

FORRESTER RESEARCH INC  
Form DEF 14A  
March 26, 2012

**SCHEDULE 14(A)**

**(Rule 14a-101)**

**Information Required in Proxy Statement**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

FORRESTER RESEARCH, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

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

(3) Filing Party:

(4) Date Filed:

**Forrester Research, Inc.**

**60 Acorn Park Drive**

**Cambridge, Massachusetts 02140**

**George F. Colony**

**Chairman of the Board**

**and Chief Executive Officer**

March 23, 2012

To Our Stockholders:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders of Forrester Research, Inc., which will be held on Tuesday, May 8, 2012, at the offices of the Company, 60 Acorn Park Drive, Cambridge, Massachusetts at 10:00 a.m. (local time).

On the following pages, you will find the formal notice of the Annual Meeting and our proxy statement. At the Annual Meeting you are being asked to elect two Class III Directors, to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, to approve by non-binding vote our executive compensation, and to approve an amendment of our 2006 Equity Incentive Plan.

We hope that many of you will be able to attend in person. I look forward to seeing you there.

Sincerely yours,

GEORGE F. COLONY

*Chairman of the Board*

*and Chief Executive Officer*

**Forrester Research, Inc.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 8, 2012**

Notice is hereby given that the 2012 Annual Meeting of Stockholders of Forrester Research, Inc. will be held at the offices of the Company, 60 Acorn Park Drive, Cambridge, Massachusetts at 10:00 a.m. (local time) on Tuesday, May 8, 2012 for the following purposes:

1. To elect the two Class III directors named in the accompanying proxy statement to serve until the 2015 Annual Meeting of Stockholders;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm;
3. To approve by non-binding vote our executive compensation; and
4. To approve an amendment of our 2006 Equity Incentive Plan and related items.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Stockholders of record at the close of business on March 22, 2012 are entitled to notice of and to vote at the meeting. A list of stockholders entitled to vote at the meeting will be open to examination by stockholders at the meeting and during normal business hours from April 27, 2012 to the date of the meeting at our offices, located at 60 Acorn Park Drive, Cambridge, Massachusetts 02140.

If you are unable to be present personally, please vote your shares as provided in this proxy statement.

By Order of the Board of Directors

GAIL S. MANN

*Secretary*

Cambridge, Massachusetts

March 23, 2012

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. PLEASE  
VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH  
THE INSTRUCTIONS SET FORTH ON THE PROXY CARD, OR COMPLETE, SIGN AND RETURN  
THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE WHETHER OR  
NOT YOU PLAN TO ATTEND THE MEETING IN PERSON.**

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## FORRESTER RESEARCH, INC.

### Annual Meeting of Stockholders

May 8, 2012

### PROXY STATEMENT

The Board of Directors of Forrester Research, Inc., a Delaware corporation, is soliciting proxies from our stockholders. The proxy will be used at our 2012 Annual Meeting of Stockholders and at any adjournments thereof. You are invited to attend the meeting to be held at 10:00 a.m. (local time) on Tuesday, May 8, 2012 at the offices of the Company, 60 Acorn Park Drive, Cambridge, Massachusetts. This proxy statement was first made available to stockholders on or about March 26, 2012.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposals upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes voting procedures.

We use several abbreviations in this proxy statement. We call our Board of Directors the **Board** and refer to our fiscal year which began on January 1, 2011 and ended on December 31, 2011 as **fiscal 2011**. We also refer to ourselves as **Forrester** or the **Company**.

#### Who May Attend and Vote?

Stockholders who owned our common stock at the close of business on March 22, 2012 are entitled to notice of and to vote at the annual meeting. We refer to this date in this proxy statement as the **record date**. As of the record date, we had 22,667,640 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote on each matter to come before the meeting.

#### How Do I Vote?

If you are a stockholder of record of our common stock:

1. *You may vote over the internet.* If you have internet access, you may vote your shares from any location in the world by following the **Vote by Internet** instructions on the enclosed proxy card.
2. *You may vote by telephone.* You may vote your shares by following the **Vote by Telephone** instructions on the enclosed proxy card.
3. *You may vote by mail.* If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.
4. *You may vote in person.* If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you at the meeting.

By voting over the internet or by telephone, or by signing and returning the proxy card according to the enclosed instructions, you are enabling the individuals named on the proxy card (known as **proxies**) to vote your shares at the meeting in the manner you indicate. We encourage you to vote in advance even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. Your shares will be voted in accordance with your instructions. If a proxy card is signed and received by our Secretary, but no instructions are indicated, then the proxy will be voted **FOR** the election of the nominees for directors, **FOR** ratifying the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2012, **FOR** approval of the non-binding vote on our executive compensation, and **FOR** approving the amendment of our 2006 Equity Incentive Plan and related items.

### **How Do I Vote if My Shares are Held in Street Name?**

If you hold shares in street name (that is, through a bank, broker, or other nominee), the bank, broker, or other nominee, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your brokerage firm provides you. Many brokers also offer the option of voting over the internet or by telephone, instructions for which would be provided by your brokerage firm on your voting instruction form. Please follow the instructions on that form to make sure your shares are properly voted. If you hold shares in street name and would like to attend the annual meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of our common stock. In addition, if you wish to vote your shares in person, you must contact the person in whose name your shares are registered and obtain a proxy card from that person and bring it to the annual meeting.

### **What Does the Board of Directors Recommend?**

The Board recommends that you vote FOR the election of nominees for Class III directors identified in Proposal One, FOR ratifying the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm as described in Proposal Two, FOR approval by non-binding vote of our executive compensation as provided in Proposal Three, and FOR approval of the amendment of our 2006 Equity Incentive Plan and related items.

If you are a record holder and submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the Board of Directors. If you hold your shares in street name, and you do not indicate how you wish to have your shares voted, your nominee has discretion to instruct the proxies to vote on Proposal Two but does not have the authority, without your specific instructions, to vote on the election of directors or on Proposals Three or Four, and those votes will be counted as broker non-votes.

### **What Vote is Required for Each Proposal?**

A majority of the shares entitled to vote on a particular matter, present in person or represented by proxy, constitutes a quorum as to any proposal. The nominees for election of the Class III directors at the meeting (Proposal One) who receive the greatest number of votes properly cast for the election of directors will be elected. As a result, shares that withhold authority as to the nominees recommended by the Board will have no effect on the outcome. The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and voting is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal Two), to approve the non-binding vote on our executive compensation (Proposal Three), and to approve the amendment to our 2006 Equity Incentive Plan and related items.

Shares represented by proxies that indicate an abstention or a broker non-vote (that is, shares represented at the annual meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) will be counted as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum, but are not considered to have been voted, and have the practical effect of reducing the number of affirmative votes required to achieve a majority for those matters requiring the affirmative vote of the holders of a majority of the shares present or represented by proxy and voting (Proposals Two, Three and Four) by reducing the total number of shares from which the majority is calculated. However, because directors are elected by a plurality vote, abstentions and broker non-votes will have no effect on the outcome on Proposal One.

**May I Change or Revoke My Vote After I Return My Proxy Card or After I Have Voted My Shares over the Internet or by Telephone?**

Yes. If you are a stockholder of record, you may change or revoke a proxy any time before it is voted by:

returning to us a newly signed proxy bearing a later date;

delivering a written instrument to our Secretary revoking the proxy; or

attending the annual meeting and voting in person.

If you hold shares in street name, you should follow the procedure in the instructions that your nominee has provided to you.

**Who Will Bear the Cost of Proxy Solicitation?**

We will bear the expense of soliciting proxies. Our officers and regular employees (who will receive no compensation in addition to their regular salaries) may solicit proxies. In addition to soliciting proxies through the mail, our officers and regular employees may solicit proxies personally, as well as by mail, telephone, and telegram from brokerage houses and other stockholders. We will reimburse brokers and other persons for reasonable charges and expenses incurred in forwarding soliciting materials to their clients.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 8, 2012**

This proxy statement and our Annual Report to Stockholders are available on-line at [www.edocumentview.com/forr](http://www.edocumentview.com/forr). These materials will be mailed to stockholders who request them.

**How Can I Obtain an Annual Report on Form 10-K?**

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 is available on our website at [www.forrester.com](http://www.forrester.com). If you would like a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, we will send you one without charge. Please contact Investor Relations, Forrester Research, Inc., 60 Acorn Park Drive, Cambridge, MA 02140, Tel: (617) 613-6000.



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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table and notes provide information about the beneficial ownership of our outstanding common stock as of February 17, 2012 (except as otherwise noted) by:

- (i) each person who we know beneficially owns more than 5% of our common stock;
- (ii) each of the executive officers named below in the Summary Compensation Table;
- (iii) each member of our Board of Directors; and
- (iv) our directors and executive officers as a group.

Except as otherwise indicated, each of the stockholders named in the table below has sole voting and investment power with respect to the shares of our common stock beneficially owned. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the shares. Shares subject to exercisable options include options that are currently exercisable or exercisable within 60 days of February 17, 2012 and shares underlying restricted stock units scheduled to vest within 60 days of February 17, 2012.

Name of Beneficial Owner	Common Stock Beneficially Owned		
	Shares Beneficially Owned	Shares Subject to Exercisable Options and vesting restricted stock units	Percentage of Outstanding Shares
George F. Colony, c/o Forrester Research, Inc. 60 Acorn Park Drive, Cambridge, MA 02140(1)	7,934,198		34.8%
M.A.M. Investments Limited Orion House, 5 Upper Street Martin s Lane London WC2H 9EA, United Kingdom(2)	1,169,086		5.16%
Neuberger Berman Group LLC 605 Third Avenue New York, N.Y. 10158(3)	2,318,610		10.226%
Henk Broeders		43,625	*
Robert Galford(4)	17,319	43,625	*
George Hornig		6,125	*
Gretchen Teichgraeber	3,500	18,625	*

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Michael Welles	9,216	68,625	*
Michael Doyle	2,362	58,333	*
Gregory Nelson		35,625	*
Charles Rutstein	760	120,250	*
Dennis Van Lingen		81,041	*
Directors and executive officers as a group (16 persons)(1)(4)	8,549,149	579,079	36.6%

(1) Includes 1,580 shares held by Mr. Colony's wife as to which Mr. Colony disclaims beneficial ownership.

(2) Beneficial ownership as of December 31, 2011, as reported in a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2012, stating that M.A.M. Investments Ltd., Marathon Asset Management (Services) Ltd., Marathon Asset Management LLP, Williams James Arah, Jeremy John Hosking, and Neil Mark Ostrer have sole voting power with respect to 879,592 shares and sole dispositive power with respect to 1,169,086 shares.

- (3) Beneficial ownership as of January 31, 2012, as reported in a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2012. The shares being reported upon may be deemed to be beneficially owned by the reporting person because certain affiliated persons have shared power to retain, dispose of, and vote the securities. The holdings of certain subsidiaries and affiliates of the reporting person are aggregated to comprise the total holdings reported. The reporting person has shared voting power with respect to 2,075,985 shares and shared dispositive power with respect to 2,318,610 shares.
- (4) Includes 2,622 shares held in trust for Mr. Galford's adult children, as to which Mr. Galford disclaims beneficial ownership.
- \* Less than 1%

**PROPOSAL ONE:**

**ELECTION OF DIRECTORS**

Our Board of Directors is divided into three classes. The members of each class are elected to serve a three-year term with the term of office of each class ending in successive years. Robert M. Galford and Gretchen G. Teichgraeber are the Class III directors whose terms expire at this annual meeting. The Board of Directors has nominated them to serve as Class III directors until the 2015 annual meeting.

The proxies intend to vote each share for which a proper proxy card has been returned or voting instructions received and not revoked in favor of the Class III directors named above. If you wish to withhold the authority to vote for the election of any of the nominees, your voting instructions must so indicate or your returned proxy card must be marked to that effect.

It is expected that Mr. Galford and Ms. Teichgraeber will be able to serve, but if either of them is unable to serve, the proxies reserve discretion to vote, or refrain from voting, for a substitute nominee or nominees.

The following section provides information about each nominee, including information provided by each nominee and sitting director about his or her principal occupation and business experience for the past five years and the names of other publicly-traded companies, if any, for which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented with respect to each nominee's and each sitting director's experience, qualifications and skills that led our Board to conclude that he or she should serve as a director, we also believe that all of our directors, including the two nominees for election at the 2012 annual meeting of stockholders, has demonstrated business acumen and a significant commitment to our company, and has a reputation for integrity and adherence to high ethical standards.

**NOMINEES FOR CLASS III DIRECTORS TERM EXPIRING 2015**

Robert M. Galford, age 59, a Class III director, became a director of Forrester in November 1996. Since November 2007, Mr. Galford has been the managing partner of the Center for Leading Organizations, an organizational development firm he founded in Concord, Massachusetts. From 2001 to 2007, Mr. Galford was a managing partner of the Center for Executive Development, an executive education provider in Boston, Massachusetts. We believe Mr. Galford's qualifications to serve on our Board of Directors include his many years of organizational development and executive education experience, along with his more recent corporate governance experience as an instructor for the National Association of Corporate Directors.

Gretchen G. Teichgraeber, age 58, a Class III director, became a director of Forrester in December 2005. Ms. Teichgraeber is the chief executive officer of Leadership Directories, Inc., a premier information services company that publishes biographical and contact data on leaders in the private and public sectors. Previously, Ms. Teichgraeber was an independent consultant to digital media companies and various non-profit organizations from 2007 to 2009. From 2000 to 2007, Ms. Teichgraeber was the chief executive officer of Scientific American, Inc., publisher of the science and technology magazine, Scientific American. Prior to joining Scientific American, Ms. Teichgraeber served as general manager, publishing, and vice president, marketing and information services at CMP Media, Inc., a leading provider of technology news and information. We believe Ms. Teichgraeber's qualifications to serve on our Board of Directors include her significant general management and marketing experience in the publishing and information services business, including on-line and print media, as well as the gender diversity she brings to our Board of Directors.

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**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF**

**THE NOMINEES NAMED ABOVE.**

**CLASS II DIRECTORS CONTINUING IN OFFICE UNTIL 2013**

Henk W. Broeders, age 59, a Class II director, became a director of Forrester in May 1998. Since October 2003, Mr. Broeders has been a member of the Executive Committee of Cap Gemini S.A., a global management consulting firm headquartered in Paris, France operating under the name CapGemini. From 1998 to 2003, Mr. Broeders served as Chairman of the Executive Board of Cap Gemini N.V., a subsidiary of Cap Gemini S.A. located in the Netherlands. We believe Mr. Broeders' qualifications to serve on our Board of Directors include his many years of operational and management experience in the management consulting business, along with his experience with and perspective on European business as a Dutch national working for a firm headquartered in France.

George R. Hornig, age 57, a Class II director, became a director of Forrester in November 1996. Mr. Hornig is the Senior Managing Director and Chief Operating Officer of PineBridge Investments, an independent investment advisor. From 2006 until November 2010, Mr. Hornig was Managing Director and Co-Chief Operating Officer of Asset Management and the head of Asset Management Americas at Credit Suisse, a global financial services firm, and from 1999-2006, he was the Managing Director and Chief Operating Officer of Alternative Investments at Credit Suisse. We believe Mr. Hornig's qualifications to serve on our Board of Directors include his three decades of finance and management experience in the investment banking and private equity business.

**CLASS I DIRECTORS CONTINUING IN OFFICE UNTIL 2014**

George F. Colony, age 58, a Class I director, is the founder of Forrester and since 1983, he has served as Chairman of the Board and Chief Executive Officer. He also has served as Forrester's President since September 2001, and he previously was Forrester's President from 1983 to 2000. We believe Mr. Colony's qualifications to serve on our Board of Directors and as its Chairman include his almost thirty years of experience in the research industry, including 27 years as our chief executive officer, and his significant ownership stake in the Company.

Charles B. Rutstein, age 39, became a Class I director of Forrester in May 2011. Mr. Rutstein has served as Forrester's Chief Operating Officer since January 2007. Mr. Rutstein joined Forrester in 1999. In 2006, Mr. Rutstein served as President, Forrester Americas. In 2005, he served as our Vice President, Community and previously was our Vice President of Consulting from 2003 to 2005. Prior to 2003, Mr. Rutstein held various leadership positions in our research organization. Before joining Forrester, Mr. Rutstein served as a principal consultant with Price Waterhouse Management Consulting Services. We believe Mr. Rutstein's qualifications to serve on our Board include his extensive experience in all aspects of our business and his demonstrated commitment to Forrester.

Michael H. Welles, age 57, a Class I director, became a director of Forrester in November 1996. Mr. Welles is chief operating officer, a founder, and director of S2 Security Corporation, an IP-based facility security systems company. Previously, he served as vice president and general manager of the platforms business with NMS Communications, an OEM infrastructure supplier to the telecom industry from 2000 to 2002. We believe Mr. Welles' qualifications to serve on our Board of Directors include his considerable knowledge of the information technology industry, his experience as the chief operating officer of a company he co-founded, and his many years of general management experience in global technology companies.

**Corporate Governance**

We believe that good corporate governance is important to ensure that Forrester is managed for the long-term benefit of its stockholders. Based on our continuing review of the provisions of the Sarbanes-Oxley Act of

2002, rules of the Securities and Exchange Commission and the listing standards of The NASDAQ Stock Market, our Board of Directors has adopted Corporate Governance Guidelines, an amended and restated charter for the Audit Committee of the Board of Directors, and a charter for the Compensation and Nominating Committee of the Board.

Our Corporate Governance Guidelines include stock retention guidelines applicable to executive officers and directors. The guidelines require executive officers and directors of the Company to retain at least 50% of the net shares of Forrester common stock delivered to them upon the exercise or vesting of stock-based awards granted on and after January 1, 2010. Net shares are the number of shares remaining after shares are sold or netted to pay the exercise price of stock-based awards and applicable withholding taxes. For directors, the applicable withholding tax is presumed to be the minimum withholding tax applicable to an employee. These guidelines may be waived, at the discretion of the Compensation and Nominating Committee of the Board of Directors, if compliance with the guidelines would create severe hardship or prevent an executive officer or director from complying with a court order.

