** Except as otherwise set forth herein, each Performance Unit entitles the Participant to receive \$1.00 in value for the unit at the end of the Performance Period if the Participant is an employee of the Company or one of its Subsidiaries as of such date and to the extent the performance parameters outlined in the attached memorandum are met. The value of the Performance Units earned may be paid, at the election of the Board of Directors of the Company, in cash, shares of Stock, Restricted Stock, Restricted Stock Units, or a combination thereof.
4. **Non-transferable.** The Participant agrees that the Performance Units awarded under this Contract may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.

5. **Change of Control.** The Performance Units will vest automatically and without any further action on the part of the Company or the Participant immediately following any Change of Control.
 6. **Tax Withholding.** The Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including amounts payable hereunder, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Units or any payment in settlement thereof. The Company shall have no obligation to deliver payment in settlement until the tax withholding obligations of the Company have been satisfied by the Participant. In the event the Performance Units are settled in shares of Stock, Restricted Stock or Restricted Stock Units, the Company may “net settle” the issuance to account for any withholding obligations hereunder.
 7. **Restrictions on Grant of the Award and Payout of Award.** The grant of the Performance Units and any settlement thereof shall be subject to compliance with all applicable requirements of federal, state or foreign law. No shares of Stock, Restricted Stock or Restricted Stock Units may be issued hereunder if the issuance of such shares would constitute a violation of any applicable Federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction or authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Performance Units shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Performance Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.
 8. **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Performance Units.
 9. **Termination of Employment.** The Participant agrees that, except as set forth below, upon his or her termination from the Company or a Related Company for any reason prior to the end of the Performance Period, the Participant shall forfeit any rights he or she may have under this Contract on the effective Date of Termination. In the event that the Participant’s employment by the Company or a Related Company is terminated prior to the end of the Performance Period, but either on or after a Retirement Event or by reason of death or Disability, and the Participant has not been terminated for Cause, the number of Performance Units under this Contract eligible for payout at the end of the Performance Period, to the extent the performance parameters outlined in the attached memorandum are met, shall equal (i) the number of Performance Units granted pursuant to this Contract, multiplied by (ii) a fraction, the numerator of which is the number of days from January 1, 2013 through the Participant’s Date of Termination, and the denominator of which is the number of days in the Performance Period. In the event the immediately
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preceding sentence applies, effective as of the Date of Termination, all Performance Units in excess of the amount that are eligible for vesting by operation of the immediately preceding sentence shall be forfeited and cease to be outstanding. For purposes hereof, a “Retirement Event” means the date the Participant reaches age 58 and has five years of continuous service with the Company and/or one or more of the Related Companies immediately prior to the Date of Termination.

10. **Stockholder Rights.** The Participant shall have no rights of a common stockholder of the Company, including the right to vote such stock at any meeting of the common stockholders of the Company, as a result of his or her ownership of the Performance Units.
 11. **Personnel & Compensation Committee Actions.** The Personnel & Compensation Committee (the “Committee”) of the Company’s Board of Directors may, in its discretion, remove, modify or accelerate the performance criteria with respect to the Performance Units under such circumstances as the Committee, in its discretion, shall determine, subject however, to the terms of the Plan.
 12. **Effect of Award on Employment.** Nothing in this Contract shall be construed to affect in any way the right of the Company to terminate the employment of the Participant at any time for any reason, with or without cause.
 13. **Further Assurances.** Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Contract and the Plan.
 14. **Governing Law.** The validity, interpretation, performance and enforcement of this Contract shall be governed by the laws of the State of Delaware, determined without regard to its conflicts of law provisions.
 15. **Plan Governs.** This Contract has been executed pursuant to the Plan, and each and every provision of this Contract shall be subject to the provisions of such Plan and, except as otherwise provided herein, the terms therein shall govern this Contract. In the event of any conflict between the terms of this Contract and any other documents or materials provided to the Participant, the terms of this Contract will control.
 16. **Deferral.** In the event that the Participant is eligible to participate in one or more deferred compensation plans sponsored by the Company, the payout of this Contract is permitted to be deferred under such plan. The terms, conditions and requirements for such deferral shall be governed by the Company’s applicable deferred compensation plan.
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Participant Name:**Name of Plan:****Employee Number:****Grant Name:****Grant Date:****Expiration Date:****Exercise Price:****Total Options:**

**Form of Award Agreement
(Non-Qualified Stock Option)**

Arch Coal, Inc. (the “Company”) hereby confirms this grant of a non-qualified stock option to purchase shares of Arch Coal, Inc. common stock (the “Option”) to the above-named employee (“Participant”). The Company’s stockholders approved, at the April 25, 2013 Annual Stockholder Meeting, amendments (the “Omnibus Amendments”) to the 1997 Stock Incentive Plan (the “Current Plan”), which, among other things, renamed the plan as the Omnibus Incentive Plan (the Current Plan, as amended by the Omnibus Amendments, the “Omnibus Plan”). As used herein, the “Plan” shall mean the Omnibus Plan as amended from time to time.