We also have a written code of business conduct and ethics that applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. You can access our Code of Business Conduct and Ethics, Corporate Governance Guidelines and our current committee charters on our website, at [www.forrester.com/aboutus](http://www.forrester.com/aboutus).

### **Information With Respect to Board of Directors**

#### ***Board Meetings and Committees***

Our Board of Directors has determined that each of the current directors, with the exception of Mr. Colony, our Chairman and Chief Executive Officer, and Mr. Rutstein, our Chief Operating Officer, is independent under applicable NASDAQ standards as currently in effect.

Our Board of Directors held seven meetings during fiscal 2011. Each director attended at least 75 percent of the aggregate of the meetings of the Board of Directors and of each committee of which he or she is a member. Forrester does not require directors to attend the annual meeting of stockholders. Mr. Colony, who presided at the meeting, Charles Rutstein, and Robert Galford, the Chairman of our Compensation and Nominating Committee, attended the 2011 annual meeting of stockholders. Historically, very few stockholders have attended our annual meeting and we have not found it to be a particularly useful forum for communicating with our stockholders. The Board of Directors currently has two standing committees, the Audit Committee and the Compensation and Nominating Committee, whose members consist solely of independent directors.

Our Audit Committee consists of three members: George R. Hornig, Chairman, Henk W. Broeders, and Michael H. Welles, each of whom, in addition to satisfying the NASDAQ independence standards, also satisfies the Sarbanes-Oxley independence requirements for audit committee membership. In addition, the Board has determined that Mr. Hornig is an audit committee financial expert under applicable rules of the Securities and Exchange Commission, and all of the members of the Audit Committee satisfy the financial literacy standards of NASDAQ. The Audit Committee held five meetings during fiscal 2011. The responsibilities of our Audit Committee and its activities during fiscal 2011 are described in the committee's amended and restated charter, which is available on our website at [www.forrester.com/Investor/aboutus](http://www.forrester.com/Investor/aboutus). The charter will also be made available without charge to any stockholder who requests it by writing to Forrester Research, Inc., Attn: Chief Legal Officer, 60 Acorn Park Drive, Cambridge, MA 02140.

Our Compensation and Nominating Committee consists of three members: Robert M. Galford, Chairman, Gretchen G. Teichgraber, and Michael H. Welles. The Compensation and Nominating Committee held 12 meetings during fiscal 2011. The Compensation and Nominating Committee has authority, as specified in the committee's charter, to, among other things, evaluate and approve the compensation of our Chief Executive Officer, review and approve the compensation of our other executive officers, administer our stock plans, and

oversee the development of executive succession plans for the CEO and other executive officers. The committee also has the authority to identify and recommend to the Board qualified candidates for director. The Compensation and Nominating Committee charter is available on our website at [www.forrester.com/aboutus](http://www.forrester.com/aboutus). The charter will also be made available without charge to any stockholder who requests it by writing to Forrester Research, Inc., Attn: Chief Legal Officer, 60 Acorn Park Drive, Cambridge, MA 02140.

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

No person who served during the past fiscal year as a member of our Compensation and Nominating Committee is or was an officer or employee of Forrester, or had any relationship with Forrester requiring disclosure in this proxy statement. During the past fiscal year, none of our executive officers served as a member of the board of directors of another entity, any of whose executive officers served as one of our directors.

***Board Leadership Structure***

At the present time, Mr. Colony serves as both Chairman of the Board and Chief Executive Officer. Mr. Colony is a significant stakeholder in Forrester, beneficially owning approximately 35% of our outstanding common stock. As such, we believe it is appropriate that he set the agenda for the Board of Directors in addition to serving as the Chief Executive Officer. We also do not believe that the size of the Company warrants the division of these responsibilities. We do not have a single lead director because our Board of Directors is small enough that the independent directors work effectively together as a group and the presiding director at meetings of the independent directors rotates among the chairmen of the committees.

***The Board's Role in Risk Oversight; Risk Considerations in our Compensation Programs***

The Board's role in the Company's risk oversight process includes receiving regular reports from members of management on areas of material risk to the Company, including financial, strategic, operational, legal and regulatory risks. The full Board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from the appropriate manager within the Company. When a committee receives such a report, the Chairman of the relevant Committee reports on the discussion to the full Board during the Committee reports portion of the next Board meeting, enabling the full Board to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Our Compensation and Nominating Committee does not believe that our compensation programs encourage excessive or inappropriate risk taking. We structure our pay programs to consist of both fixed and variable compensation, with the fixed base salary portion providing steady income regardless of our stock price performance. The variable components, consisting of cash bonus and stock-based awards, are designed to reward both short and long-term performance. Targets under our bonus plans are a function of bookings and profit (described in greater detail in the Compensation, Discussion and Analysis below), important financial metrics for our business. For long-term performance, we generally award a combination of time-based stock options and performance-based restricted stock units generally vesting over three to four years. We believe that the variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce excellent short and long-term results for the Company, while fixed base salary is also sufficiently high such that the executives are not encouraged to take unnecessary or excessive risks. In addition, our bonus plan funding metrics apply company-wide, regardless of function or client group, which we believe encourages relatively consistent behavior across the organization. While sales commissions are not capped, we cap our bonus at 2.4 times target company performance (up to 1.6 times for actual company performance and up to 1.5 times the result to account for extraordinary individual and/or team performance). Therefore, even if Company performance dramatically exceeds target performance, bonus payouts are limited. Conversely, we have a minimum threshold on Company performance under our bonus plan approved by the Compensation and Nominating Committee so that the bonus plan is not funded at performance below a certain level.

***Director Candidates***

As noted above, the Compensation and Nominating Committee has responsibility for recommending nominees for election as directors of Forrester. Our stockholders may recommend individuals for this committee to consider as potential director candidates by submitting their names and background to the Forrester Research Compensation and Nominating Committee, c/o Chief Legal Officer and Secretary, 60 Acorn Park Drive, Cambridge, MA 02140. The Compensation and Nominating Committee will consider a recommended candidate for the next annual meeting of stockholders only if biographical information and background material are provided no later than the date specified below under Stockholder Proposals for receipt of director nominations.

The process that the Compensation and Nominating Committee will follow to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Compensation and Nominating Committee. Assuming that biographical and background material is provided for candidates recommended by the stockholders, the Compensation and Nominating Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.

In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by stockholders, the Compensation and Nominating Committee will apply the criteria set forth in the committee's charter and in the Corporate Governance Guidelines. These criteria include, among others, the candidate's integrity, age, experience, commitment, diligence, conflicts of interest and the ability to act in the interests of all stockholders. Although the Compensation and Nominating Committee considers as one of many factors in the director identification and nomination process diversity of race, gender and ethnicity, as well as geography and business experience, it has no specific diversity policy. The Compensation and Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

In addition, our by-laws permit stockholders to nominate directors for election at an annual meeting of stockholders, other than as part of the Board's slate. To nominate a director, in addition to providing certain information about the nominee and the nominating stockholder, the stockholder must give timely notice to Forrester, which, in general, requires that the notice be received by us no less than 60 nor more than 90 days prior to the applicable annual meeting of stockholders. In accordance with our by-laws, the 2013 Annual Meeting will be held on May 14, 2013.

***Communications from Stockholders***

The Board will give appropriate attention to communications on issues that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Compensation and Nominating Committee, with the assistance of the Chief Legal Officer and Secretary, will be primarily responsible for monitoring communications from stockholders and will provide copies of summaries of such communications to the other directors as deemed appropriate.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Forrester Research Compensation and Nominating Committee, c/o Chief Legal Officer and Secretary, Forrester Research, Inc., 60 Acorn Park Drive, Cambridge, MA 02140.



## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Executive Summary

We have implemented an executive compensation program that rewards performance. Our executive compensation program is designed to attract, retain and motivate the key individuals who are most capable of contributing to the success of our Company and building long-term value for our stockholders. The elements of our executives' total compensation are base salary, cash incentive awards, equity incentive awards and other employee benefits. We have designed a compensation program that makes a substantial portion of executive pay variable, subject to increase when performance targets are exceeded, and subject to reduction when performance targets are not achieved.

#### 2011 Business Results

In 2011, the Company's revenue grew by 13.1% percent to \$283.6 million, and basic earnings per share, at \$1.02, were 12% higher than in 2010. However, while we had strong operating results in 2011, the Company did not achieve the targets set early in the year under the Company's executive cash incentive plan, as discussed below.

#### Compensation for Performance

A significant portion of the total compensation of our executive officers is linked to our performance, both through short-term cash incentive compensation and long-term equity incentive compensation. We believe this aligns our executives' incentives with our objective of enhancing stockholder value over the longer term.

Cash Compensation. A significant portion of current cash compensation to our executive officers is made through our 2011 Executive Cash Incentive Plan. As described in more detail below, payments under the plan are based on company financial performance metrics (for 2011, booked sales accounts or bookings and adjusted operating profit), subject to adjustment based on performance against pre-established individual and team goals. By design, our plan pays more when we perform well and less, or nothing, when we do not.

Equity Awards. Another key component of compensation for our executive officers consists of long-term equity incentives, both in the form of performance-based restricted stock units (RSUs) and time-based stock options. In 2011, RSUs granted to executive officers included a vesting condition based on year-over-year revenue growth and pro forma operating margin in 2013. Stock options granted to executive officers in 2011 vest over time, with 50% to vest after 21 months and 25% each year thereafter. Consistent with past years, we did not grant equity awards in 2011 to George Colony, our Chairman and Chief Executive Officer, who is the beneficial owner of approximately 35% of our common stock.

#### Compensation Program Changes in 2011

Say on Pay Stockholder Vote. In 2011, we submitted our executive compensation program to an advisory vote of our stockholders and it received the support of 95% of the total votes cast at our annual meeting. We pay careful attention to any feedback we receive from our stockholders about our executive compensation program, including the say on pay vote. While the Compensation and Nominating Committee (the Committee) had already approved our executive cash compensation program for 2011 by the time we held our say on pay vote in May 2011, the Committee considered the stockholder advisory vote in granting equity awards to executives in July 2011 and continues to consider stockholder feedback in its subsequent executive compensation decision making. In addition, at our annual meeting a majority of our stockholders supported an annual vote on our executive compensation program and, in response, our Compensation and Nominating Committee determined to hold an annual vote on the matter.

*Base Salary and Short-Term Cash Incentive Compensation.* Recognizing the continued improvement in our business at the end of 2010 and based on a review of market data and the tenures and experience of our executive officers, the Committee increased the base salaries and target cash incentive bonus amounts of our named executive officers in 2011 by an average of 5.4% over 2010.

*Equity Incentives.* Compared to 2010, the general framework of equity incentive awards for our executive officers in 2011 remained unchanged, except for the addition of an over-performance threshold applicable to performance-based RSUs awarded in 2011, discussed below. The Committee again granted RSUs that would vest only upon the satisfaction of predetermined performance targets and stock options that would vest over time and have value only if our stock price increased from the price on the date of grant and if the recipient continued to provide service to the Company as an employee through the vesting date.

### **Compensation Objectives and Strategy**

The primary purpose of our executive compensation program is to attract, retain and motivate the key individuals who are most capable of contributing to the success of our Company and building long-term value for our stockholders. Our principal objectives and strategy concerning our executive compensation program are as follows:

encourage achievement of key Company values including client service, quality, collaboration, courage and integrity that we believe are critical to our continued growth;

base cash compensation on individual achievement and responsibility, teamwork, and our short-term financial performance;

align employees incentives with our objective of enhancing stockholder value over the longer term through long-term incentives, principally in the form of stock options vesting over time and restricted stock units (RSUs) subject to performance conditions;

design total compensation packages that will attract, retain, and motivate key employees who are critical to the long-term success of our Company; and

emphasize individual excellence and encourage employees at all levels, as well as executive officers, to take initiative and lead individual projects that enhance our performance.

These objectives and strategy are reviewed each year by the Compensation and Nominating Committee of our Board of Directors, which we refer to as the Committee. The Committee oversees our executive compensation program. In furtherance of these objectives, the Committee takes the following actions each year:

reviews the performance of George Colony, our Chairman and Chief Executive Officer, including his demonstration of leadership and his overall contribution to the financial performance of the Company;

reviews the assessment by Mr. Colony and our Chief Operating Officer, Charles Rutstein, of the performance of executive officers reporting to each of them, against their individual and team goals;

reviews the company-wide financial goals that are used in the calculation of the cash incentive compensation for our executives;

reviews all components of compensation for each executive officer: base salary, short-term cash incentive compensation, and long-term equity incentive compensation;

assesses relevant market data; and

holds executive sessions (without our management present) as appropriate to accomplish the above actions.

Mr. Colony and Mr. Rutstein also play a substantial role in the compensation process for the other executive officers, primarily by recommending annual goals for the executives reporting directly to each of them, evaluating their performance against those goals, and providing recommendations on their compensation to the Committee.

Although it has the authority to do so, the Committee did not engage an independent compensation consultant in 2011 because the members were comfortable relying on their independent review of the market data, surveys and other supporting information provided by management, taking into account that the Company does not offer special perquisites, deferred compensation plans, or other special executive compensation arrangements. The Committee believes it is adequately experienced to address relevant issues and discharge its responsibilities consistent with the Company's compensation objectives and philosophy.

The Committee has not historically used formal benchmarking data to establish compensation levels, but has relied instead on relevant market data and surveys to design compensation packages that it believes are competitive with other similarly situated companies or those with whom we compete for talent. While compensation surveys provide useful data for comparative purposes, the Committee believes that successful compensation programs also require the application of sound judgment and subjective determinations of individual and Company performance.

The Committee believes it is helpful to utilize data compiled from a wide array of companies and believes it important to consider comparative data from companies of comparable size and revenue, operating within a comparable industry, and located or operating within our principal geographic markets. In setting executive compensation for 2011, the Committee primarily considered data from the Radford Global High Technology Survey and Kenexa's IPAS Global High Technology Survey, which included companies with annual revenues from \$250 million to \$500 million. For each of the Company's executive officers, the data the Committee reviewed included comparative market percentiles for each element of executive compensation.

#### **Elements of Compensation**

Compensation for our named executive officers consists of the following principal components:

base salary;

short-term cash incentive compensation;

long-term equity incentive compensation, in the form of stock options and RSUs; and

other benefits available generally to all full-time employees.

We do not have an express policy for weighting different elements of compensation or for allocating between long-term and short-term compensation, but we do attempt to maintain compensation packages that will advance our overall compensation objectives. In reviewing and setting the compensation of each executive, we consider the individual's position with the Company and his or her ability to contribute to achievement of strategic and financial objectives.

In 2011, as illustrated in our Summary Compensation Table below, base salaries for our named executive officers other than Mr. Colony represented an average of approximately 47.2% of total compensation for these individuals, while the base salary for Mr. Colony represented approximately 78.8% of his total compensation. Because of Mr. Colony's significant ownership of our common stock, the Committee generally does not grant stock options or RSUs to him, resulting in a higher ratio of base salary to total compensation than that of the other named executive officers.

*Base Salary.* The Committee approves the base salaries of our named executive officers annually by evaluating the responsibilities of their position, the experience and performance of the individual, and as

necessary or appropriate, survey and market data. The base salary of a named executive officer is also considered together with the other components of his or her compensation to ensure that both the executive's total cash compensation opportunity (or on-target earnings) and the allocation between base salary and variable compensation for the executive are in line with our overall compensation philosophy and business strategy.

Our goal is to pay base salaries to our named executive officers that are competitive with the base salaries of companies that are similarly situated or with which we compete to attract and retain executives, while taking into account total on-target earnings, and remaining consistent with our overall compensation objectives with respect to variable compensation. In 2011, the Committee increased the base salaries of the named executive officers by an average of approximately 5.4% over 2010, reflecting the Committee's consideration of market data and the respective tenures and experience of our named executive officers.

*Short-Term Cash Incentive Compensation.* A significant portion of each of our named executive officers' total annual cash compensation is dependent on our achievement of annual financial objectives set forth under our 2011 Executive Cash Incentive Plan. Payouts under the plan are made annually in arrears.

An individual named executive officer's annual bonus payout under the 2011 Executive Cash Incentive Plan is based on the following factors, which are discussed in more detail below:

the named executive officer's target award;

the Company's financial performance;

team performance; and

the named executive officer's individual performance.

Effective January 1, 2011, as part of its executive compensation reviews, the Committee increased target cash incentive bonus amounts for each of the named executive officers by an average of approximately 5.4%, taking into account the same reasons for the associated increases in base salaries discussed above, while maintaining an appropriate allocation between base salaries and variable compensation. After giving effect to these increases, the annual target cash incentive bonus amounts for our named executive officers, other than Gregory Nelson, ranged from approximately 42.9% to 60% of that person's base salary. Mr. Nelson's target cash incentive bonus amount under our 2011 Executive Cash Incentive Plan was \$59,360, or 26.7% of his base salary, because as Chief Sales Officer, a significant portion of his target cash incentive bonus amount was tied to sales commissions. Mr. Nelson's 2011 commission-based target cash incentive bonus amount was set at \$89,040, or 40% of his base salary.