The terms of this Award Agreement and the Plan shall govern the Option in all respects. Capitalized terms used in this Award Agreement but not otherwise defined herein shall have the meanings assigned to them in the Plan.

Subject to the terms of the Plan, the Option granted hereunder shall vest and become exercisable based on the vesting schedule described above. In addition, the Option can become exercisable upon the occurrence of other events as specified in the Plan. The Option will vest automatically and without any further action on the part of the Company or the Participant immediately following any Change of Control. Notwithstanding the foregoing and notwithstanding anything contained in the Plan to the contrary, if the Participant’s Date of Termination occurs on or after the date on which the Participant attains age 58, the Participant has five years of continuous service with the Company and/or one or more of its Subsidiaries immediately prior to the Date of Termination and the Participant has not been terminated for Cause, then the Option shall continue to vest and become exercisable in accordance with the vesting schedule described above, and the Option shall remain exercisable for the lesser of (i) a period of five years from the Participant’s Date of Termination or (ii) the remaining term of the Option and thereafter shall be forfeited if not exercised. The Exercise Price of the shares purchased upon exercise of the Option (or a portion thereof) shall be paid either (a) in cash in full by the Participant, (b) by tendering (either by actual delivery or attestation) previously acquired shares of Common Stock, (c) by a “net exercise” method under which the Company reduces the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate Exercise Price, or (d) such other consideration as the Committee deems appropriate and in compliance with applicable law.

Nothing in the Plan or this Award Agreement should confer on any Participant any right to continue in the employment of the Company or interfere in any way with the right of the Company to terminate Participant’s employment at any time.

Arch Coal, Inc.

John Ziegler Jr.
Vice President — Human Resources

ACKNOWLEDGMENT

Please click the ‘accept’ button below to confirm your acceptance of the terms and conditions of this Award Agreement and the terms and conditions of the Plan within 60 days of issuance of this Agreement. By confirming acceptance, you (a) acknowledge receipt of a copy of the Plan; (b) represent that you have read and are familiar with the Plan’s terms; (c) accept the Option subject to all of the terms and provisions of this Agreement and of the Plan under which it is granted, as the Plan may be amended in accordance with its terms; and (d) agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to the Option.

Participant Name:

Name of Plan:

Employee Number:

Grant Name:

Grant Date:

Expiry:

Grant Price:

Total Restricted Stock Units:

Form of Restricted Stock Unit Contract
(Not Transferable)

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the “Company”), and (the “Participant”), is made and entered into as a separate inducement in connection with the Participant’s employment and not in lieu of any salary or other compensation for the Participant’s services, pursuant to which the company has awarded, restricted stock units (“Units”) to the Participant. The Company’s stockholders approved, at the April 25, 2013 Annual Stockholder Meeting, amendments (the “Omnibus Amendments”) to the 1997 Stock Incentive Plan (the “Current Plan”), which, among other things, renamed the plan as the Omnibus Incentive Plan (the Current Plan, as amended by the Omnibus Amendments, the “Omnibus Plan”). As used herein, the “Plan” shall mean the Omnibus Plan as amended from time to time.

This Contract is subject to the provisions of the Plan, a copy of which has been made available to the Participant, and to the terms and conditions set forth below, which constitute the entire understanding between the Company and the Participant with respect to this Contract.

This Contract is executed as of (the “Grant Date”).

Arch Coal, Inc.

John Ziegler Jr.
Vice President - Human Resources

ACKNOWLEDGMENT

Please click the ‘accept’ button below to confirm your acceptance of the terms and conditions of this Contract and the terms and conditions of the Plan within 60 days of issuance of this Agreement. By confirming acceptance, you (a) acknowledge receipt of a copy of the Plan; (b) represent that you have read and are familiar with the Plan’s terms; (c) accept the award subject to all of the terms and provisions of this Contract and of the Plan under which it is granted, as the Plan may be amended in accordance with its terms; and (d) agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to this Contract.

Terms and Conditions of Restricted Stock Unit Contract

1. **Definitions.** Capitalized terms, not otherwise defined herein shall have the same meanings set forth in the Plan.
2. **Vesting Dates.** The Units will in accordance with the Vesting Schedule above.
3. **Payout of Award.** Subject to the provisions of this Contract and the Plan, the Participant is awarded the aggregate number of Units set forth in this Contract, evidencing the right to receive an equivalent number of shares of Stock. Payment of vested Units shall be made as soon as practicable following the Vesting Date. Settlement will be made by payment in shares of Stock or cash, as determined by the Committee and in accordance with the Plan. If paid in shares of Stock, such shares of Stock shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to the Plan, or any applicable law, rule or regulation.
4. **Non-transferable.** The Participant agrees that the Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.
5. **Change of Control.** The Units will vest automatically and without any further action on the part of the Company or the Participant immediately following any Change of Control.
6. **Sale of Subsidiary.** The Units will vest automatically and without any further action on the part of the Company or the Participant if the Participant is employed by a Subsidiary of the Company immediately following the sale or disposition of such Subsidiary by the Company; provided, however, that the Participant was not offered another position with the Company, which includes substantially equivalent salary, benefits, duties and responsibilities as the Participant’s last position.
7. **Tax Withholding.** The Participant hereby authorizes withholding from payroll, amounts payable hereunder, and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Units or any payment in settlement thereof. The Company shall have no obligation to deliver shares of Stock or payment in settlement until the tax withholding obligations of the Company have been satisfied by the

Participant. In the event the Units are settled in shares of Stock, the Company may “net settle” the issuance of Stock to account for any withholding obligations hereunder.

8. **Certificate Registration.** If settled in shares of Stock, the certificate issuable upon vesting of the Units shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.
 9. **Restrictions on Issuance of Shares.** The grant of the Units and any settlement thereof shall be subject to compliance with all applicable requirements of federal, state or foreign law. If settled in shares, the issuance of shares of Stock upon vesting of the Units shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Units shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of the shares of Stock upon vesting of the Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.
 10. **Fractional Shares.** If settled in shares of Stock, the Company shall not be required to issue fractional shares upon the vesting of the Units.
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11. **Termination of Employment.** The Participant agrees that, except as set forth below, upon his or her termination from the Company or a Related Company for any reason prior to Vesting Date, the Participant shall forfeit any rights he or she may have under this Contract on the effective Date of Termination. In the event that the Participant’s employment by the Company or a Related Company is terminated prior to the Vesting Date, but either on or after a Retirement Event or by reason of death or Disability, and the Participant has not been terminated for Cause, the number of Units under this Contract eligible for payout at the Vesting Date shall equal (i) the number of Units granted pursuant to this Contract, multiplied by (ii) a fraction, the numerator of which is the number of days during the period beginning on the Grant Date and ending on the Participant’s Date of Termination, and the denominator of which is the number of days during the period beginning on the Grant Date and ending on the Vesting Date. In the event the immediately preceding sentence applies, effective as of the Date of Termination, all Units in excess of the amount that are eligible for vesting by operation of the immediately preceding sentence shall be forfeited and cease to be outstanding. For purposes hereof, a “Retirement Event” means the date the Participant reaches age 58 and has five years of continuous service with the Company and/or one or more of the Related Companies immediately prior to the Date of Termination.
 12. **Stockholder Rights.** The Participant shall have no rights as a holder of Stock with respect to the Units granted hereunder. Notwithstanding the foregoing, the Participant shall have the right to receive a cash payment (the “Dividend Equivalent Payment”) with respect to the Units (if any) that vest pursuant to this Contract, subject to withholding pursuant to the terms of this Contract and the Plan, in an amount equal to the aggregate cash dividends that would have been paid to Participant if Participant had been the record owner, on each record date for a cash dividend during the period from the Grant Date through the settlement date of the Units, of a number of shares of Stock equal to the number of Units that actually vest on the Vesting Date under this Contract. The Dividend Equivalent Payment shall be made on the settlement date of the Units. Participant shall not be entitled to receive any payments with respect to any non-cash dividends or other distributions that may be made with respect to shares of Stock.
 13. **Adjustments.** The Units shall automatically and without any further action on the part of the Company or the Participant be adjusted if and to the extent that the Stock underlying the Units becomes subject to a stock dividend, stock split, recapitalization, merger, consolidation, reorganization or other event.
 14. **Personnel & Compensation Committee Actions.** The Committee may, in its discretion, remove, modify or accelerate the vesting schedule with respect to the Units under such circumstances as the Committee, in its discretion, shall determine, subject however to the terms of the Plan.
 15. **Effect of Award on Employment.** Nothing in this Contract shall be construed as an agreement for the continued employment of the Participant, and Company shall have the right to terminate the employment of the Participant at any time for any reason, with or without cause.
 16. **Further Assurances.** Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Contract and the Plan.
 17. **Governing Law.** The validity, interpretation, performance and enforcement of this Contract shall be governed by the laws of the State of Delaware, determined without regard to its conflict of law provisions.
 18. **Plan Governs.** This Contract has been executed pursuant to the Plan, and each and every provision of this Contract shall be subject to the provisions of such Plan and, except as otherwise provided herein, the terms therein shall govern this Contract. In the event of any conflict between the terms of this Contract and any other documents or materials provided to the Participant, the terms of this Contract will control.
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Form of Restricted Stock Unit Contract for Non-Employee Directors
(Not Transferable)