For purposes of the 2011 Executive Cash Incentive Plan, the financial performance of our Company for 2011 was measured based on booked sales accounts (referred to as bookings) and adjusted operating profit goals. The Committee selected bookings as one of the metrics because we believe that bookings provide an important measure of our current business activity and estimated future revenues. The Committee selected adjusted operating profit (operating profit), meaning the Company's pro forma operating profit assuming cash incentive compensation payouts under the 2011 Executive Cash Incentive Plan and the employee matrix bonus plan at target levels, as the other key metric because we believe operating profit provides a comprehensive measure of our financial performance that takes into account the importance of both revenue growth and expense management. In addition, by linking payouts under the plan to the Company's profitability, we provide our employees with the opportunity to share in our profits while assuring that payouts are only made if we achieve a satisfactory, pre-approved level of profitability, taking into account the nature of our business, planned investments to support growth of the business, and the economic environment. Our pro forma operating profit excludes amortization of acquisition-related intangible assets, duplicate lease costs, reorganization costs, costs or credits associated with acquisition activities, stock-based compensation, and net gains or losses from investments, as well as their related tax effects. The Committee may also adjust the operating profit metric, as it deems appropriate, to include or exclude particular non-recurring items to avoid unanticipated results and to promote, and provide appropriate incentives for, actions and decisions that are in the best interests of the Company and its stockholders.

The 2011 Executive Cash Incentive Plan was structured as follows:

A matrix for 2011 containing bookings on the x axis and operating profit on the y axis was approved by the Committee under the plan based on the Company's 2011 operating plan approved by the Board of Directors. Minimum bookings and operating profit levels were set taking into account the Company's historical growth levels for bookings and operating profit and planned investments to support growth of the business. Failure of our Company to meet either of these minimum levels would result in each executive officer being ineligible to receive any bonus payout. The minimum, target and maximum levels of bookings and operating profit under the 2011 Executive Cash Incentive Plan approved by the Committee, as adjusted to take into account an acquisition in Asia completed in May 2011, were as follows (all dollars in thousands):

	<b>Bookings</b>	<b>Operating Profit</b>
<b>Minimum:</b>	\$ 248,412	\$ 42,170
<b>Target:</b>		<p>To ensure we maintain an effective orientation program for new directors and a continuing education and development program to supplement the skills and needs of the Board;</p> <p>To provide review and oversight of potential conflicts of interest situations, including transactions in which any related person had or will have a direct or indirect material interest;</p> <p>To review our policies and procedures with respect to related person transactions at</p>

least annually and recommend any changes for Board approval;

To monitor compliance with, and advise the Board regarding any significant issues arising under, our corporate compliance program and Code of Business Conduct and Ethics;

To review and make recommendations to the Board in conjunction with the CEO, as appropriate, with respect to executive officer succession planning and management development; and

To make regular reports on its activities to the Board.

### ***Audit Committee***

The members of the Audit Committee are William C. Rusnack (Chair), Robert B. Karn III, M. Frances Keeth, Robert A. Malone, Sandra A. Van Trease and Alan H. Washkowitz. The Board of Directors has affirmatively determined that, in its judgment, all members of the Audit Committee are independent under NYSE and SEC rules. The Board also has determined that each of Messrs. Rusnack, Karn, Malone and Washkowitz, Mrs. Keeth and Ms. Van Trease is an audit committee financial expert under SEC rules.

The Audit Committee met eleven times during 2009. The Audit Committee's primary purpose is to provide assistance to the Board in fulfilling its oversight responsibility with respect to:

The quality and integrity of our financial statements and financial reporting processes;

Our systems of internal accounting and financial controls and disclosure controls;

The independent registered public accounting firm's qualifications and independence;

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

Compliance with legal and regulatory requirements, and codes of conduct and ethics programs established by management and the Board.



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Some of the primary responsibilities of the Audit Committee include the following:

To appoint our independent registered public accounting firm, which reports directly to the Audit Committee;

To approve all audit engagement fees and terms and all permissible non-audit engagements with our independent registered public accounting firm;

To ensure that we maintain an internal audit function and to review the appointment of the senior internal audit team and/or provider;

To approve the terms of engagement for the internal audit provider;

To meet on a regular basis with our financial management, internal audit management and independent registered public accounting firm to review matters relating to our internal accounting controls, internal audit program, accounting practices and procedures, the scope and procedures of the outside audit, the independence of the independent registered public accounting firm and other matters relating to our financial condition;

To oversee our financial reporting process and to review in advance of filing or issuance our quarterly reports on Form 10-Q, annual reports on Form 10-K, annual reports to shareholders, proxy materials and earnings press releases;

To review our guidelines and policies with respect to risk assessment and risk management, and our major financial risk exposures and steps management has taken to monitor and control such exposures; and

To make regular reports to the Board regarding the activities and recommendations of the Audit Committee.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee has reviewed and discussed the Company's audited financial statements and management's report on internal control over financial reporting as of and for the fiscal year ended December 31, 2009 with management and Ernst & Young LLP, the Company's independent registered public accounting firm. Management is responsible for the Company's financial statements and internal control over financial reporting, while Ernst & Young is responsible for conducting its audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and expressing opinions on the Company's financial statements in accordance with U.S. generally accepted accounting principles and the Company's internal control over financial reporting.

The Audit Committee reviewed with Ernst & Young the overall scope and plans for their audit of the Company's financial statements and internal control over financial reporting. The Audit Committee also discussed with Ernst & Young matters relating to the quality and acceptability of the Company's accounting principles, as applied in its financial reporting processes, as required by Statement of Auditing Standards No. 61 as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received the written disclosures and letter from Ernst & Young required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young its independence from management and the Company. As part of its review, the Audit Committee reviewed fees paid to Ernst & Young and considered whether Ernst & Young's performance of non-audit services for the Company was compatible with the auditor's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

**MEMBERS OF THE AUDIT COMMITTEE:**

WILLIAM C. RUSNACK, CHAIR  
ROBERT B. KARN III  
M. FRANCES KEETH  
ROBERT A. MALONE  
SANDRA A. VAN TREASE  
ALAN H. WASHKOWITZ

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**FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP served as our independent registered public accounting firm for the fiscal years ended December 31, 2009 and 2008.

The following fees were paid to Ernst & Young for services rendered during our last two fiscal years:

*Audit Fees:* \$3,445,000 (for the fiscal year ended December 31, 2009) and \$3,456,000 (for the fiscal year ended December 31, 2008) for fees associated with the annual audit of our consolidated financial statements, including the audit of internal control over financial reporting, the reviews of our quarterly reports on Form 10-Q, services provided in connection with statutory and regulatory filings, assistance with and review of documents filed with the SEC, and accounting and financial reporting consultations.

*Audit-Related Fees:* \$388,000 (for the fiscal year ended December 31, 2009) and \$532,000 (for the fiscal year ended December 31, 2008) for assurance-related services for audits of employee benefit plans, internal control reviews, due diligence services associated with acquisitions or divestitures, and other attest services not required by statute.

*Tax Fees:* \$426,000 (for the fiscal year ended December 31, 2009) and \$166,000 (for the fiscal year ended December 31, 2008) for tax compliance, tax advice and tax planning services.

*All Other Fees:* \$2,000 (for the fiscal year ended December 31, 2009) and \$5,000 (for the fiscal year ended December 31, 2008) for fees related to an on-line research tool.

Under procedures established by the Board of Directors, the Audit Committee is required to pre-approve all audit and non-audit services performed by our independent registered public accounting firm to ensure that the provisions of such services do not impair such firm's independence. The Audit Committee may delegate its pre-approval authority to one or more of its members, but not to management. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Each fiscal year, the Audit Committee reviews with management and the independent registered public accounting firm the types of services that are likely to be required throughout the year. Those services are comprised of four categories, including audit services, audit-related services, tax services and all other permissible services. At that time, the Audit Committee pre-approves a list of specific services that may be provided within each of these categories, and sets fee limits for each specific service or project. Management is then authorized to engage the independent registered public accounting firm to perform the pre-approved services as needed throughout the year, subject to providing the Audit Committee with regular updates. The Audit Committee reviews the amount of all billings submitted by the independent registered public accounting firm on a regular basis to ensure that their services do not exceed pre-defined limits. The Audit Committee must review and approve in advance, on a case-by-case basis, all other projects, services and fees to be performed by or paid to the independent registered public accounting firm. The Audit Committee also must approve in advance any fees for pre-approved services that exceed the pre-established limits, as described above.

Under Company policy and/or applicable rules and regulations, our independent registered public accounting firm is prohibited from providing the following types of services to us: (1) bookkeeping or other services related to our accounting records or financial statements, (2) financial information systems design and implementation, (3) appraisal or valuation services, fairness opinions or contribution-in-kind reports, (4) actuarial services, (5) internal audit

outsourcing services, (6) management functions, (7) human resources, (8) broker-dealer, investment advisor or investment banking services, (9) legal services, (10) expert services unrelated to audit, (11) any services entailing a contingent fee or

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commission, and (12) tax services to an officer of the Company whose role is in a financial oversight capacity.

During the fiscal year ended December 31, 2009, all of the services described under the headings Audit-Related Fees, Tax Fees and All Other Fees were approved by the Audit Committee pursuant to the procedures described above.

**CORPORATE GOVERNANCE MATTERS**

Good corporate governance has been a priority at Peabody Energy for many years. Our key governance practices are outlined in our Corporate Governance Guidelines, committee charters, and Code of Business Conduct and Ethics. These documents can be found on our Corporate Governance webpage ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors and then Corporate Governance. Information on our website is not considered part of this Proxy Statement. The Code of Business Conduct and Ethics applies to our directors, Chief Executive Officer, Chief Financial Officer, Controller and other Company personnel.

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for reviewing the Corporate Governance Guidelines from time to time and reporting and making recommendations to the Board concerning corporate governance matters. Each year, the Nominating and Corporate Governance Committee, with the assistance of outside experts, reviews our corporate governance practices, not only to ensure that they comply with applicable laws and NYSE listing requirements, but also to ensure that they continue to reflect what the Committee believes are best practices and promote our best interests and the best interests of our shareholders.

**Majority Voting Bylaw**

In July 2007, the Board of Directors amended our Bylaws to provide for majority voting in the election of directors. In the case of uncontested elections, in order to be elected the number of shares voted in favor of a nominee must exceed 50% of the number of votes cast with respect to that nominee's election at any meeting of shareholders for the election of directors at which a quorum is present. Votes cast include votes to withhold authority and exclude abstentions with respect to that nominee's election.

If a nominee is an incumbent director and receives a greater number of votes withheld from his or her election than votes in favor of his or her election, our Corporate Governance Guidelines require that such director promptly tender his or her resignation to the Chairman of the Board following certification of the shareholder vote. The Nominating and Corporate Governance Committee will promptly consider the resignation submitted by such director and will recommend to the Board whether to accept or reject the tendered resignation. In considering whether to accept or reject the tendered resignation, the Committee will consider all factors deemed relevant by its members. The Board will act on the Committee's recommendation no later than 90 days following the date of the shareholders meeting where the election occurred. In considering the Committee's recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board deems to be relevant. Any director who tenders his or her resignation pursuant to our Corporate Governance Guidelines will not participate in the Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation.

In the case of contested elections, directors will be elected by a plurality of the votes of the shares present in person or by proxy and voting for nominees in the election of directors at any meeting of shareholders for the election of directors at which a quorum is present. For these purposes, a contested

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election is any election of directors in which the number of candidates for election as directors exceeds the number of directors to be elected.

### **Communications with the Board of Directors**

The Board of Directors has adopted the following procedures for shareholders and other interested persons to send communications to the Board, individual directors and/or Committee Chairs (collectively, Shareholder Communications ).

Shareholders and other interested persons seeking to communicate with the Board should submit their written comments to the Chairman, Peabody Energy Corporation, 701 Market Street, St. Louis, Missouri 63101. The Chairman will forward such Shareholder Communications to each Board member (excluding routine advertisements and business solicitations, as instructed by the Board), and provide a report on the disposition of matters stated in such communications at the next regular meeting of the Board. If a Shareholder Communication (excluding routine advertisements and business solicitations) is addressed to a specific individual director or Committee Chair, the Chairman will forward that communication to the named director, and will discuss with that director whether the full Board and/or one of its committees should address the subject matter.

If a Shareholder Communication raises concerns about the ethical conduct of management or the Company, it should be sent directly to our Chief Legal Officer at 701 Market Street, St. Louis, Missouri 63101. The Chief Legal Officer will promptly forward a copy of such Shareholder Communication to the Chairman of the Audit Committee and, if appropriate, the Chairman of the Board, and take such actions as they authorize to ensure that the subject matter is addressed by the appropriate Board committee, management and/or the full Board.

If a shareholder or other interested person seeks to communicate exclusively with our non-management directors, individually or as a group, such Shareholder Communication should be sent directly to the Corporate Secretary who will forward any such communication directly to the Chair of the Nominating and Corporate Governance Committee. The Corporate Secretary will first consult with and receive the approval of the Chair of the Nominating and Corporate Governance Committee before disclosing or otherwise discussing the communication with members of management or directors who are members of management.

At the direction of the Board, we reserve the right to screen all materials sent to our directors for potential security risks and/or harassment purposes.

Shareholders also have an opportunity to communicate with the Board at our Annual Meeting of Shareholders. Pursuant to Board policy, each director is expected to attend the Annual Meeting in person, subject to occasional excused absences due to illness or unavoidable conflicts. Each of our incumbent directors with the exception of Mrs. Keeth attended the last Annual Meeting of Shareholders in May 2009. Mr. Malone did not join the Board until July 2009.

### **Overview of Director Nominating Process**

The Board of Directors believes that one of its primary goals is to advise management on strategy and to monitor our performance. The Board also believes that the best way to accomplish this goal is by choosing directors who possess a diversity of experience, knowledge and skills that are particularly relevant and helpful to us. As such, current Board members possess a wide array of skills and experience in the coal industry, related energy industries and other important areas, including finance and accounting, operations, environmental affairs, international affairs, governmental affairs and administration, public policy, healthcare, corporate governance, board service and executive management. When



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evaluating potential members, the Board seeks to enlist the services of candidates who possess high ethical standards and a combination of skills and experience which the Board determines are the most appropriate to meet its objectives. The Board believes all candidates should be committed to creating value over the long term and to serving our best interests and the best interests of our shareholders.

The Nominating and Corporate Governance Committee ( Committee ) is responsible for identifying, evaluating and recommending qualified candidates for election to the Board. The Committee will consider director candidates submitted by shareholders. Any shareholder wishing to submit a candidate for consideration should send the following information to the Corporate Secretary, Peabody Energy Corporation, 701 Market Street, St. Louis, Missouri 63101:

Shareholder s name, number of shares owned, length of period held and proof of ownership;

Name, age and address of candidate;

A detailed resume describing among other things the candidate s educational background, occupation, employment history and material outside commitments (e.g., memberships on other boards and committees, charitable foundations, etc.);

A supporting statement which describes the candidate s reasons for seeking election to the Board, and documents his/her ability to satisfy the director qualifications described below;

A description of any arrangements or understandings between the shareholder and the candidate; and

A signed statement from the candidate confirming his/her willingness to serve on the Board.

The Corporate Secretary will promptly forward such materials to the Committee Chair and the Chairman of the Board. The Corporate Secretary also will maintain copies of such materials for future reference by the Committee when filling Board positions.

Shareholders may submit potential director candidates at any time pursuant to these procedures. The Committee will consider such candidates if a vacancy arises or if the Board decides to expand its membership, and at such other times as the Committee deems necessary or appropriate. Separate procedures apply if a shareholder wishes to nominate a director candidate at the 2011 Annual Meeting. Those procedures are described on page 54 under the heading Information About Shareholder Proposals.

Pursuant to its charter, the Committee must review with the Board, at least annually, the requisite qualifications, independence, skills and characteristics of Board candidates, members and the Board as a whole. When assessing potential new directors, the Committee considers individuals from various and diverse backgrounds. While the selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, the Committee believes that candidates should generally meet the criteria listed on page 6 under the heading Director Qualifications.

While the Board does not have a formal policy of considering diversity when evaluating director candidates, the Board does believe that its members should reflect diversity in professional experience, geographic origin, gender and ethnic background. These factors, together with the director qualifications criteria noted above, are taken into account by the Committee in assessing potential new directors.

The Committee will consider candidates submitted by a variety of sources (including, without limit, incumbent directors, shareholders, management and third-party search firms) when filling vacancies and/or expanding the Board.



If a vacancy arises or the Board decides to expand its membership, the Committee generally asks each director to submit a list of potential candidates for consideration. The Committee then evaluates each potential candidate's educational background, employment history,

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outside commitments and other relevant factors to determine whether he/she is potentially qualified to serve on the Board. At that time, the Committee also will consider potential nominees submitted by shareholders in accordance with the procedures described above. The Committee seeks to identify and recruit the best available candidates, and it intends to evaluate qualified shareholder nominees on the same basis as those submitted by Board members or other sources.

After completing this process, the Committee will determine whether one or more candidates are sufficiently qualified to warrant further investigation. If the process yields one or more desirable candidates, the Committee will rank them by order of preference, depending on their respective qualifications and our needs. The Committee Chair, or another director designated by the Committee Chair, will then contact the preferred candidate(s) to evaluate their potential interest and to set up interviews with members of the Committee. All such interviews are held in person, and include only the candidate and the independent Committee members. Based upon interview results and appropriate background checks, the Committee then decides whether it will recommend the candidate's nomination to the full Board.

The Committee believes this process has consistently produced highly qualified, independent Board members to date. However, the Committee may choose, from time to time, to use additional resources (including independent third-party search firms) after determining that such resources could enhance a particular director search. Mr. Malone, who was appointed to the Board in July 2009, was brought to the Committee's attention by Mr. Boyce.

**Table of Contents****OWNERSHIP OF COMPANY SECURITIES**

The following table sets forth information as of March 1, 2010 with respect to persons or entities who are known to beneficially own more than 5% of our outstanding Common Stock, each director, each executive officer named in the Summary Compensation Table, below, and all directors and executive officers as a group.