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the “Company”), and _____ (the “Participant”), is made and entered into to evidence the regular annual award of _____ restricted stock units (“Units”) to the Participant.

The Company’s stockholders approved, at the April 25, 2013 Annual Stockholder Meeting, amendments (the “Omnibus Amendments”) to the 1997 Stock Incentive Plan (the “Current Plan”), which, among other things, renamed the plan as the Omnibus Incentive Plan (the Current Plan, as amended by the Omnibus Amendments, the “Omnibus Plan”). As used herein, the “Plan” shall mean the Omnibus Plan as amended from time to time.

This Contract is subject to the provisions of the Plan and to the terms and conditions set forth below, which constitute the entire understanding between the Company and the Participant with respect to this Contract. A copy of the Omnibus Plan has been provided to the Participant.

This Contract is executed as of _____, 2013.

Arch Coal, Inc.

John Ziegler, Jr.
Vice President - Human Resources

ACKNOWLEDGMENT

The undersigned hereby acknowledges having read the Plan and this Contract, and hereby agrees to be bound by all the provisions set forth in the Plan and this Contract.

(NAME)

Terms and Conditions of Restricted Stock Unit Contract

1. **Definitions.** Capitalized terms, not otherwise defined herein shall have the same meanings set forth in the Plan.
 2. **Vesting Dates.** The Units will vest in full upon your separation from service with the Company as a member of the Company’s Board of Directors (the “Board”), upon your death or upon a Change in Control (the date of such occurrence is defined as the “Vesting Date”); provided, however, that termination of Board membership for cause or for reasons other than retirement, disability or death will result in forfeiture of all Units.
 3. **Payout of Award.** Subject to the provisions of this Contract and the Plan, the Participant is awarded the aggregate number of Units set forth in this Contract, evidencing the right to receive an equivalent number of shares of Stock. Payment of vested Units shall be made as soon as practicable following the Vesting Date. Settlement will be made by payment in shares of Stock or cash, as determined by the Committee and in accordance with the Plan. If paid in shares of Stock, such shares of Stock shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to the Plan, or any applicable law, rule or regulation.
 4. **Non-transferable.** The Participant agrees that the Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.
 5. **Tax Withholding.** The Participant hereby authorizes withholding from any other amounts payable to the Participant, including amounts payable hereunder, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Units or any payment in settlement thereof. The Company shall have no obligation to deliver shares of Stock or payment in settlement until the tax withholding obligations of the Company have been satisfied by the Participant. In the event the Units are settled in shares of Stock, the Company may “net settle” the issuance of Stock to account for any withholding obligations hereunder.
 6. **Certificate Registration.** If settled in shares of Stock, the certificate issuable upon vesting of the Units shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.
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7. **Restrictions on Issuance of Shares.** The grant of the Units and any settlement thereof shall be subject to compliance with all applicable requirements of federal, state or foreign law. If settled in shares, the issuance of shares of Stock upon vesting of the Units shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Units shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of the shares of Stock upon vesting of the Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.
 8. **Fractional Shares.** If settled in shares of Stock, the Company shall not be required to issue fractional shares upon the vesting of the Units.