**Beneficial Owners of More Than Five Percent, Directors and Management**

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)(2)</sup>	Percent of Class <sup>(3)</sup>
BlackRock, Inc. <sup>(4)</sup> 40 East 52nd Street New York, NY 10022	29,362,691	10.9%
FMR LLC <sup>(5)</sup> 82 Devonshire Street Boston, MA 02109	15,417,183	5.7%
Gregory H. Boyce	910,471	*
William A. Coley	22,882	*
Michael C. Crews	44,363	*
Sharon D. Fiehler	158,683	*
Eric Ford	164,775	*
William E. James	29,745	*
Robert B. Karn III	41,557	*
M. Frances Keeth	0	*
Henry E. Lentz	22,740	*
Robert A. Malone	0	*
Richard A. Navarre	278,902	*
William C. Rusnack	41,238 <sup>(6)</sup>	*
John F. Turner	10,879	*
Sandra A. Van Trease	29,219	*
Alan H. Washkowitz	22,470	*
All directors and executive officers as a group (16 people)	1,798,244	*

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned.

(2) Includes shares issuable pursuant to stock options exercisable within 60 days after March 1, 2010, as follows: Mr. Boyce, 709,699; Mr. Coley, 16,377; Mr. Crews, 8,979; Ms. Fiehler, 91,549; Mr. Ford, 101,995; Mr. James, 12,046; Mr. Karn, 23,972; Mr. Lentz, 16,377; Mr. Navarre, 156,502; Mr. Rusnack, 31,745; Mr. Turner, 7,413; Ms. Van Trease, 12,046; Mr. Washkowitz, 16,377; and all directors and executive officers as a group, 1,212,764. Also includes restricted shares that remain unvested as of March 1, 2010 as follows: Mr. Boyce, 164,951;

Mr. Crews, 9,756; Mr. Ford, 6,000; and all directors and executive officers as a group, 180,707.

- (3) Applicable percentage ownership is based on 268,769,910 shares of Common Stock outstanding at March 1, 2010. An asterisk (\*) indicates that the applicable person beneficially owns less than one percent of the outstanding shares.
- (4) This information is based on a Schedule 13G/A filed with the SEC on January 8, 2010 by BlackRock, Inc., in which it reported sole voting and dispositive power as to 29,362,691 shares as of December 31, 2009.
- (5) This information is based on a Schedule 13G/A filed with the SEC on February 16, 2010 by FMR LLC in which it reported sole voting power as to 1,444,388 shares and sole dispositive power as to 15,417,183 shares as of December 31, 2009.
- (6) Includes 7,632 shares as to which Mr. Rusnack has shared voting and dispositive power.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Our executive officers and directors and persons beneficially holding more than ten percent of our Common Stock are required under the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership of our Common Stock with the SEC and the NYSE. We file these reports of ownership and changes in ownership on behalf of our executive officers and directors.

To the best of our knowledge, based solely on our review of the copies of such reports furnished to us during the fiscal year ended December 31, 2009, filings with the SEC and written representations from certain reporting persons that no additional reports were required, all required reports were timely filed.

**COMPENSATION DISCUSSION AND ANALYSIS**

***Executive Summary***

On the following pages, we discuss how our Chairman and Chief Executive Officer, Gregory H. Boyce, and our other executive officers listed on page 24 ( named executive officers or NEOs ) were compensated for 2009 and how this compensation fits within our pay-for-performance philosophy and our focus on attracting and retaining executive talent who best advance our long-term interests. We also describe certain changes to our executive compensation program for 2010.

***Focus of Our Executive Compensation Program***

We design our executive compensation program with a focus on safety, financial and operating performance while also recognizing the individual and team performance of each NEO in achieving our business objectives. A substantial majority of each NEO's annual compensation is performance-based, tied to metrics which align with shareholder value. For 2009, the performance-based portion of NEO compensation consisted of performance units, stock options and annual cash incentive opportunity and was contingent on meeting certain goals for total shareholder return (relative to industry peers and to the Standard & Poor's 500 Index), EBITDA return on invested capital, EBITDA (as defined on page 28), earnings per share ( EPS ), safety and individual goals. For 2009, our NEOs received payouts for performance units above target, consistent with our three-year performance results. Our NEOs received payouts for annual cash incentives above target, driven by strong 2009 performance in the face of the global recession.

In 2009, we achieved revenues of \$6.01 billion and EBITDA of \$1.29 billion, representing the second best year of financial performance in our history. We focused on operational performance, exercising tight capital discipline and aggressively targeting operating cost reductions. Our strong earnings and operational excellence helped drive a cash balance at the end of 2009 of \$988.8 million, an increase of \$539.1 million over the prior year. Over the three-year period ended in 2009, we recognized outstanding performance on cumulative measures of EBITDA return on invested capital and total shareholder return, achieving goals well above target levels. These accomplishments and other criteria were considered by the Compensation Committee when determining the compensation of our named executive officers for 2009.

***Changes for 2010***

During 2009, the Compensation Committee, in consultation with its independent compensation consultant, undertook a full review of our compensation program for NEOs and other company officers and concluded that the current compensation opportunities are competitive with peer groups and that the performance-based program is effective in

driving results and delivering returns to shareholders. The Committee also reviewed the performance metrics used in our executive compensation program and

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determined that they enhance shareholder value. The Committee reviewed the long-term equity incentive plan and determined that certain changes (as described on page 31) were necessary to enhance the structure of performance unit awards to better reflect our growth and relative positioning in the coal industry. Lastly, the Committee revised and restated the employment agreement for Mr. Boyce, retaining the Committee's pay-for-performance compensation framework while accomplishing a number of objectives, including:

Reflecting the evolving executive compensation landscape;

Strengthening the alignment between compensation and long-term shareholder value;

Solidifying continuity in our executive leadership; and

Providing the Board structural flexibility with respect to the components of Mr. Boyce's compensation.

***Executive Compensation Overview***

*Our Named Executive Officers*

<b>Named Executive Officer</b>	<b>Title</b>	<b>Service with Our Company</b>
Gregory H. Boyce	Chairman and Chief Executive Officer	Since 2003
Richard A. Navarre	President and Chief Commercial Officer	Since 1993
Eric Ford	Executive Vice President and Chief Operating Officer	Since 2007
Sharon D. Fiehler	Executive Vice President and Chief Administrative Officer	Since 1981
Michael C. Crews	Executive Vice President and Chief Financial Officer	Since 1998

*Our Compensation Philosophy*

The objectives of our executive compensation program are to attract, retain and motivate key executives to enhance long-term profitability and create shareholder value. Our compensation program is based on the following policies and objectives:

Compensation has a clear link to shareholder value.

The compensation program is designed to support achievement of our business objectives.

Total compensation opportunities are established at levels that are competitive with those of companies of similar size and complexity and other pertinent criteria, taking into account such factors as executive performance, level of experience and retention value.

Incentive pay is designed to:

Reflect company-wide, business unit and individual performance, based on each individual's position and level;

Balance rewards for short-term performance with long-term performance-based incentives;

Balance rewards for safety, financial and operating performance with compensation for shareholder value creation; and

Incorporate internal and external performance measures.

The compensation program is communicated so that participants understand how their decisions and actions affect business results and their compensation.



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***Role of the Compensation Committee***

The Compensation Committee is comprised entirely of independent directors and has overall responsibility for evaluating and approving our executive compensation plans, policies and programs, and for monitoring performance and compensation awarded to our executives, excluding Mr. Boyce. In addition, the Committee oversees our annual and long-term incentive plans and programs and periodically assesses our director compensation program. The Compensation group in our Human Resources Department supports the Committee's efforts.

A Special Committee, comprised of all the independent members of the Board of Directors, after considering the recommendations of the Committee and its independent compensation consultant, has responsibility for determining the design and level of compensation awarded to Mr. Boyce. The Special Committee ensures that the compensation program for Mr. Boyce is consistent with our compensation philosophy and is competitive with the compensation of chief executive officers at publicly-traded companies of similar size and complexity.

As described below, in assessing the competitiveness of compensation opportunities for our named executive officers, the Committee and Special Committee receive advice from the Committee's independent compensation consultant and review appropriate compensation salary surveys, industry benchmarking data and proxy statement information.

***Role of the Compensation Consultant***

The Compensation Committee has the authority under its charter to directly engage outside advisors, experts and others for assistance. Pursuant to this authority, the Committee has engaged Frederic W. Cook & Co, Inc. ( F.W. Cook ) for independent guidance on executive compensation issues. F.W. Cook does not provide any other services to us.

In connection with its engagement, F.W. Cook provided the Committee with independent advice concerning the types and levels of compensation to be paid to Mr. Boyce and the other senior executives for 2009. F.W. Cook assisted the Committee by providing market compensation data (e.g., industry compensation surveys and benchmarking data) on base pay, as well as annual and long-term incentives.

***Review of External Data***

Each year, the Compensation Committee commissions a compensation analysis conducted by its independent compensation consultant to determine whether our executive compensation program is appropriate for our Company in light of those of other publicly-held companies of similar size and industry.

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Talent for senior-level management positions and key roles in the organization can be acquired across a broad spectrum of companies. As such, we rely on a group of publicly-held companies of similar size and/or complexity to assess competitiveness. The Industrial comparator group for 2009 was comprised of the following companies:

Air Products & Chemicals, Inc.	Monsanto Company
Barrick Gold Corporation	National Oilwell Varco, Inc.
Cliffs Natural Resources Inc.	Newmont Mining Corporation
Consol Energy Inc.	Praxair, Inc.
Eastman Chemical Company	Rockwell Automation, Inc.
Ecolab, Inc.	Rohm and Haas Company
El Paso Corporation	Smith International, Inc.
EOG Resources	Southern Copper Corporation
Freeport-McMoRan Copper & Gold, Inc.	SPX Corporation
Goodrich Corporation	Teck Cominco Ltd.
ITT Corporation	Timken Company
Lubrizol Corporation	

We also review the compensation practices and performance of eight publicly-held coal mining companies as a secondary comparison. Because these companies are much smaller than us, we rely more on the Industrial comparator group for individual executive compensation benchmarking. The Coal comparator group for 2009 was comprised of the following companies:

Alpha Natural Resources, Inc.*	James River Coal Company
Arch Coal, Inc.	Patriot Coal Corporation **
Consol Energy Inc.	Massey Energy Company
International Coal Group, Inc.	Westmoreland Coal Company

\* Alpha Natural Resources, Inc. acquired Foundation Coal Holdings in 2009, and therefore Foundation is no longer included as a stand-alone company in the Coal comparator group.

\*\* This company was added to the Coal comparator group in 2009.

In addition, we review international companies such as Anglo American plc, BHP Billiton Limited and Rio Tinto plc when relevant compensation data are available.

Overall, F.W. Cook confirmed that our executive compensation program, as structured, is competitive with our peers. Based upon the review of the compensation plans discussed below, peer group compensation levels and assessments of individual and corporate performance, the Committee, with the assistance of F.W. Cook, determined that the design of and value delivered under our executive compensation program are appropriate.

***2009 Executive Compensation Components***

For the year ended December 31, 2009, the principal components of compensation for the named executive officers were:

Annual Base Salary;

Annual Cash Incentive Compensation;

Long-term Equity Incentives; and

Retirement and Other Benefits.

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***Annual Base Salary***

Base salary for each named executive officer is established based on the executive's responsibilities, performance and experience, our overall budget for merit increases and the competitive environment. In 2009, the named executive officers volunteered, with the agreement of the Compensation Committee and the Special Committee, to forgo 2009 annual base salary merit increases in response to the global economic downturn.

Even though named executive officers were not awarded annual base salary merit increases in 2009, consistent with our philosophy, the Committee (and, in the case of Mr. Boyce, the Special Committee), reviewed the base salaries of the named executive officers to ensure that they take into account performance, experience, retention value, changes in role or promotions and that salary levels are competitive with those of companies of similar size and complexity.

For 2010, the Committee (and, in the case of Mr. Boyce, the Special Committee) approved annual base salary merit increases for the named executive officers based on market information and individual performance.

***Annual Cash Incentive Compensation***

Our annual incentive compensation plan provides opportunities for our executives, including the named executive officers, to earn annual cash incentive payments tied to the successful achievement of pre-established objectives that support our business strategy.

Under the plan, the named executive officers are assigned threshold, target and maximum earnings opportunities. The target incentive opportunity is established through an analysis of compensation for comparable positions in industries of similar size and complexity and is intended to provide a competitive level of compensation when performance objectives are achieved. If actual performance does not meet the threshold level, no incentive is earned for that particular performance goal. At threshold performance levels, the incentive that can be earned generally equals 50% of the target incentive and, at maximum performance levels, the incentive that can be earned generally equals 200% of the target incentive.

The named executive officers generally earn target incentive payouts for achieving budgeted financial and safety goals and meeting individual performance goals. Our philosophy is to set these budgeted goals at high levels of performance. Maximum incentive payments generally are awarded when budgeted financial goals and individual performance goals are significantly exceeded. Goals and payouts for the named executive officers, excluding Mr. Boyce, are reviewed and approved by the Compensation Committee for each calendar year. The Special Committee reviews and approves the goals and payouts for Mr. Boyce for each calendar year.

Awards for the named executive officers are based on achievement of corporate and individual goals. Achievement of corporate goals is determined by comparing our actual performance against objective goals, and achievement of individual goals is determined by evaluating a combination of achievement of both objective and discretionary performance measures. Goals and payouts for the named executive officers, excluding Mr. Boyce, are reviewed and approved by the Committee for each calendar year. The Special Committee reviews and approves the goals and payouts for Mr. Boyce for each calendar year.

The Committee recommends, for approval by the Special Committee, Mr. Boyce's annual incentive award. Mr. Boyce recommends, for approval by the Committee, annual incentive awards for the other named executive officers.

**Table of Contents***2009 Annual Incentive Performance Measures*

In 2008, our shareholders approved the 2008 Management Annual Incentive Plan (the "Plan"), established to comply with Section 162(m) of the Internal Revenue Code. In order to qualify the annual incentive amounts earned under the Plan as performance based for tax deductibility, the Compensation Committee can exercise discretion only to reduce an award. As a result, incentive goals are set with the expectation that the Plan will be funded at the maximum level. This provides the Committee with the flexibility to determine actual awards under the Plan for named executive officers that are consistent with the awards made under the Plan to other executives. For 2009, the Committee selected and approved the following performance goals:

Dividend payment Payment of quarterly cash dividends in 2009 to shareholders at least equal to dividend payments in 2008 on a per share basis

Debt service payment Timely payment of required short-term and long-term debt service obligations

Based on our successful achievement of these goals, the Committee permitted distribution of incentives under the Plan.

Based on input from management and information and advice from F.W. Cook, the Special Committee and the Committee established certain performance measures and weightings for determining the 2009 annual incentive opportunity for Mr. Boyce and each of the other named executive officers.

<b>2009 Performance Measure</b>	<b>Method of Determination</b>	<b>Alignment with Performance Focus</b>
EBITDA	Income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense and depreciation, depletion and amortization.	EBITDA is a key metric used by outside investors and us to measure our operating performance, as well as an indicator of our ability to meet debt service and capital expenditure requirements.
EPS	EPS is calculated using income from continuing operations after applying the two-class method to allocate earnings to common stock and participating securities, then dividing the result by the total shares outstanding on a fully-diluted basis.	EPS is a key metric used by outside investors to assess our profitability.
Safety	Safety performance is determined not only by the NEO's contribution to promoting a culture of continuous improvement in safety, but also by our achievement of quantitative safety goals.	Safety is a core value that is integrated into all areas of our business. For 2009, our quantitative safety goal was set at a 10% improvement over actual results for 2008.

*Individual Goals*

The individual goals established for the named executive officers were designed to further our business strategies and increase shareholder value. The individual goals for each of the named executive officers were reviewed and approved in advance by the Compensation Committee, and the individual goals for Mr. Boyce were then reviewed and approved

in advance by the Special Committee. These goals and objectives centered on:

Continuous improvement in safety

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Growth in revenue and earnings

Succession planning and building of a deep talent pool

Mergers and acquisitions

Operational improvement

Industry and government relations

Long-term strategic direction

The Special Committee and the Committee periodically review market conditions to ensure the appropriateness of established financial performance measures and individual goals for the Plan for Mr. Boyce and the other named executive officers, respectively.

*Annual Cash Incentive Payouts for 2009 Performance*

The table below summarizes the actual results for these performance goals for 2009.

<b>Measure</b>	<b>Percentage of Total Award</b>	<b>Target</b>	<b>Actual Results</b>	<b>Achievement</b>
EBITDA (\$ millions)	35.0%	\$1,125.2	\$1,290.1	Above Target
EPS (\$/sh)	10.0%	\$1.38*	\$1.92*	Above Maximum
Global Safety Incidence Rate	5.0%	3.11	2.82	Above Target
Individual Goals	50.0%		By Individual	

\* 2009 EPS target and actual results exclude the impact of changes in exchange rates that would increase or decrease income tax expense for the remeasurement of Australian income tax accounts.

For their 2009 performance, the named executive officers earned payouts under the Plan, as reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 39. Annual incentive payouts for 2009 were based on our achievement of quantitative goals and individual goals shown in the table above.

The Special Committee evaluated Mr. Boyce's performance in relation to these goals and approved the level of his 2009 payout. The Compensation Committee, with Mr. Boyce, evaluated the performance of each of the other named executive officers in relation to these goals and approved the levels of their 2009 payouts.

The following table shows the target annual incentive payout and the applicable payout range (each shown as a percentage of base salary) for each of the named executive officers, his or her actual award for 2009, and his or her award as a percentage of salary earned in 2009. The target payout and payout range

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for each executive are based on his or her level of participation in the Plan and competitive market practices.

**2009 Annual Incentive Awards Named Executive Officers**

Name	Target Payout	Payout Range	Actual Award (\$)	Actual Award as a % of Salary Earned
	as a % of Salary	as a % of Salary		
Gregory H. Boyce	110%	0-220%	2,227,052	207%
Richard A. Navarre	90%	0-180%	1,138,806	156%
Eric Ford	80%	0-160%	936,005	139%
Sharon D. Fiehler	80%	0-160%	579,004	129%
Michael C. Crews	80%	0-160%	597,003	140%

***Long-Term Equity Incentive Compensation***

Our long-term equity incentive compensation plan provides opportunities for key executives to earn equity compensation if certain pre-established long-term (greater than one year) objectives are successfully achieved.

The named executive officers receive long-term incentive compensation through awards of stock options and performance units. In approving the long-term incentive target awards, the Special Committee and the Compensation Committee consider the advice of F.W. Cook, as well as available benchmarking data and retention considerations. These awards are structured to provide competitive long-term equity incentive opportunities where earned values are based on our actual performance.

The targeted value of these awards, shown in the table below as a percentage of each executive's base salary, is split evenly between stock options and performance units.

**2009 Long-Term Incentive Awards Named Executive Officers**

Name	Target Award Value as a % of Salary
Gregory H. Boyce	450%
Richard A. Navarre	275%
Eric Ford	250%
Sharon D. Fiehler	200%
Michael C. Crews	175%

***Stock Options***

Our stock option program is a long-term plan designed to create a direct link between executive compensation and increased shareholder value, provide an opportunity for increased equity ownership by executives and maintain competitive levels of total compensation opportunity.



The Special Committee and the Compensation Committee meet in December of each year to evaluate, review and approve the annual stock option award design and level of awards for Mr. Boyce and the other named executive officers. These committees approve stock option awards prospectively. Annual stock option awards are generally approved in early December for granting on our first business day in January at our closing market price per share on the grant date. The Committee and/or the Special Committee may occasionally approve stock option awards that are granted other than on our first

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business day of the year, due to promotions or new hires. In these cases the Committee or the Special Committee approves the award in advance of the grant date, and the stock option grant is awarded on the determined date with an exercise price equal to our closing market price per share on such date. We use a *Black-Scholes* valuation model to establish the grant-date fair value of all stock option grants.

All stock options are granted at an exercise price equal to the closing market price of our Common Stock on the date of grant. Accordingly, those stock options will have intrinsic value to employees only if the market price of our Common Stock increases after that date. Stock options generally vest in one-third increments over a period of three years or cliff vest after three years; however, options will immediately vest in full upon a change in control or a recapitalization event or upon the holder's death or disability. If the holder terminates employment without good reason (generally as defined in his or her employment agreement), all unvested stock options are forfeited. In accordance with the terms of his employment agreement, Mr. Boyce is provided continued vesting through the end of the vesting period set forth in the option agreement of unvested stock option awards if his employment terminates (1) during the first three years of his employment term (2010-2012) due to his disability, death, termination by us without cause or resignation for good reason (as defined in his employment agreement) or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months written notice. Stock options expire, at the latest, ten years from the date of grant.

*Performance Units*

Similar to the stock option program, our performance unit program is a long-term plan designed to create a direct link between executive compensation and increased shareholder value by rewarding executives for the achievement of strong financial returns on capital and total shareholder return.

Performance units granted in 2009 will be payable, if earned, in shares of our Common Stock. The percentage of the performance units earned is based on our total shareholder return (TSR) over a period beginning January 5, 2009 and ending December 31, 2011 relative to an industry comparator group (the Industry Peer Group) and the S&P 500 Index.

TSR measures cumulative stock price appreciation plus dividends. The Industry Peer group is generally perceived to be subject to market conditions and investor reactions similar to us. For purposes of the 2009 award, the Industry Peer Group consisted of the following companies:

Alpha Natural Resources, Inc.  
 Arch Coal, Inc.  
 Consol Energy Inc.  
 International Coal Group, Inc.

James River Coal Company  
 Massey Energy Company  
 Westmoreland Coal Company

We currently are and, at the time of the 2009 performance unit award were, included in the S&P 500 Index. Our TSR performance compared to the Industry Peer Group is weighted at 60% of the total award, while our TSR performance compared to the S&P 500 Index is weighted at 40% of the total award. With regard to the 2009 performance unit award, the Compensation Committee reviewed and approved a change to the award so that performance against the Industry Peer Group and performance against the S&P 500 Index are calculated independently as described below. Previously, if our TSR performance was negative and below the 50th percentile of the Industry Peer Group, no award payouts would be made. The Committee determined that the change in the performance measurements was necessary to better balance our TSR performance between industry and overall market factors in light of our growth and market positioning.



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Performance unit payout formulas for the 2009 award are as follows:

Payout Level*	Required TSR Performance Ranking		Limitations on Payout Levels
	Industry Peer Group	S&P 500 Index	
Threshold (50% of target performance units)	40th percentile	35th percentile	<p>The Industry Peer Group weighted payout percentage will be 0% if TSR over the performance period is negative and performance is below the 50th percentile of the Industry Peer Group.</p> <p>The S&amp;P 500 Index weighted payout percentage will be 0% if TSR over the performance period is negative and performance is below the 50th percentile of the S&amp;P 500 Index.</p>
Target (100% of target performance units)	55th percentile	50th percentile	
Maximum (200% of target performance units)	80th percentile	75th percentile	<p>The Industry Peer Group weighted payout percentage cannot exceed 150% of the number of performance units granted if TSR over the performance period is negative and performance is at or above the 50th percentile of the Industry Peer Group.</p> <p>The S&amp;P 500 Index weighted payout percentage cannot exceed 150% of the number of performance units granted if TSR over the performance period is negative and performance is at or above the 50th percentile of the S&amp;P 500 Index.</p>

Payouts are interpolated for performance between threshold and target, and between target and maximum levels.

The target number of performance units granted is determined using the average closing market price per share of our Common Stock during the four weeks of trading immediately following the date of grant.

Our TSR over the three-year performance period is based on the average closing market price per share of our Common Stock during the first four weeks of trading in the performance cycle compared to the average closing market price per share of our Common Stock during the last four weeks of trading in the performance cycle. Units vest monthly and are payable in Common Stock at the conclusion of the measurement period, subject to the achievement of performance goals.

Following termination of employment on account of the holder's retirement, termination by us without cause or by the holder for good reason (as defined in his or her employment agreement), the holder would receive payment from us at the end of the performance cycle determined by the number of vested performance units based on performance measured through the end of the performance period. Upon a change in control, the holder would receive payment from us determined by the number of vested

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performance units and based on performance through the date of the change in control. Upon the holder's termination of employment due to death or disability, the holder (other than Mr. Boyce) would receive payment from us for 100% of his or her performance units outstanding as of the date the event occurs based upon performance measured through the date of employment termination. If the holder terminates employment without good reason (as defined in his or her employment agreement), all performance units are forfeited.

Performance units granted to Mr. Boyce also become fully vested upon his termination of employment due to death or disability, but he is to receive payment from us for such awards at the end of the performance cycle, based upon performance measured through the end of the performance period. In accordance with the terms of his employment agreement, Mr. Boyce is provided continued vesting through the end of the vesting period set forth in the award agreement of unvested performance units if his employment terminates (1) during the first three years of his employment term (2010-2012) due to his termination by the Company without cause or resignation for good reason (as defined in his restated employment agreement), or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months advance written notice.

***Share Ownership Guidelines***

Both management and the Board of Directors believe our executives and directors should acquire and retain a significant amount of our Common Stock in order to further align their interests with those of shareholders.

Under our share ownership guidelines, Mr. Boyce is encouraged to acquire and retain Common Stock having a value equal to at least five times his base salary. Each other named executive officer is encouraged to acquire and retain Common Stock having a value equal to at least three times his or her base salary. Executives are encouraged to meet these ownership levels within five years after assuming their executive positions.

The following table summarizes the ownership of Common Stock as of December 31, 2009 by our named executive officers.

<b>Name</b>	<b>Ownership Guidelines, Relative to Base Salary</b>	<b>Ownership Relative to Actual Base Salary December 31, 2009</b>
Gregory H. Boyce <sup>(1)</sup>	5.0x	12.1x
Richard A. Navarre	3.0x	7.6x
Eric Ford <sup>(2)</sup>	3.0x	2.6x
Sharon D. Fiehler	3.0x	6.7x
Michael C. Crews <sup>(2)</sup>	3.0x	4.0x

<sup>(1)</sup> Share ownership includes 86,602 phantom shares granted to Mr. Boyce on October 1, 2003 under the terms of his employment agreement.

<sup>(2)</sup> Mr. Ford joined us on March 6, 2007, and Mr. Crews was promoted effective June 20, 2008.

***Broad-based Benefits***

Our named executive officers are eligible to receive benefits generally available to our employees. These benefits include:

Medical Benefits

Dental Benefits

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Vision Benefits

Defined Benefit Plan (Pension) This plan was phased out on January 1, 2001 and is discussed in the Pension Benefits section on page 47

Defined Contribution Plan (401(k))

Excess Defined Benefit and Excess Defined Contribution Plans

Employee Stock Purchase Plan

Life Insurance

Business Travel Accident Insurance

Accidental Death and Dismemberment Insurance

Short-Term and Long-Term Disability Insurance

Health Care Flexible Spending Account

Dependent Care Flexible Spending Account

Vacation and Holidays

***Perquisites***

In 2009, we provided a limited number of perquisites to the named executive officers that are related to business purposes.

*Company Aircraft.* Our aircraft may be used in the following situations:

Named executive officers may use our aircraft for business purposes; and

Effective December 31, 2009, (a) spouses may accompany named executive officers who are traveling on our aircraft for business purposes (aggregate annual incremental costs may not exceed \$50,000) and (b) children of our Chairman and Chief Executive Officer may accompany him on our aircraft when he is traveling for business purposes (aggregate annual incremental costs may not exceed \$100,000). We do not provide tax gross-ups on the value of this perquisite.

*Relocation.* We generally provide relocation benefits to named executive officers who are newly-hired or have been asked by us to relocate. These benefits typically include payment for the costs of relocation, temporary housing, additional personal leave and associated tax gross-ups.

*Other Perquisites.* We do not provide or reimburse the cost of country club memberships or the purchase or lease of a vehicle for any named executive officer.

***Deductibility of Compensation Expenses***



Pursuant to Section 162(m) of the Internal Revenue Code, some compensation paid to named executive officers in excess of \$1 million is not tax deductible, except to the extent it constitutes performance-based compensation. The Compensation Committee has and will continue to consider the impact of Section 162(m) when establishing incentive compensation plans. As a result, a significant portion of our executive compensation satisfies the requirements for deductibility under Section 162(m). At the same time, the Committee considers as its primary goal the design of compensation strategies that further the best interests of our shareholders. In certain cases, the Committee may determine that the amount of tax deductions lost is not significant when compared to the potential opportunity a compensation program provides for creating shareholder value. The Committee therefore retains the ability to

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evaluate the performance of our named executive officers and to pay appropriate compensation, even if some of it may be non-deductible.

***Employment Agreements***

The Compensation Committee approves the terms of all named executive officer employment agreements. The Special Committee approved the restated employment agreement for Mr. Boyce. The terms of those agreements, including the provision of post-termination benefits, were structured to attract and retain persons believed to be key to our success, as well as to be competitive with compensation practices for executives in similar positions at companies of similar size and complexity. In assessing whether the terms of the employment agreements were competitive, the Committee and the Special Committee received advice from F.W. Cook and reviewed appropriate surveys and industry benchmarking data.

***Mr. Boyce***

During 2009, the employment agreement for Mr. Boyce was revised and restated. The restated agreement was effective December 31, 2009, and supersedes and replaces the most recent employment agreement with Mr. Boyce dated December 31, 2008.

The principal changes made in the restated agreement include the following:

Changed the term of employment so that Mr. Boyce's employment under the restated agreement began on December 31, 2009 and ends on December 31, 2014, subject to earlier termination as provided in the restated agreement. Under the prior agreement, Mr. Boyce had a three-year term of employment that was automatically extended on a daily basis, subject to termination.

Reduced the benefits Mr. Boyce would be entitled to receive following a termination other than for cause or a resignation for good reason (as those terms are defined in the restated agreement). Under the restated agreement, Mr. Boyce would be entitled to an amount equal to the sum of (1) the Specified Multiple (as defined below) times base salary, plus (2) the Specified Multiple times the annual average of the actual incentive bonuses he earned for the three years preceding the year of termination, plus (3) the Specified Multiple times six percent of base salary (to compensate for Company contributions he otherwise might have received under our retirement plan). For purposes of the restated agreement, the Specified Multiple is 2.8 from December 31, 2009 through March 31, 2012 and thereafter decreases ratably on a daily basis until it reaches zero on December 31, 2014. Under the prior agreement, the Specified Multiple was three. One-half of these benefits would be paid in a lump sum payment on the earlier to occur of Mr. Boyce's death or the first business day immediately following the six-month anniversary of his termination, and the remaining one-half of these benefits would be paid in six substantially equal monthly payments beginning on the first day of the month next following the initial lump sum payment. Mr. Boyce would also be entitled to (a) a one-time prorated annual incentive for the year of termination (based on our actual performance multiplied by a fraction, the numerator of which is the number of business days he was employed during the year of termination, and the denominator of which is the total number of business days during that year), payable when annual incentives, if any, are paid to our other executives, and (b) qualified and nonqualified retirement, life insurance, medical and other benefits for a period that corresponds to the Specified Multiple.

Modified the definition of "good reason" to exclude from that definition any reduction in Mr. Boyce's total direct compensation (which consists of base salary, target bonus opportunity and long-term incentive award grant date value) or maximum bonus opportunity for a calendar year if (1) the reduction comparably affects all similarly-situated Company executives and



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(2) Mr. Boyce's actual total direct compensation has exceeded the 65th percentile of an industry comparator group for each of the two immediately preceding consecutive calendar years. This exclusion would not apply if, during the employment term, we: (a) reduce Mr. Boyce's base salary by more than 20% in a single year; (b) reduce Mr. Boyce's base salary below \$860,000; or (c) reduce Mr. Boyce's target total direct compensation below the 50th percentile of an industry comparator group.

Modified the definition of "good reason" to permit the Board to change Mr. Boyce's duties or responsibilities if such change is specifically required by a law or regulation that requires the Board to have a non-executive chairperson.

Eliminated tax gross-up payments for any excise taxes or related interest or penalties imposed by Internal Revenue Code Section 4999 (collectively, "Excise Tax"). If Mr. Boyce becomes entitled to any payment, benefit or distribution which is subject to the Excise Tax, the aggregate payments shall be reduced (using a method that complies with Internal Revenue Code Section 409A) to the safe harbor amount under Internal Revenue Code Section 280G if the value of Mr. Boyce's net after-tax benefit as a result of the reduction would exceed the value of the net after-tax benefit if such reduction were not made and Mr. Boyce paid the Excise Tax.

Provided for continued vesting in accordance with their terms of Mr. Boyce's unvested long-term incentive awards if his employment terminates (1) during the first three years of the employment term (2010-2012) due to his disability, death, termination by us without cause or resignation by Mr. Boyce for good reason, or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months written notice.

Other material provisions of Mr. Boyce's agreement were not revised. Upon reaching age 55, Mr. Boyce became entitled to a payment of \$800,000 under his agreement. This amount was provided to compensate him for amounts he forfeited in leaving his former employer. We will pay Mr. Boyce (or, in the event of his death, his estate) such payment in a lump sum on the earlier to occur of his death or the first business day immediately following the six-month anniversary of his separation from service (as defined in the restated agreement). In addition, upon termination of employment for any reason, he will be entitled to deferred compensation payable in cash in one of the following amounts: if termination occurred (a) prior to age 62, the greatest of (1) the cash equivalent of the fair market value of 86,602 shares of Common Stock on October 1, 2003 plus interest through the date of termination, (2) an amount equal to the fair market value of 86,602 shares of Common Stock on the date of termination; (3) \$1.6 million, reduced by 0.333% for each month that termination occurs before he reaches age 62, or (4) the fair market value of 86,602 shares of Common Stock on the date of termination; or (b) on or after age 62, the greater of the amount referenced in (a) on the date of termination or \$1.6 million.

As was the case under the prior agreement, we are not obligated to provide any benefits under tax qualified plans that are not permitted by the terms of each plan or by applicable law or that could jeopardize the plan's tax status. Continuing benefit coverage will terminate to the extent Mr. Boyce is offered or obtains comparable coverage from any other employer. The restated agreement provides for confidentiality during and following employment, and includes a noncompetition agreement that is effective during and for one year following employment. The restated agreement also includes a nonsolicitation agreement that is effective during and for the two years following employment. If Mr. Boyce breaches any of his confidentiality, noncompetition or nonsolicitation agreements, he will forfeit any unpaid amounts or benefits.

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***Other Named Executive Officers***

The employment agreement for Mr. Crews has an initial three-year term which automatically renews for a one-year period at the end of the initial term and, if applicable, any renewal period, unless written notice is given by either party at least 90 days before the end of the applicable period. All other named executive officers' employment agreements have two-year terms which extend day-to-day so that there is at all times a remaining term of two years.

Following termination other than (1) for cause or (2) resignation for good reason (as defined in the employment agreement), other named executive officers are entitled to the following cash severance benefits equal to the sum of: (a) two times base salary, (b) two times the average of the actual annual incentive awards paid to the executive for the three prior years, and (c) two times six percent of base salary (to compensate for Company contributions the executive otherwise might have received under our retirement plan). One-half of these benefits would be paid in a lump sum payment on the earlier to occur of the executive's death or the first business day immediately following the six-month anniversary of his or her termination, and the remaining one-half of these benefits would be paid in six substantially equal monthly payments beginning on the first day of the month next following the initial lump sum payment. In addition, they would be entitled to (1) a one-time prorated annual incentive for the year of termination (based on our actual performance multiplied by a fraction, the numerator of which is the number of business days the executive was employed during the year of termination, and the denominator of which is the total number of business days during that year), payable when annual incentives, if any, are paid to our other executives, and (2) qualified and nonqualified retirement, pension (if applicable), life insurance, medical and other benefits for the two-year period following termination.

In addition, if Mr. Ford's employment with us were to terminate for any reason or if he should die or become disabled, a lump sum of \$800,000 would be paid to him. This amount was provided to compensate Mr. Ford for amounts he forfeited in leaving his former employer.