9. **Stockholder Rights.** The Participant shall have no rights as a holder of Stock with respect to the Units granted hereunder. Notwithstanding the foregoing, the Participant shall have the right to receive a cash payment (the "Dividend Equivalent Payment") with respect to the Units (if any) that vest pursuant to this Contract, subject to withholding pursuant to the terms of this Contract and the Plan, in an amount equal to the aggregate cash dividends that would have been paid to Participant if Participant had been the record owner, on each record date for a cash dividend during the period from February 28, 2013 through the settlement date of the Units, of a number of shares of Stock equal to the number of Units that actually vest on the Vesting Date under this Contract. The Dividend Equivalent Payment shall be made on the settlement date of the Units. Participant shall not be entitled to receive any payments with respect to any non-cash dividends or other distributions that may be made with respect to shares of Stock.
 10. **Adjustments.** The Units shall automatically and without any further action on the part of the Company or the Participant be adjusted if and to the extent that the Stock underlying the Units becomes subject to a stock dividend, stock split, recapitalization, merger, consolidation, reorganization or other event.
 11. **Personnel & Compensation Committee Actions.** The Committee may, in its discretion, remove, modify or accelerate the vesting schedule with respect to the Units under such circumstances as the Committee, in its discretion, shall determine, subject however to the terms of the Plan.
 12. **Further Assurances.** Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Contract and the Plan.
 13. **Governing Law.** The validity, interpretation, performance and enforcement of this Contract shall be governed by the laws of the State of Delaware, determined without regard to its conflict of law provisions.
 14. **Plan Governs.** This Contract has been executed pursuant to the Plan, and each and every provision of this Contract shall be subject to the provisions of such Plan and, except as otherwise provided herein, the terms therein shall govern this Contract. In the event of any conflict between the terms of this Contract and any other documents or materials provided to the Participant, the terms of this Contract will control.
-

Computation of Ratio of Earnings to Combined Fixed Charges and Preference Dividends

	Three Months Ended March 31,	
	2013	2012
Earnings (loss):		
Pretax income excluding income or loss from equity investments	\$ (126,203)	\$ (22,219)
Adjustments:		
Fixed charges	101,615	79,741
Distributed income from equity investments	—	1,801
Capitalized interest, net of amortization	(3,315)	(930)
Arch Western Resources, LLC dividends on preferred membership interest	—	335
Total earnings (loss)	<u>\$ (27,903)</u>	<u>\$ 58,728</u>
Fixed charges:		
Interest expense	\$ 95,087	\$ 74,772
Capitalized interest	4,133	2,430
Arch Western Resources, LLC dividends on preferred membership interest	—	(335)
Portions of rent which represent an interest factor	2,395	2,874
Total fixed charges	<u>\$ 101,615</u>	<u>\$ 79,741</u>
Preferred stock dividends	<u>\$ —</u>	<u>\$ —</u>
Total fixed charges and preferred stock dividends	<u>\$ 101,615</u>	<u>\$ 79,741</u>
Ratio of earnings to combined fixed charges and preference dividends	<u>N/A</u>	<u>0.74</u>

Earnings consist of income from operations before income taxes and are adjusted to include only distributed income from affiliates accounted for on the equity method and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

Certification

I, John W. Eaves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Coal, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John W. Eaves

John W. Eaves
President and Chief Executive Officer

Date: May 8, 2013

Certification

I, John T. Drexler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Coal, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John T. Drexler

John T. Drexler

Senior Vice President and Chief Financial Officer

Date: May 8, 2013

Certification of Periodic Financial Reports

I, John W. Eaves, President and Chief Executive Officer of Arch Coal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Coal, Inc.

/s/ John W. Eaves

John W. Eaves

President and Chief Executive Officer

Date: May 8, 2013

Certification of Periodic Financial Reports

I, John T. Drexler, Senior Vice President and Chief Financial Officer of Arch Coal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Coal, Inc.

/s/ John T. Drexler

John T. Drexler
Senior Vice President and Chief Financial Officer
Date: May 8, 2013

Mine Safety and Health Administration Safety Data

We believe that Arch Coal, Inc. (“Arch Coal”) is one of the safest coal mining companies in the world. Safety is a core value at Arch Coal and at our subsidiary operations. We have in place a comprehensive safety program that includes extensive health & safety training for all employees, site inspections, emergency response preparedness, crisis communications training, incident investigation, regulatory compliance training and process auditing, as well as an open dialogue between all levels of employees. The goals of our processes are to eliminate exposure to hazards in the workplace, ensure that we comply with all mine safety regulations, and support regulatory and industry efforts to improve the health and safety of our employees along with the industry as a whole.