Under the other named executive officers' employment agreements, we are not obligated to provide any benefits under tax qualified plans that are not permitted by the terms of each plan or by applicable law or that could jeopardize the plan's tax status. Continuing benefit coverage will terminate to the extent an executive is offered or obtains comparable coverage from any other employer. The employment agreements provide for confidentiality during and following employment, and include a noncompetition and nonsolicitation agreement that is effective during and for one year following employment. However, in the case of Mr. Crews, the noncompetition agreement does not apply if we do not renew his employment agreement and terminate his employment and Mr. Crews does not receive severance benefits from us. The employment agreements also include a nonsolicitation agreement that is effective during and for the two years following employment. If an executive breaches any of his or her confidentiality, noncompetition or nonsolicitation agreements, the executive will forfeit any unpaid amounts or benefits. To the extent that excise taxes are incurred by an executive as a result of excess parachute payments, as defined by Internal Revenue Service regulations, we will pay additional amounts so that the executive would be in the same financial position as if the excise taxes were not incurred.

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**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed with management the Company's disclosures under Compensation Discussion and Analysis beginning on page 23.

Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

**MEMBERS OF THE COMPENSATION COMMITTEE:**

WILLIAM A. COLEY, CHAIR  
WILLIAM E. JAMES  
ROBERT B. KARN III  
M. FRANCES KEETH  
ROBERT A. MALONE  
JOHN F. TURNER

Table of Contents**EXECUTIVE COMPENSATION****SUMMARY COMPENSATION TABLE**

The following table summarizes the total compensation paid to or accrued by our Chairman and Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers for their service to us during the fiscal years ended December 31, 2009, 2008 and 2007. Long-term equity incentive awards to these executives include both performance units (reflected in the **Stock Awards** column below) and stock options (reflected in the **Option Awards** column below). The value reflected in each of these columns is the grant date fair value associated with equity awards for each executive, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ( FASB ASC Topic 718 ).

Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity	Change	All Other Compensation (\$) <sup>(5)</sup>
						Plan Compensation (\$) <sup>(3)</sup>	in Pension Value and Non- qualified Deferred Earnings (\$) <sup>(4)</sup>	
Chief Executive Officer	2009	1,075,000		5,552,694	2,398,433	2,227,052		138,693
	2008	1,053,750		2,368,091	1,843,993	2,069,375		144,512
	2007	980,000	500,000	1,961,948	1,768,838	1,000,671		101,772
Chief Financial Officer	2009	730,000		1,342,305	995,325	1,138,806	40,668	91,392
	2008	730,000		1,279,248	997,133	1,116,900	5,730	103,577
	2007	655,000	331,000	921,985	831,242	517,784		64,769
Vice President Operating Officer	2009	675,000		1,128,343	836,670	936,005		122,720
	2008	668,750		1,036,550	807,140	918,000		380,859
	2007	541,667 <sup>(6)</sup>	52,000	3,050,360	858,699	532,105		1,001,193
Vice President Administrative	2009	450,000		601,781	446,216	579,004	81,529	55,725
	2008	446,250		554,938	432,133	594,001	16,081	63,269
	2007	430,250	117,000	490,943	442,628	338,701		45,478
Vice President Financial Officer	2009	425,000		468,059	347,060	597,003	2,449	56,596
	2008	317,726		709,862	400,780	368,922	202	40,112

<sup>(1)</sup> Salaries earned in 2009 may reflect annual base salary changes due to equity adjustments, where applicable.

- (2) Amounts in the Stock Awards and Option Awards columns represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. A discussion of the relevant fair value assumptions is set forth in note 17 to our consolidated financial statements included in our 2009 Annual Report. For 2009 performance unit awards included the Stock Awards column, the maximum potential payout is estimated as follows: Mr. Boyce, \$6,469,187; Mr. Navarre, \$2,684,610; Mr. Ford, \$2,256,687; Ms. Fiehler, \$1,203,562; and Mr. Crews \$936,118. We caution that the amount ultimately realized from the stock and option awards will likely vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises (in the case of options only) and stock sales.
- (3) Amounts in this column represent awards under our annual incentive plan. The material terms of the 2009 awards are described under the caption Annual Cash Incentive Compensation in the Compensation Discussion and Analysis section beginning on page 27.
- (4) The amounts in this column reflect changes in pension values. See page 47 for further discussion about the Pension Plan.
- (5) Amounts included in this column for 2009 are described in the All Other Compensation table on page 40.
- (6) Mr. Ford's 2007 salary represents a partial year, from March 6, 2007 to December 31, 2007.



**Table of Contents****All Other Compensation**

The following table sets forth detailed information regarding the amounts reported in the All Other Compensation column of the Summary Compensation Table for the named executive officers.

Name	Year	Annual	Employment	Group	Performance	Lump Sum	Tax	Perquisites	Total
		401(k) Matching and	Agreement						
		(\$)	(\$)				(\$)(2)	(\$)	(\$)
Gregory H. Boyce	2009	4,526	129,000				2,593	2,574	138,693
	2008	1,656	127,725				6,574	8,557	144,512
	2007	1,656	88,500				5,047	6,569	101,772
Richard A. Navarre	2009	1,710	87,600				709	1,373	91,392
	2008	810	87,600				6,590	8,577	103,577
	2007	810	59,250				2,046	2,663	64,769
Eric Ford	2009	4,902	77,738				13,150	26,930	122,720
	2008	1,242	80,625				124,272	174,720	380,859
	2007	1,035	50,375	800,000			40,182	109,601	1,001,193
Sharon D. Fiehler	2009	1,725	54,000						55,725
	2008	1,094	53,775				3,650	4,750	63,269
	2007	1,050	39,217				2,264	2,947	45,478
Michael C. Crews	2009	705	53,100				1,418	1,373	56,596
	2008	322	37,800				865	1,125	40,112

(1) The amount reported for Mr. Ford is discussed under the caption "Employment Agreements" in the Compensation Discussion and Analysis section beginning on page 35. This lump sum opportunity is intended to compensate him for amounts he forfeited in leaving his former employer. If Mr. Ford were to terminate his employment with us for any reason on or after age 55 or if he should die or become disabled, the lump sum opportunity reported would be paid to him.

(2) Represents, for Mr. Boyce, Mr. Navarre and Mr. Crews, the taxes due for use of our corporate aircraft (as defined and calculated in accordance with Internal Revenue Service guidelines), and reimbursed by us when a spouse/guest accompanied the executive on our corporate aircraft for Company business purposes. The amount shown for Mr. Ford reflects the tax-gross up for relocation expenses incurred in 2009.

(3) Amounts represent trips where a spouse/guest accompanied the executive on our corporate aircraft for Company business purposes. Represents, for Mr. Boyce, Mr. Navarre and Mr. Crews, the aggregate incremental cost to us

of use of our corporate aircraft as determined on a per flight basis, including the cost of fuel, landing fees, the cost of in-flight meals, sales tax, crew expenses, the hourly cost of aircraft maintenance for the applicable number of flight hours, and other variable costs specifically incurred.

- (4) For Mr. Ford, total perquisites for 2009 include tax return preparation costs of \$19,350, and relocation and temporary housing costs of \$7,580, pursuant to the terms of his offer of employment with us.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS IN 2009**

The following table sets forth information concerning grants of plan-based awards during the year ended December 31, 2009 to the named executive officers.

Grant Date	Estimated Future Payouts Under Non-Equity Incentive			Estimated Future Payouts Under Equity Incentive			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Sh)(2)	Grants Failed to Vest
	Threshold (\$)	Plan Awards Target (\$)	Maximum (\$)	Threshold (#)	Plan Awards <sup>(1)</sup> Target (#)	Maximum (#)				
	1/5/2009	591,250	1,182,500	2,365,000	47,991	95,982	191,964			
1/5/2009								186,154	26.84	2,3
10/1/2009							64,951			2,3
1/5/2009	328,500	657,000	1,314,000	19,916	39,831	79,662				1,3
1/5/2009								77,252	26.84	9
1/5/2009	270,000	540,000	1,080,000	16,741	33,482	66,964				1,3
1/5/2009								64,938	26.84	8
1/5/2009	180,000	360,000	720,000	8,929	17,857	35,714				6
1/5/2009								34,633	26.84	4
1/5/2009	180,000	360,000	720,000	6,945	13,889	27,778				4
1/5/2009								26,937	26.84	3

(1) Performance unit awards are included in the Estimated Future Payouts Under Equity Incentive Plan Awards column above. Performance unit awards granted in 2009 will be earned based on achievement of performance objectives for the period January 5, 2009 to December 31, 2011. The material terms of these awards, including payout formulas, are described under the caption Performance Units in the Compensation Discussion and Analysis section beginning on page 31.

(2)

Stock option awards granted in 2009 are included in the All Other Option Awards column above. All options vest in three equal annual installments beginning on the first anniversary of the date of grant. The material terms of these awards are described under the caption Stock Options in the Compensation Discussion and Analysis section beginning on page 30.

- (3) The value of stock awards, option awards and performance unit awards is the grant date fair value determined under FASB ASC Topic 718. A discussion of the relevant fair value assumptions is set forth in note 17 to our consolidated financial statements included in our 2009 Annual Report. We caution that the amount ultimately realized from the stock and option awards will likely vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises (in the case of options only) and stock sales.

#### **OUTSTANDING EQUITY AWARDS AT 2009 FISCAL YEAR END**

The following table sets forth detail about the outstanding equity awards for each of the named executive officers as of December 31, 2009. We caution that the amount ultimately realized from the outstanding equity awards will likely vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises and sales. In the case of equity incentive awards, the amount ultimately realized will also likely vary with our stock performance relative to the Industry Peer Group, the S&P 500 Index, and our Return on Capital.

A portion of the outstanding equity awards for Messrs. Navarre and Crews and Ms. Fiehler is attributable to stock options granted to them prior to our May 2001 initial public offering ( IPO ). These options were granted in connection with a leveraged buyout transaction or LBO involving Peabody Energy's acquisition of Peabody Holding Company. The size and terms of the pre-IPO stock options or LBO grants were determined according to standard practices at that time for private companies. The LBO grants, a portion of which remain unexercised, were designed to be competitive in the industry marketplace for top executives, to compensate the management group on a basis commensurate with the risks associated with a highly leveraged transaction, to reward performance and to align their interests with our owners. A portion of the LBO grants vested in July 2009 and expired in December 2009. The remaining outstanding LBO grants vest in July 2010 and expire in January 2011.

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All unexercisable options and unvested shares or units of stock reflected in the table below are subject to forfeiture if the holder terminates employment without good reason (as defined in the holder's employment agreement).

**Outstanding Equity Awards at 2009 Fiscal Year End**

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Market or Payout	
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(1)(3)</sup>	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(4)</sup>
Gregory H. Boyce							33,652 <sup>(5)</sup> 95,982 <sup>(6)</sup>	1,521,407 4,339,346
					86,602 <sup>(7)</sup> 40,000 <sup>(8)</sup> 60,000 <sup>(8)</sup> 64,951 <sup>(8)</sup>	3,915,276 1,808,400 2,712,600 2,936,435		
	<b>Post-IPO Grants</b>							
	300,010 <sup>(9)</sup>		9.0067	10/1/2013				
	56,248 <sup>(10)</sup>		17.8541	1/3/2015				
	27,501 <sup>(11)</sup>		21.6646	3/1/2015				
	91,734 <sup>(12)</sup>		39.8143	1/3/2016				
	80,209 <sup>(13)</sup>	40,105 <sup>(13)</sup>	34.9553	1/3/2017				
	25,921 <sup>(14)</sup>	51,840 <sup>(14)</sup>	62.7200	1/2/2018				
		186,154 <sup>(15)</sup>	26.8400	1/5/2019				
Total	581,623	278,099			251,553	11,372,711	129,634 18,197 <sup>(5)</sup>	5,860,753 822,686

Richard  
A.  
Navarre39,831<sup>(6)</sup> 1,800,760**LBO Grants**102,394<sup>(16)</sup> 3.3001 1/1/2011**Post-IPO Grants**15,884<sup>(12)</sup> 39.8143 1/3/201649,141<sup>(17)</sup> 39.8143 1/3/201618,846<sup>(13)</sup> 18,847<sup>(13)</sup> 34.9553 1/3/201714,017<sup>(14)</sup> 28,032<sup>(14)</sup> 62.7200 1/2/201877,252<sup>(15)</sup> 26.8400 1/5/2019

Total 97,888 226,525 58,028 2,623,446

Eric Ford

14,730<sup>(5)</sup> 665,94333,482<sup>(6)</sup> 1,513,7216,000<sup>(18)</sup> 271,260**Post-IPO Grants**38,439<sup>(19)</sup> 19,219<sup>(19)</sup> 35.6481 3/6/201711,346<sup>(14)</sup> 22,691<sup>(14)</sup> 62.7200 1/2/201864,938<sup>(15)</sup> 26.8400 1/5/2019

Total 49,785 106,848 6,000 271,260 48,212 2,179,664

Sharon D.  
Fiehler7,886<sup>(5)</sup> 356,52617,857<sup>(6)</sup> 807,315**LBO Grants**90,595<sup>(16)</sup> 3.3001 1/1/2011**Post-IPO Grants**8,472<sup>(12)</sup> 39.8143 1/3/201639,313<sup>(17)</sup> 39.8143 1/3/201610,035<sup>(13)</sup> 10,036<sup>(13)</sup> 34.9553 1/3/20176,075<sup>(14)</sup> 12,148<sup>(14)</sup> 62.7200 1/2/201834,633<sup>(15)</sup> 26.8400 1/5/2019

Total 63,895 147,412 25,743 1,163,841

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Name	Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout	
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Exercised Options (#) <sup>(1)</sup>	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(1)(3)</sup>	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(4)</sup>
Michael C. Crews							7,252 <sup>(5)</sup> 13,889 <sup>(6)</sup>	327,863 627,922
				1,866 <sup>(20)</sup> 800 <sup>(21)</sup> 5,811 <sup>(22)</sup> 9,435 <sup>(23)</sup> 2,000 <sup>(24)</sup> 1,406 <sup>(25)</sup>	84,362 36,168 262,715 426,556 90,420 63,565			
	<b>LBO Grants</b>							
		395 <sup>(16)</sup>	3.3001	1/1/2011				
	<b>Post-IPO Grants</b>							
		12,579 <sup>(26)</sup>	79.2800	7/14/2018				
		26,937 <sup>(15)</sup>	26.8400	1/5/2019				
Total		39,911			21,318	963,786	21,141	955,785

<sup>(1)</sup> The numbers of options/shares/units and the exercise prices of options have been adjusted, where applicable, to reflect our 2-for-1 stock splits in March 2005 and February 2006 and the spin-off of Patriot Coal Corporation on October 31, 2007.

- (2) The market value was calculated based on the closing market price per share of our Common Stock on the last trading day of 2009, \$45.21 per share.
- (3) The number of performance units disclosed is based on the assumption that target performance goals will be achieved.
- (4) The payout value is calculated based on the closing market price per share of our Common Stock on the last trading day of 2009, \$45.21 per share, and the assumption that target performance goals will be achieved.
- (5) The performance units were granted on January 2, 2008 (July 14, 2008 in the case of Mr. Crews) and vest on December 31, 2010, based on our TSR performance relative to the Industry Peer Group and the S&P 500 Index, and relative to Return on Capital (ROC) targets.
- (6) The performance units were granted on January 5, 2009 and vest on December 31, 2011, based on our TSR performance relative to the Industry Peer Group and the S&P 500 Index.
- (7) The phantom units were granted pursuant to Mr. Boyce's employment agreement, vested on October 14, 2009, and will be paid out to Mr. Boyce upon termination of his employment with us.
- (8) The restricted shares were granted pursuant to Mr. Boyce's employment agreement, and vest on December 31, 2010.
- (9) The options were granted on October 1, 2003 and were fully vested on the date of grant.
- (10) The options were granted on January 3, 2005 and vested in three equal annual installments beginning January 3, 2006.
- (11) The options were granted on March 1, 2005 and vested in three equal annual installments beginning March 1, 2006.
- (12) The options were granted on January 3, 2006 and vested in three equal annual installments beginning January 3, 2007.



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- (13) The options were granted on January 3, 2007 and vest in three equal annual installments beginning January 3, 2008.
- (14) The options were granted on January 2, 2008 and vest in three equal annual installments beginning January 2, 2009.
- (15) The options were granted on January 5, 2009 and vest in three equal annual installments beginning January 5, 2010.
- (16) The options were granted on January 1, 2001 and vest on July 1, 2010.
- (17) The options were granted on January 3, 2006 and vested on January 3, 2009.
- (18) The restricted shares were granted pursuant to Mr. Ford's employment agreement and vest in three equal installments on March 6, 2007, March 6, 2010 and March 6, 2013.
- (19) The options were granted on March 6, 2007 and vested in three equal annual installments beginning March 6, 2008.
- (20) The restricted shares were granted on January 3, 2005 and vest on January 3, 2010. A portion of the award may be eligible for accelerated vesting upon achievement of certain predetermined performance goals per the award agreement.
- (21) The restricted shares were granted on January 3, 2006 and vest on January 3, 2011. A portion of the award may be eligible for accelerated vesting upon achievement of certain predetermined performance goals per the award agreement.
- (22) The restricted shares were granted on January 3, 2006 and vest on January 3, 2010.
- (23) The restricted shares were granted on January 3, 2007, of which 3,885 vest on January 3, 2010 and 5,550 vest on January 3, 2011.
- (24) The restricted shares were granted on January 3, 2007 and vest on January 3, 2011.
- (25) The restricted shares were granted on January 2, 2008 and vest on January 2, 2011.
- (26) The options were granted on July 14, 2008 and vest on July 14, 2012.

**OPTION EXERCISES AND STOCK VESTED IN 2009**

The following table sets forth detail about stock option exercises during 2009 and stock awards that vested during 2009 for each of the named executive officers. The options in this table were granted between January 2000 and October 2003. The stock awards are comprised of performance unit awards granted in 2007 and restricted stock awards granted in 2005, 2006 and 2007.

**Option Awards**

**Number of**

**Stock Awards  
Number of**

<b>Name</b>	<b>Number of Shares Acquired on Exercise (#)<sup>(1)</sup></b>	<b>Value Realized on Exercise (\$)<sup>(2)</sup></b>	<b>Shares Acquired on Vesting of Performance Units (#)<sup>(1)(3)</sup></b>	<b>Shares Acquired on Vesting of Restricted Shares (#)<sup>(4)</sup></b>	<b>Value Realized on Vesting (\$)<sup>(3)(5)</sup></b>
Gregory H. Boyce	133,000	4,987,374	72,499		3,282,025
Richard A. Navarre			34,070		1,542,370
Eric Ford			35,433	15,066	1,997,427
Sharon D. Fiehler			18,143		821,324
Michael C. Crews	6,063	177,519		7,067	179,474

<sup>(1)</sup> Numbers have been adjusted to reflect our 2-for-1 stock splits in March 2005 and February 2006. Any options exercised after the spin-off of Patriot Coal Corporation on October 31, 2007 have also been adjusted for the spin-off.

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- (2) The value realized was calculated based on the difference between the closing market price per share of our Common Stock on the date of exercise and the applicable exercise price.
- (3) Represents the number of shares of Common Stock delivered in January 2010 in connection with the payout of the performance unit awards granted in 2007 and vested on December 31, 2009.
- (4) Represents the number of shares of Common Stock delivered in connection with restrictions lifting from restricted shares that vested during 2009.
- (5) A detailed explanation of the value realized due to the payout of performance unit awards granted in 2007 is included in the Peabody Relative Performance for Performance Period Ended December 31, 2009 and Resulting Performance Unit Awards to Named Executive Officers table beginning on page 45.

**Performance Unit Program**

In January 2010, the named executive officers received payouts under the terms of performance unit awards granted in 2007 that vested on December 31, 2009 (described under Performance Units in the Compensation Discussion and Analysis section beginning on page 31). The value realized is shown in the Stock Awards column in the above table. These payouts were consistent with our stated executive compensation philosophy to create a clear link to shareholder value and to base compensation, in part, on relative external performance. Specifically, the percentage of these performance units earned was based on our TSR over the three-year performance period beginning January 3, 2007 and ended December 31, 2009, relative to the TSR of the Industry Peer Group described on page 31 and the S&P 500 Index, and our EBITDA Return on Invested Capital over the same period.

Over the three-year performance period, our TSR of 23.3% was the fifth highest in the Industry Peer Group and was at the 82nd percentile of the S&P 500 Index. The named executive officers were instrumental in leading us through this period of record EBITDA growth and safety improvement.

The following tables set forth additional details regarding performance unit payouts earned by each of the named executive officers in 2009. The payouts to the named executive officers relate to performance units granted in 2007 and reflect our performance and stock price appreciation during the ensuing three-year performance period.

**Peabody Relative Performance for Performance Period Ended December 31, 2009 and  
Resulting Performance Unit Award Payouts to Named Executive Officers**

The following table compares our TSR for the three-year period ended December 31, 2009 to the performance of the Industry Peer Group and to the performance of the S&P 500 Index. Based on our relative performance, the named executive officers earned the following awards under the program:

Peabody Percentile Ranking Among	Peabody Percentile Ranking Among Index Companies	Peabody Percentile Ranking Among	Percent of Award	Percent of Award
-	-	-	-	-

<b>Performance Period</b>	<b>Shareholder Return</b>	<b>Industry Peer Group - Total Among Industry Peer Group</b>	<b>Ranking Total Shareholder Return (1)</b>	<b>Ranking Among Companies(1)</b>	<b>Earned for EBITDA ROIC Targets</b>	<b>Earned for Total Shareholder Return</b>	<b>Total Payout as a % of Target</b>	<b>Target Award Units (#)(2)</b>	<b>Actual Award Shares (#)(3)</b>	<b>Y</b>
								50,174	72,499	3,
2007 - 2009	43.4%	5 of 8	82.0%	73 of 487	177.3%	116.8%	147.0%	23,579	34,070	1,
								24,522	35,433	1,
								12,556	18,143	

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- (1) The index is designed to track the performance of companies included in the S&P 500.
- (2) Number of shares has been adjusted to reflect our 2-for-1 stock splits in March 2005 and February 2006, and to reflect the spin-off of Patriot Coal Corporation on October 31, 2007.
- (3) The actual shares awarded were calculated based on the closing price per share of our Common Stock on the settlement date, January 28, 2010 (\$45.27).
- (4) The value of the awards was calculated based on the average closing price per share of our Common Stock for the four-week period ended December 31, 2009 (\$44.49).
- (5) Mr. Crews was not granted performance unit awards in 2007; his promotion to Executive Vice President and Chief Financial Officer was effective June 20, 2008.

**Table of Contents****PENSION BENEFITS IN 2009**

Our frozen Salaried Employees Retirement Plan, or pension plan, is a defined benefit plan. The pension plan provides a monthly annuity to eligible salaried employees when they retire. An employee must have at least five years of service to be vested in the pension plan. A full benefit is available to a retiree at age 62. A retiree can begin receiving a benefit as early as age 55; however, a 4% reduction factor applies for each year a retiree receives a benefit prior to age 62.

We announced in February 1999 that the pension plan would be phased out beginning January 1, 2001. Certain transition benefits were introduced based on the age and service of affected employees at December 31, 2000. Each of the applicable named executive officers has had his or her pension benefits frozen. In all cases, final average earnings for retirement purposes are capped at December 31, 2000 levels.

An individual's retirement benefit under the pension plan is equal to the sum of (1) 1.112% of the highest average monthly earnings over 60 consecutive months up to the covered compensation limit multiplied by the employee's years of service, not to exceed 35 years, and (2) 1.5% of the average monthly earnings over 60 consecutive months over the covered compensation limit multiplied by the employee's years of service, not to exceed 35 years. Under the plan, earnings include compensation earned as base salary and up to five annual incentive awards.

Listed below is the estimated present value of the current accumulated pension benefit under qualified and non-qualified plans as of December 31, 2009 for the named executive officers. The estimated present value was determined assuming the executive retires at age 62, the normal retirement age under the plan, using a discount rate of 6.19% and the RP 2000 White Collar Mortality with Mortality Improvements Projected to 2007 with Scale AA Table. Other material assumptions used in making the calculations are discussed in note 14 to our consolidated financial statements included in our 2009 Annual Report. The disclosed amounts are estimates only and do not necessarily reflect the actual amounts that will be paid to the executives. Such amounts will be known only at the time the executives become eligible for payment.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)<sup>(1)</sup></b>	<b>Present Value of Accumulated Benefit (\$)</b>	<b>Payments in 2009 (\$)</b>
Gregory H. Boyce <sup>(2)</sup>	Salaried Employees Retirement Plan			
Richard A. Navarre <sup>(3)</sup>	Salaried Employees Retirement Plan	7.8	213,645	
Eric Ford <sup>(2)</sup>	Salaried Employees Retirement Plan			
Sharon D. Fiehler <sup>(3)</sup>		19.8	491,894	

	Salaried Employees Retirement Plan		
	Salaried Employees Retirement Plan	2.3	10,860
Michael C. Crews <sup>(3)</sup>			

- (1) Due to the phase-out of our pension plan as described above, years of credited service may be less than years of actual service. Actual years of service for the named executive officers eligible to participate in the pension plan are as follows: Mr. Navarre, 16.8; Ms. Fiehler, 28.8 and Mr. Crews, 11.3.
- (2) Messrs. Boyce and Ford are not eligible to receive benefits under our pension plan because their employment with us began after the phase-out of the plan.
- (3) Under the terms of the phase-out, Mr. Navarre's, Ms. Fiehler's, and Mr. Crews' pension benefits were frozen as of December 31, 2000, and years of credited service, for the purpose of the pension plan, ceased to accrue.

**Table of Contents****NONQUALIFIED DEFERRED COMPENSATION IN 2009**

The following table sets forth detail about activity for the named executive officers in our non-qualified defined contribution retirement plans and certain amounts payable to Mr. Boyce and Mr. Ford under their employment agreements.

Name	Plan Name	Executive	Company	Aggregate	Aggregate	Aggregate
		Contributions	Contributions	Earnings	Withdrawals	Balance as of
		in	in	in	/	December 31,
		2009	2009	2009	Distributions	2009
		(\$)	(\$) <sup>(1)</sup>	(\$)	(\$)	(\$) <sup>(2)</sup>
Gregory H. Boyce	Excess Defined Contribution Retirement Plan	58,100	100,500	158,956		717,829
	Employment Agreement <sup>(3)</sup>					800,000
	Deferred Compensation Account <sup>(3)</sup>					3,915,276
Richard A. Navarre	Excess Defined Contribution Retirement Plan	33,950	59,100	32,921		632,522
Eric Ford	Excess Defined Contribution Retirement Plan	25,800	52,500	34,483		197,587
	Employment Agreement <sup>(3)</sup>					800,000
Sharon D. Fiehler	Excess Defined Contribution Retirement Plan	20,500	25,500	55,950		275,822
Michael C. Crews	Excess Defined Contribution Retirement Plan	17,100	23,900	8,383		49,383

(1) A portion of the amounts reported in this column are also included in the Summary Compensation Table on page 39, in the All Other Compensation column for 2009 and in the Annual 401(k) Matching and Performance Contributions column of the All Other Compensation table on page 40.

(2) Of the totals in this column, the following amounts have been reported in the Summary Compensation Table for 2009 and for 2007-2008:



<b>Name</b>	<b>2009 (\$)</b>	<b>2007-2008 (\$)</b>	<b>Total (\$)</b>
Gregory H. Boyce	49,800	168,376	218,176
Richard A. Navarre	29,100	99,000	128,100
Eric Ford	25,800	84,775	110,575
Sharon D. Fiehler	12,300	44,790	57,090
Michael C. Crews	11,400	12,500	23,900

<sup>(3)</sup> The amounts reported for Messrs. Boyce and Ford are discussed under the caption "Employment Agreements" in the Compensation Discussion and Analysis section beginning on page 35.

#### **POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The table below reflects the amount of compensation that would have been payable to the named executive officers in the event of termination of such executive's employment, including certain benefits upon a change in control of us, pursuant to the terms of their employment agreements and long-term incentive agreements. The amounts shown assume a termination effective as of December 31, 2009, including a gross-up for certain taxes in the event that any payment made in connection with the change in control was subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. The actual amounts that would be payable can be determined only at the time of the executive's termination. The amount of compensation payable to each executive upon retirement is not included in the table, as none of the executives was eligible for retirement (age 55, with 10 years of service) as of December 31, 2009.

**Table of Contents****Potential Payments Upon Termination or Change in Control**

	<b>Cash Severance</b>	<b>Continued Benefits &amp; Perquisites</b>	<b>Other Cash Payment</b>	<b>Accelerated Vesting/Earnout of Unvested Equity Compensation<sup>(1)</sup></b>	<b>Excise Tax Gross-Up<sup>(2)</sup></b>	<b>TOTAL</b>
<b>Gregory H. Boyce</b>						
For Cause Termination <sup>(3)</sup>	\$ 0	\$ 0	\$ 0	\$ 1,627,560	n/a	\$ 1,627,560
Voluntary Termination <sup>(3)</sup>	0	0	0	1,898,820	n/a	1,898,820
Retirement <sup>(4)</sup>	0	0	2,227,052	5,568,116	n/a	7,795,168
Death or Disability <sup>(5)</sup>	0	0	2,227,052	20,981,357	n/a	23,208,409
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	8,601,225	60,478	2,227,052	11,397,991	n/a	22,286,746
Involuntary Termination Related to a Change in Control <sup>(7)</sup>	8,601,225	60,478	2,227,052	15,228,905	0	26,117,660
<b>Richard A. Navarre</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	\$ 0	\$ 76,923	\$ 0	n/a	\$ 76,923
Death or Disability <sup>(5)</sup>	0	0	1,215,729	5,902,527	n/a	7,118,256
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	3,617,260	42,713	1,215,729	1,813,730	n/a	6,689,432
Involuntary Termination Related to a Change in Control <sup>(7)</sup>	3,617,260	42,713	1,215,729	7,717,442	0	12,593,144
<b>Eric Ford</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	\$ 0	\$ 0	\$ 0	n/a	\$ 0

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Death or Disability <sup>(5)</sup>	0	0	936,005	5,218,408	n/a	6,154,413
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	3,056,407	42,614	936,005	1,771,998	n/a	5,807,024
Involuntary Termination Related to a Change in Control <sup>(7)</sup>	3,056,407	42,614	936,005	3,148,679	0	7,183,705

**Sharon D. Fiehler**

For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	\$ 0	\$ 62,769	\$ 0	n/a	\$ 62,769
Death or Disability <sup>(5)</sup>	0	0	641,773	2,645,266	n/a	3,287,039
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	2,039,804	28,071	641,773	801,657	n/a	3,511,305
Involuntary Termination Related to a Change in Control <sup>(7)</sup>	2,039,804	28,071	641,773	5,337,609	0	8,047,257

**Michael C. Crews**

For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	\$ 0	\$ 0	\$ 0	n/a	\$ 0
Death or Disability <sup>(5)</sup>	0	0	\$ 597,003	2,048,152	n/a	2,645,155
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	1,669,233	35,754	\$ 597,003	670,682	n/a	2,972,672
Involuntary Termination Related to a Change in Control <sup>(7)</sup>	1,669,233	35,754	\$ 597,003	1,182,069	825,082	4,309,141

(1) Reflects the value the named executive officer could realize as a result of the accelerated vesting of any unvested stock option awards, based on the spread between the applicable option exercise price and stock price on the last business day of 2009, \$45.21. The value realized is not and would not be our liability.

(2) Includes excise tax, plus the effect of 35% federal income taxes, 6% state income taxes, and 1.45% FICA-HI taxes on the excise tax.

(3) For all named executive officers except Mr. Boyce, the compensation payable would include accrued but unused vacation. Mr. Boyce's compensation payable in the event of voluntary termination would include (a) accrued but unused vacation (\$0 as of December 31, 2009), and (b) the prorated value of outstanding restricted shares as determined by his October 1, 2003 grant agreement. For Cause means, for all named executive officers except

Mr. Boyce, (1) any material and uncorrected breach by the executive of the terms of his or her employment agreement, including but not limited to engaging in disclosure of secret or confidential information; (2) any willful fraud or dishonesty of the executive involving our property or business; (3) a deliberate or willful refusal or failure to comply with any major corporate policies which are communicated in writing; or (4) the executive's conviction of, or plea of no contest to any felony if such conviction shall result in imprisonment or, in the case of Mr. Crews, has a material detrimental effect on our reputation or business. Under Mr. Boyce's employment agreement, For Cause means items (1) through (3) in the foregoing sentence, or (4) his conviction of, or plea of no contest to, any felony if such conviction results in his imprisonment and the act(s) resulting in such conviction and imprisonment would be reasonably expected to result in conviction under U.S., U.K., or Australian law and such conviction is not based solely or primarily on a finding of vicarious liability.

- (4) Mr. Boyce's compensation payable in the event of retirement would include (a) accrued but unused vacation, (b) earned but unpaid annual incentive for year of termination, (c) prorated payout of outstanding performance units based on performance to the date of termination and (d) the prorated value of outstanding restricted shares as determined by his October 1, 2003 grant agreement.

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- (5) For all named executive officers except Mr. Boyce, compensation payable upon death or disability would include (a) accrued but unused vacation, (b) earned but unpaid annual incentive for year of termination, (c) 100% payout of outstanding performance units based on actual performance to the date of termination, and (d) the value an executive could realize as a result of the accelerated vesting of any unvested stock option awards, per the terms of the executive's stock option grant agreement. Mr. Boyce's compensation payable upon death or disability would include (a) accrued but unused vacation, (b) earned but unpaid annual incentive for year of termination, (c) 100% payout of outstanding performance units based on actual performance measured through the end of the performance period, (d) the value Mr. Boyce would realize as a result of the accelerated vesting of any unvested stock option awards, per the terms of his stock option grant agreement and (e) the fair market value on the date of termination of 164,951 restricted shares of Common Stock for which vesting would accelerate. For 2009, the earned but unpaid annual incentive was equal to 100% of the sum of the non-equity incentive plan and bonus compensation, as shown in the Summary Compensation Table on page 39, and payout of performance units reflects the values for the 2008 and 2009 performance units based on actual performance as of December 31, 2009. Amounts do not include life insurance payments in the case of death.
- (6) For all named executive officers except Mr. Boyce, the compensation payable would include (a) severance payments of two times base salary, (b) a payment equal to two times the average of the actual annual incentives paid in the three prior years, (c) a payment equal to two times 6% of base salary to compensate for Company contributions the executive otherwise might have received under our retirement plan, (d) earned but unpaid annual incentive for year of termination, (e) continuation of benefits for two years and (f) prorated payout of outstanding performance units based on performance to the date of termination. Mr. Boyce's compensation payable would include (a) severance payments of 2.8 times base salary, (b) a payment equal to 2.8 times the average of the actual annual incentives paid in the three prior years, (c) a payment equal to 2.8 times 6% of base salary to compensate for Company contributions he otherwise might have received under our retirement plan, (d) earned but unpaid annual incentive for year of termination, (e) continuation of benefits for 2.8 years, (f) prorated payout of outstanding performance units based on performance at the end of the performance period, and (g) the fair market value on the date of termination of 164,951 restricted shares of Common Stock, which would vest on an accelerated basis.
- (7) A portion of the value payable upon a change in control to Messrs. Navarre and Crews and Ms. Fiehler is attributable to stock options granted to them prior to our May 2001 initial public offering. Additional detail about the LBO grants is set forth in the Outstanding Equity Awards at 2009 Fiscal Year End table beginning on page 41.