The operation of our mines is subject to regulation by the Federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (Mine Act). MSHA inspects our mines on a regular basis and issues various citations, orders and violations when it believes a violation has occurred under the Mine Act. We present information below regarding certain mining safety and health violations, orders and citations, issued by MSHA and related assessments and legal actions and mine-related fatalities with respect to our coal mining operations. In evaluating the above information regarding mine safety and health, investors should take into account factors such as: (i) the number of citations and orders will vary depending on the size of a coal mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed, and in that process are often reduced in severity and amount, and are sometimes dismissed or vacated.

The table below sets forth for the three months ended March 31, 2013 for each active MSHA identification number of Arch Coal and its subsidiaries, the total number of: (i) violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Act for which the operator received a citation from MSHA; (ii) orders issued under section 104(b) of the Mine Act; (iii) citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act; (iv) flagrant violations under section 110(b)(2) of the Mine Act; (v) imminent danger orders issued under section 107(a) of the Mine Act; (vi) proposed assessments from MSHA (regardless of whether Arch Coal has challenged or appealed the assessment); (vii) mining-related fatalities; (viii) notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act; (ix) notices from MSHA regarding the potential to have a pattern of violations as referenced in (viii) above; and (x) pending legal actions before the Federal Mine Safety and Health Review Commission (as of March 31, 2013) involving such coal or other mine, as well as the aggregate number of legal actions instituted and the aggregate number of legal actions resolved during the reporting period.

1

Mine or Operating Name / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (in thousands) (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e) (yes/no)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of Last Day of Period(1) (#)
Active Operations												
Arch Coal Terminal / 15-10358	—	—	—	—	—	—	—	No	No	—	—	—
ADDCAR 11 HWM / 46-08799	—	—	—	—	—	—	—	No	No	—	1	—
Lone Mountain Darby Fork / 15-02263	2	—	—	—	—	2.4	—	No	No	—	—	—
Lone Mountain Clover Fork / 15-18647	5	—	—	—	—	11.9	—	No	No	—	—	5
Lone Mountain Huff Creek / 15-17234	2	—	—	—	—	1.7	—	No	No	—	—	—
Lone Mountain 6C Mine / 44-06782	—	—	—	—	—	—	—	No	No	—	—	—
Lone Mountain Processing / 44-05898	—	—	—	—	—	—	—	No	No	—	—	—
Flint Ridge Prep Plant / 15-11991	—	—	—	—	—	0.4	—	No	No	—	—	—
Flint Ridge Mine #2 / 15-18991	—	—	—	—	—	—	—	No	No	4	11	17
Hazard South Fork Mine / 15-19391	—	—	—	—	—	—	—	No	No	—	—	—
Hazard Kentucky River Loading / 15-13495	6	—	—	—	—	2.5	—	No	No	—	1	—
Hazard Rowdy Gap Mine / 15-18048	—	—	—	—	—	—	—	No	No	—	1	1
Hazard Tip Top Mine / 15-18613	—	—	—	—	—	—	—	No	No	—	—	—
Hazard East Mac & Nellie / 15-18966	6	—	—	—	—	3.5	—	No	No	1	—	1
Hazard Bearville / 15-19416	—	—	—	—	—	—	—	No	No	—	—	—
Hazard Thunder Ridge / 15-17746	3	—	—	—	—	4.5	—	No	No	—	—	1
East Kentucky Sandlick Loadout / 15-16290	—	—	—	—	—	—	—	No	No	—	—	—

2

East Kentucky Mt. Sterling Branch / 15-19070	—	—	—	—	—	—	—	No	No	—	3	—
--	---	---	---	---	---	---	---	----	----	---	---	---