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**DIRECTOR COMPENSATION**

Compensation of non-employee directors for 2009 was comprised of cash compensation, consisting of annual board and committee retainers and equity compensation. Each of these components is described below in more detail.

Any director who is also our employee receives no additional compensation for serving as a director.

*Annual Board and Committee Retainers*

In 2009, non-employee directors received an annual cash retainer of \$85,000. Non-employee directors who served on more than one committee received an additional annual \$10,000 cash retainer.

The Audit Committee Chairperson received an additional annual \$15,000 cash retainer, and the other Audit Committee members received additional annual \$5,000 cash retainers. The Chairperson of the Nominating and Corporate Governance Committee received an additional annual \$10,000 cash retainer. Effective July 1, 2009 the additional annual cash retainer for the Chairperson of the Compensation Committee was increased from \$10,000 to \$15,000.

We pay travel and accommodation expenses of our non-employee directors to attend meetings and other corporate functions. Non-employee directors do not receive meeting attendance fees. Non-employee directors may be accompanied by a spouse/partner when traveling on Company business on our corporate aircraft.

*Annual Equity Compensation*

Non-employee directors received annual equity compensation valued at \$90,000 in 2009, awarded in deferred stock units (based on the fair market value of our Common Stock on the date of grant). The deferred stock units vest on the first anniversary of the date of grant and are converted into shares of our Common Stock on the specified distribution date elected by each non-employee director. In the event of a change in control of the Company (as defined in our Long-Term Equity Incentive Plan), any unvested deferred stock units will vest on an accelerated basis. The deferred stock units also provide for accelerated vesting in the event of death or disability or separation from service due to the non-employee director reaching the end of his or her elected term and either (a) being ineligible to run for an additional term on the Board as a result of reaching age seventy-five (75) or (b) having completed three years of service as a non-employee director and the current Board term for which he or she was elected.

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The total 2009 compensation of our non-employee directors is shown in the following table.

**Non-Employee Director Compensation for 2009**

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)<sup>(1)(2)(3)</sup></b>	<b>Option Awards (\$)<sup>(1)(4)</sup></b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
William A. Coley*	102,500	90,000			192,500
William E. James	90,000	90,000			180,000
Robert B. Karn III	105,000	90,000			195,000
M. Frances Keeth	92,500	90,000			182,500
Henry E. Lentz	95,000	90,000			185,000
Robert A. Malone	50,000	45,000			95,000
William C. Rusnack*	110,000	90,000			200,000
Blanche M. Touhill <sup>*(5)</sup>	47,500	90,000			137,500
John F. Turner	95,000	90,000			185,000
Sandra Van Trease	95,000	90,000			185,000
Alan H. Washkowitz*	105,000	90,000			195,000

\* Committee Chair

- (1) Amounts in the Stock Awards and Option Awards columns represent the grant date fair value of awards granted in 2009 as computed in accordance with FASB ASC Topic 718. A discussion of the relevant fair value assumptions is set forth in note 17 to our consolidated financial statements included in our 2009 Annual Report. We caution that the amount ultimately realized from the stock and option awards will likely vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises (in the case of options only) and sales.
- (2) As of December 31, 2009, the aggregate number of unvested restricted shares outstanding for each non-employee director, except Mrs. Keeth, Mr. Malone and Dr. Touhill, was 991.
- (3) As of December 31, 2009, the aggregate number of unvested deferred stock units for each non-employee director, except Mrs. Keeth, Mr. Malone and Dr. Touhill, was 4,788. As of December 31, 2009, the aggregate number of unvested deferred stock units for Mrs. Keeth was 4,405 and for Mr. Malone was 1,362.
- (4) As of December 31, 2009, the aggregate number of stock options outstanding for each non-employee director was as follows: Mr. Coley, 16,377; Mr. James, 12,046; Mr. Karn, 23,972; Mrs. Keeth, 0; Mr. Lentz, 16,377; Mr. Malone, 0; Mr. Rusnack, 31,745; Dr. Touhill, 0; Mr. Turner, 7,413; Ms. Van Trease, 12,046; and Mr. Washkowitz, 16,377.
- (5) On May 7, 2009, Dr. Touhill retired pursuant to our mandatory retirement policy for non-employee directors.

Under our share ownership guidelines for directors, each non-employee director is encouraged to acquire and retain Common Stock having a value equal to at least three times his or her base annual retainer. Non-employee Directors are encouraged to meet these ownership levels within three years after joining the Board.





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The following table summarizes the ownership of our Common Stock as of December 31, 2009 by each of our current non-employee directors.

Name(1)	Ownership Guidelines, Relative to Annual Retainer (2)	Ownership Relative to Annual Retainer (2)
William A. Coley	3x	6.0x
William E. James	3x	11.4x
Robert B. Karn III	3x	11.8x
M. Frances Keeth <sup>(3)</sup>	3x	2.3x
Henry E. Lentz	3x	5.8x
Robert A. Malone <sup>(3)</sup>	3x	0.7x
William C. Rusnack	3x	7.6x
John F. Turner	3x	4.4x
Sandra Van Trease	3x	11.7x
Alan H. Washkowitz	3x	5.8x

(1) Mr. Boyce's stock ownership is shown in the table for the named executive officers.

(2) Includes deferred stock units. Value is calculated based on the closing market price per share of our Common Stock on the last trading day of 2009, \$45.21. The base annual retainer for the non-employee directors in 2009 was \$85,000.

(3) Mrs. Keeth joined the Board in March 2009 and Mr. Malone joined the Board in July 2009.

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Coley, Karn, Malone and Turner and Mrs. Keeth currently serve on the Compensation Committee. None of these committee members is employed by the Company.

### POLICY FOR APPROVAL OF RELATED PERSON TRANSACTIONS

Pursuant to a written policy adopted by the Board of Directors, the Nominating and Corporate Governance Committee is responsible for reviewing and approving all transactions between us and certain related persons, such as our executive officers, directors and owners of more than 5% of our voting securities. In reviewing a transaction, the Committee considers the relevant facts and circumstances, including the benefits to us, any impact on director independence and whether the terms are consistent with a transaction available on an arms-length basis. Only those related person transactions that are determined to be in (or not inconsistent with) our best interests and the best interests of our shareholders are permitted to be approved. No member of the Committee may participate in any review of a transaction in which the member or any of his or her family members is the related person. A copy of the policy can be found on our website ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors, then Corporate Governance, and then Nominating and Corporate Governance Committee Charter and is available in print to any shareholder who requests it. Information on our website is not considered part of this Proxy Statement.



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**RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
(ITEM 2)**

The Board of Directors has, upon the recommendation of the Audit Committee, appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010, subject to ratification by our shareholders. While the Audit Committee is responsible for the appointment, compensation, retention, termination and oversight of the independent registered public accounting firm, the Audit Committee and the Board are requesting, as a matter of policy, that the shareholders ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if our shareholders do not ratify the appointment, the Audit Committee may investigate the reasons for shareholder rejection and may consider whether to retain Ernst & Young LLP or to appoint another independent registered public accounting firm. Furthermore, even if the appointment is ratified, the Audit Committee in its discretion may appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our shareholders.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. Such representatives will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions by shareholders. For additional information regarding our relationship with Ernst & Young LLP, please refer to Report of the Audit Committee and Fees Paid to Independent Registered Public Accounting Firm on pages 16 and 17.

**The Board of Directors recommends that you vote For Item 2, which ratifies the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.**

**ADDITIONAL INFORMATION**

**Information About Shareholder Proposals**

If you wish to submit a proposal for inclusion in next year's proxy statement and proxy, we must receive the proposal on or before November 22, 2010, which is 120 calendar days prior to the anniversary of this year's mailing date. Upon timely receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy in accordance with applicable regulations governing the solicitation of proxies. Any proposals should be submitted in writing to: Corporate Secretary, Peabody Energy Corporation, 701 Market Street, St. Louis, Missouri 63101.

Under our by-laws, if you wish to nominate a director or bring other business before the shareholders at the 2011 Annual Meeting without having your proposal included in next year's proxy statement:

You must notify the Corporate Secretary in writing at our principal executive offices between January 3, 2011 and February 2, 2011; however, if we advance the date of the meeting by more than 20 days or delay the date by more than 70 days, from May 4, 2011, then such notice must be received not earlier than 120 days before the date of the annual meeting and not later than the close of business on the 90th day before such date or the 10th day after public disclosure of the meeting is made; and

Your notice must contain the specific information required by our by-laws regarding the proposal or nominee, including, but not limited to, name, address, shares held, a description of the proposal or information regarding

the nominee and other specified matters.

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You can obtain a copy of our by-laws without charge by writing to the Corporate Secretary at the address shown above or by accessing our website ([www.peabodyenergy.com](http://www.peabodyenergy.com)) and clicking on Investors, and then Corporate Governance. Information on our website is not considered part of this Proxy Statement. These requirements are separate from and in addition to the requirements a shareholder must meet to have a proposal included in our proxy statement. The foregoing time limits also apply in determining whether notice is timely for purposes of rules adopted by the SEC relating to the exercise of discretionary voting authority.

### **Householding of Proxies**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more shareholders sharing the same address by delivering a single annual report and/or proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially provides extra convenience for shareholders and cost savings for companies. We and some brokers household annual reports and proxy materials, delivering a single annual report and/or proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

Once you have received notice from your broker or us that your broker or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and/or proxy statement in the future, please notify your broker if your shares are held in a brokerage account or notify us at the address or telephone number below if you hold registered shares. If, at any time, you and another shareholder sharing the same address wish to participate in householding and prefer to receive a single copy of our annual report and/or proxy statement, please notify your broker if your shares are held in a brokerage account or notify us if you hold registered shares.

You may request to receive at any time a separate copy of our annual report or proxy statement by sending a written request to the Corporate Secretary at 701 Market Street, St. Louis, Missouri 63101 or by telephoning (314) 342-3400.

### **Additional Filings**

Our Forms 10-K, 10-Q, 8-K and all amendments to those reports are available without charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. They may be accessed at our website ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors, and then SEC Filings. Information on our website is not considered part of this Proxy Statement.

In accordance with SEC rules, the information contained in the Report of the Audit Committee on page 16 and the Report of the Compensation Committee on page 38 shall not be deemed to be soliciting material, or to be filed with the SEC or subject to the SEC's Regulation 14A, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference

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into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

**Costs of Solicitation**

We are paying the cost of preparing, printing and mailing these proxy materials. We have engaged Laurel Hill Advisory Group to assist in distributing proxy materials, soliciting proxies and in performing other proxy solicitation services for a fee of \$10,500 plus their out-of-pocket expenses. Proxies may be solicited personally or by telephone by our regular employees without additional compensation as well as by employees of Laurel Hill Advisory Group. We will reimburse banks, brokerage firms and others for their reasonable expenses in forwarding proxy materials to beneficial owners and obtaining their voting instructions.

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**OTHER BUSINESS**

The Board of Directors is not aware of any matters requiring shareholder action to be presented at the Annual Meeting other than those stated in the Notice of Annual Meeting. Should other matters be properly introduced at the Annual Meeting, those persons named in the enclosed proxy will have discretionary authority to act on such matters and will vote the proxy in accordance with their best judgment.

**We will provide to any shareholder, without charge and upon written request, a copy (without exhibits unless otherwise requested) of our Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2009 as filed with the Securities and Exchange Commission. Any such request should be directed to Peabody Energy Corporation, Investor Relations, 701 Market Street, St. Louis, Missouri 63101-1826; telephone (314) 342-3400.**

By Order of the Board of Directors,

Alexander C. Schoch  
*Executive Vice President Law, Chief Legal  
Officer and Secretary*

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**PEABODY ENERGY CORPORATION**

**Annual Meeting of Shareholders**

Tuesday, May 4, 2010, 10:00 A.M.

The Chase Park Plaza Hotel

212 N. Kingshighway Blvd.

St. Louis, Missouri 63108

**If you plan to attend the 2010 Annual Meeting of Shareholders of Peabody Energy Corporation, please detach this Admission Card and bring it with you to the meeting.** This card will provide evidence of your ownership and enable you to attend the meeting. Attendance will be limited to those persons who owned Peabody Energy Corporation Common Stock as of March 12, 2010, the record date for the Annual Meeting.

When you arrive at the Annual Meeting site, please fill in your complete name in the space provided below and submit this card to one of the attendants at the registration desk.

**If you do not bring this Admission Card and your shares are registered in your own name, you will need to present a photo I.D. at the registration desk. If your shares are registered in the name of your bank or broker, you will be required to submit other satisfactory evidence of ownership (such as a recent account statement or a confirmation of beneficial ownership from your broker) and a photo I.D. before being admitted to the meeting.**

Shareholder Name: \_\_\_\_\_

**PROXY**

**PEABODY ENERGY CORPORATION**

**Proxy/Voting Instruction Card for Annual Meeting of Shareholders to be held on May 4, 2010**

**This proxy is solicited on behalf of the Board of Directors**

**As an alternative to completing this form, you may enter your vote instruction by telephone at 1-800-PROXIES, or via the Internet at WWW.VOTEPROXY.COM and follow the simple instructions. Use the Company Number and Account Number shown on your proxy card.**

The undersigned hereby constitutes and appoints Alan M. Washkowitz, Alexander C. Schoch and Kenneth L. Wagner, or any of them, with power of substitution to each, proxies to represent the undersigned and to vote, as designated on the reverse side of this form, all shares of Common Stock which the undersigned would be entitled to vote at the Annual Meeting of Shareholders of Peabody Energy Corporation (Peabody) to be held on May 4, 2010 at The Chase Park Plaza Hotel, 212 N. Kingshighway Blvd., St. Louis, Missouri 63108 at 10:00 A.M., and at any adjournments or postponements thereof.

If the undersigned is a participant in the Peabody Investments Corp. Employee Retirement Account or other 401(k) plans sponsored by Peabody or its subsidiaries, this proxy/voting instruction card also provides voting instructions to the trustee of such plans to vote at the Annual Meeting, and any adjournments thereof, as specified on the reverse side hereof. If the undersigned is a participant in one of these plans and fails to provide voting instructions, the trustee will vote the undersigned's plan account shares (and any shares not allocated to individual participant accounts) in proportion to the votes cast by other participants in that plan.

**The shares represented by this proxy/voting instruction card will be voted in the manner indicated by the shareholder. In the absence of such indication, such shares will be voted FOR the election of all the director nominees listed in Item 1, or any other person selected by the Board if any nominee is unable to serve, and FOR ratification of the appointment of Ernst & Young LLP as Peabody's independent registered public accounting firm for 2010 (Item 2). The shares represented by this proxy will be voted in the discretion of said proxies with respect to such other business as may properly come before the meeting and any adjournments or**



postponements thereof.

**IMPORTANT** This proxy/voting instruction card must be signed and dated on the reverse side.

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**ANNUAL MEETING OF SHAREHOLDERS OF  
PEABODY ENERGY CORPORATION**

**May 4, 2010**

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

The Notice of Meeting, proxy statement and proxy card are available at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=25749>

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

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

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**THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR ITEMS 1 AND 2.  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK  
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

1. Election of Directors: The undersigned hereby GRANTS authority to elect the following nominees:

**NOMINEES:**

**FOR ALL NOMINEES**

Gregory H. Boyce

William A. Coley

**WITHHOLD AUTHORITY**

William E. James

**FOR ALL NOMINEES**

Robert B. Karn III

M. Frances Keeth

**FOR ALL EXCEPT**

Henry E. Lentz

(See instruction below)

Robert A. Malone

William C. Rusnack

John F. Turner

Alan H. Washkowitz

**RECOMMENDATION:** The Board recommends voting **For** all Nominees.

**The Board  
Recommends For**

	FOR	AGAINST	ABSTAIN
2. Ratification of Appointment of Independent Registered Public Accounting Firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

**MARK HERE IF YOU PLAN TO ATTEND THE MEETING** o

Signature of Shareholder

Date:

Signature of Shareholder

Date:

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

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**ANNUAL MEETING OF SHAREHOLDERS OF  
PEABODY ENERGY CORPORATION  
May 4, 2010  
PROXY VOTING INSTRUCTIONS**

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

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

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

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

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

**COMPANY NUMBER**

**ACCOUNT NUMBER**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:** The Notice of meeting, proxy statement and proxy card are available at -<http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=25749>  
Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.

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**THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR ITEMS 1 AND 2.  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK  
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

1. Election of Directors: The undersigned hereby GRANTS authority to elect the following nominees:

**NOMINEES:**

- |   |  |
|---|--|
| <input type="radio"/> <b>FOR ALL NOMINEES</b>   | <input type="radio"/> Gregory H. Boyce   |
| <input type="radio"/> <b>WITHHOLD AUTHORITY</b> | <input type="radio"/> William A. Coley   |
| <input type="radio"/> <b>FOR ALL NOMINEES</b>   | <input type="radio"/> William E. James   |
| <input type="radio"/> <b>FOR ALL EXCEPT</b>     | <input type="radio"/> Robert B. Karn III |
| <input type="radio"/> (See instructions below)  | <input type="radio"/> M. Frances Keeth   |
|   | <input type="radio"/> Henry E. Lentz     |
|   | <input type="radio"/> Robert A. Malone   |
|   | <input type="radio"/> William C. Rusnack |

- John F. Turner
- Alan H. Washkowitz

**RECOMMENDATION:** The Board recommends voting **For** all Nominees.

**The Board  
Recommends For**

	FOR	AGAINST	ABSTAIN
2. Ratification of Appointment of Independent Registered Public Accounting Firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

**MARK HERE IF YOU PLAN TO ATTEND THE MEETING**

Signature of Shareholder

Date:

Signature of Shareholder

Date:

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