East Kentucky Blackberry Creek / 15-17960	—	—	—	—	—	—	—	No	No	—	—	—
Powell Mt. Mayflower Plant / 44-05605	—	—	—	—	—	—	—	No	No	—	—	—
Powell Mt. Mine #1 / 15-18734	1	—	—	—	—	4.2	—	No	No	—	9	11
Powell Mt. Middle Splint / 44-07207	—	—	—	—	—	0.6	—	No	No	—	—	1
Knott County Raven #1 / 15-18949	—	—	—	—	—	—	—	No	No	—	5	1
Knott County Slone Branch / 15-19323	—	—	—	—	—	—	—	No	No	—	2	1
Knott County Raven Prep Plant / 15-17724	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Lige Hollow / 15-19497	—	—	—	—	—	—	—	No	No	1	—	1
Knott County Kathleen / 15-19447	—	—	—	—	—	—	—	No	No	—	5	4
Knott County Supreme Energy Prep Plant / 15-16567	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Classic Mine / 15-18522	—	—	—	—	—	—	—	No	No	—	4	11
Vindex Cabin Run / 18-00133	1	—	—	—	—	—	—	No	No	—	—	—
Vindex Frostburg Blend Yard / 18-00709	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Douglas / 18-00749	—	—	—	—	—	—	—	No	No	—	1	—
Vindex Carlos Surface / 18-00769	—	—	—	—	—	—	—	No	No	—	1	—
Vindex Bismarck / 46-09369	—	—	—	—	—	0.1	—	No	No	—	—	3
Vindex Dobbin Ridge Prep Plant / 46-07837	—	—	—	—	—	—	—	No	No	—	—	2
Vindex Energy / 46-02151	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Jackson Mt. / 18-00170	2	—	—	—	—	—	—	No	No	—	—	—
Vindex Wolf Den Run / 18-00790	—	—	—	—	—	—	—	No	No	—	—	—
Skyline Mine #3 / 42-01566	5	—	—	—	—	6.2	—	No	No	—	—	1
Sufco / 42-00089	—	—	—	—	—	1.3	—	No	No	—	1	—
Dugout Canyon Mine / 42-01890	4	—	—	—	—	0.3	—	No	No	2	—	2

Dugout Castle Valley Prep Plant / 42-02455	—	—	—	—	—	—	—	No	No	—	—	—
Cumberland River Pardee Plant / 44-05014	3	—	—	—	—	1.4	—	No	No	1	—	1
Cumberland River Band Mill Mine / 44-06816	5	—	—	—	—	3.9	—	No	No	1	—	1
Cumberland River Pine Branch #1 / 44-07224	18	—	2	—	—	65.2	—	No	No	2	2	2
Cumberland River Blue Ridge Surface / 15-18769	—	—	—	—	—	—	—	No	No	—	—	—
Cumberland River Band Mill #2 / 15-18705	3	—	—	—	—	1.3	—	No	No	2	1	1
Cumberland River Trace Fork #1 / 15-19533	14	—	—	—	—	9.8	—	No	No	3	1	5
Cumberland River Blue Ridge #1 / 15-19228	—	—	—	—	—	—	—	No	No	—	—	—
Beckley Eccles Refuse Area / 46-09023	—	—	—	—	—	—	—	No	No	—	—	—
Beckley Pocahontas Mine / 46-05252	37	2	—	—	—	1.3	—	No	No	5	7	15
Beckley Pocahontas Plant / 46-09216	—	—	—	—	—	—	—	No	No	—	—	—
Wolf Run Sawmill Run Prep Plant / 46-05544	—	—	—	—	—	—	—	No	No	—	—	1
Wolf Run Imperial Mine / 46-09115	3	—	—	—	—	5.6	—	No	No	3	1	12
Upshur Complex / 46-05823	2	—	—	—	—	—	—	No	No	—	—	1
Patriot Mining Company / 46-07654	—	—	—	—	—	—	—	No	No	—	—	—
Patriot Rail & River Terminal / 46-07555	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Birch River Mine / 46-07945	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Bearpen Surface Mine / 46-09220	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Left Fork #1 / 46-09373	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Birch River Plant / 46-08390	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Holden #22 Prep Plant / 46-05909	2	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Ragland Loadout / 46-08563	1	—	—	—	—	—	—	No	No	—	—	—

Coal Mac Holden #22 Surface / 46-08984	2	—	—	—	—	0.9	—	No	No	—	—	—
Sentinel Mine / 46-04168	47	—	—	—	—	40.3	—	No	No	3	8	15

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Sentinel Prep Plant / 46-08777	8	—	—	—	—	—	—	No	No	—	—	3
Mingo Logan Mountaineer II / 46-09029	40	—	—	—	—	170.6	—	No	No	3	5	41
Mingo Logan Cardinal Prep Plant / 46-09046	1	—	—	—	—	0.5	—	No	No	—	—	1
Leer #1 Mine / 46-09192	26	—	—	—	—	14.5	—	No	No	—	—	2
Arch of Wyoming Seminoe II / 48-00828	—	—	—	—	—	0.1	—	No	No	—	—	—
Arch of Wyoming Elk Mountain / 48-01694	—	—	—	—	—	—	—	No	No	—	—	—
Black Thunder / 48-00977	—	—	—	—	—	—	—	No	No	2	2	7
Coal Creek / 48-01215	—	—	—	—	—	—	—	No	No	—	—	—
West Elk Mine / 05-03672	6	—	—	—	—	17.7	—	No	No	4	7	15
Viper Mine / 11-02664	13	—	—	—	—	21.3	—	No	No	2	9	8
Lone Mountain Days Creek / 15-17971	—	—	—	—	—	—	—	No	No	—	—	—
Leer #1 Prep Plant / 46-09191	1	—	—	—	—	—	—	No	No	—	—	—
<i>Inactive Operations</i>												
Knott County Clean Energy / 15-18393	—	—	—	—	—	—	—	No	No	—	—	1
Knott County Apollo / 15-19240	—	—	—	—	—	—	—	No	No	—	1	—
Wolf Run Sago / 46-08071	—	—	—	—	—	—	—	No	No	—	—	1

(1) See table below for additional details regarding Legal Actions Pending as of March 31, 2013.

Mine or Operating Name/MSHA Identification Number	Contests of Citations, Orders (as of March 31, 2013)	Contests of Proposed Penalties (as of March 31, 2013)	Complaints for Compensation (as of March 31, 2013)	Complaints of Discharge, Discrimination or Interference (as of March 31, 2013)	Applications for Temporary Relief (as of March 31, 2013)	Appeals of Judges' Decisions or Orders (as of March 31, 2013)
Lone Mountain Clover Fork / 15-18647	2	3	—	—	—	3
Flint Ridge Mine #2 / 15-18991	—	17	—	—	—	—
Knott County Kathleen / 15-19447	—	4	—	—	—	—
Hazard Thunder Ridge / 15-17746	—	1	—	—	—	—
Cumberland River / Trace Fork 15-19533	1	4	—	—	—	—
Hazard East Mac & Nellie / 15-18966	—	1	—	—	—	—

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Hazard Rowdy Gap Mine / 15-18048	—	1	—	—	—	—
Powell Mt. Mine #1 / 15-18734	—	11	—	—	—	—
Knott County Raven #1 / 15-18949	—	1	—	—	—	—
Knott County Classic Mine / 15-18522	—	11	—	—	—	—
Knott County Slone's Branch / 15-19323	—	1	—	—	—	—
Knott County Clean Energy / 15-18393	—	1	—	—	—	—
Vindex Bismarck / 46-09369	—	3	—	—	—	—
Skyline Mine #3 / 42-01566	—	1	—	—	—	—
Dugout Canyon Mine / 42-01890	—	2	—	—	—	—
Cumberland River Band Mill #2 / 15-18705	—	1	—	—	—	—
Cumberland River Blue Ridge #1 / 15-19228	—	1	—	—	—	—
Beckley Pocahontas Mine / 46-05252	—	15	—	—	—	—
Wolf Run Sawmill Run Prep Plant / 46-05544	—	1	—	—	—	—
Wolf Run Imperial Mine / 46-09115	—	12	—	—	—	—
Sentinel Mine / 46-04168	—	15	—	—	—	1
Sentinel Prep Plant / 46-08777	—	3	—	—	—	—
Wolf Run Sago / 46-08071	—	1	—	—	—	1
Mingo Logan Mountaineer II / 46-09029	2	39	—	—	—	—
Mingo Logan Cardinal Prep Plant / 46-	—	1	—	—	—	—

09046						
Black Thunder / 48-00977	2	5	—	—	—	—
West Elk Mine / 05-03672	—	15	—	—	—	—
Viper Mine / 11-02664	—	8	—	—	—	—
Vindex Dobbin Ridge Prep / 46-07837	—	2	—	—	—	—
Powell Mountain Middle Splint / 44-07207	—	1	—	—	—	—
Cumberland River Pine Branch #1 / 44-07224	—	2	—	—	—	—
Tygart Valley / 46-09192	—	2	—	—	—	—
Upshur Complex / 46-05823	—	1	—	—	—	—
Cumberland River Band Mill / 44-06816	—	1	—	—	—	—
Cumberland River Pardee Loadout / 44-05014	—	1	—	—	—	—
Knott County Lige Hollow / 15-19497	—	1	—	—	—	—