International Coal Group, Inc.
Form S-1/A
September 28, 2005

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**As filed with the Securities and Exchange Commission on September 28, 2005**

**Registration No. 333-124393**

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**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**Amendment No. 3 to**
**Form S-1**
**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

**INTERNATIONAL COAL GROUP, INC.**
*(Exact name of registrant as specified in its charter)*

| | | |
|---|---|---|
| **Delaware** | **1222** | **20-2641185** |
| *(State of incorporation)* | *(Primary Standard Industrial Classification Code Number)* | *(I.R.S. Employer Identification No.)* |

**2000 Ashland Drive**
**Ashland, Kentucky 41101**
**(606) 920-7400**
*(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)*

**William D. Campbell**
**Vice President, Treasurer and Secretary**
**International Coal Group, Inc.**
**2000 Ashland Drive**
**Ashland, Kentucky 41101**
**(606) 920-7400**
*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

***With Copies to:***

| | |
|---|---|
| **Randi L. Strudler, Esq.** | **Kirk A. Davenport II, Esq.** |
| **Jones Day** | **Latham & Watkins LLP** |
| **222 East 41st Street** | **885 Third Avenue** |
| **New York, New York 10017** | **New York, New York 10022** |
| **(212) 326-3939** | **(212) 906-1200** |

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, check the following box. o

**CALCULATION OF REGISTRATION FEE**

| **Title of Each Class of Securities to be Registered** | **Amount to be Registered(1)** | **Proposed Maximum Offering Price Per Share(2)** | **Proposed Maximum Aggregate Offering Price(1)** | **Amount of Registration Fee(3)** |
|---|---|---|---|---|
| Common stock, par value $0.01 per share | 23,000,000 | $ 14.13 | $ 324,990,000 | $8,826 |

(1) Includes common stock issuable upon the exercise of the underwriter s over-allotment option.

(2) Estimated solely for determining the registration fee pursuant to Rule 457(c) promulgated under Securities Act of 1933, based on the average of the bid and asked prices of the common stock on September 26, 2005 as reported on the Pink Sheets Electronic Quotation Service.

(3) A registration fee in the amount of $29,425.00 was previously paid by International Coal Group, Inc. on April 28, 2005.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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PRELIMINARY PROSPECTUS Subject to Completion September 27, 2005

**20,000,000 Shares**
**Common Stock**

We are offering 20,000,000 shares of common stock. Prior to this offering, there has been no public market for our shares of common stock.

Shares of our common stock are currently quoted on the Pink Sheets Electronic Quotation Service. The last sale price of our common stock on September 26, 2005, as quoted on the Pink Sheets Electronic Quotation Service, was $15.00 per share. We have applied to list our shares of common stock on The New York Stock Exchange under the symbol ICO.

**Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock under Risk factors beginning on page 14 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | **Per Share** | **Total** |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discounts and commissions | $ | $ |
| Proceeds, before expenses, to us | $ | $ |

The underwriters may also purchase up to an additional 3,000,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 30 days of the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $ , and our total proceeds, before expenses, will be $ .

The underwriters are offering our common stock as set forth under Underwriting. Delivery of the shares of common stock will be made on or about , 2005.

**UBS Investment Bank** **Lehman Brothers**

**Bear, Stearns & Co. Inc.**

**Goldman, Sachs & Co.**

**JPMorgan**

**Morgan Stanley**

The date of this prospectus is , 2005.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where those offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

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Through and including , 2005 (the 25th day after the date of this prospectus), federal securities law may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

*The following summarizes information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk factors and Management s discussion and analysis of financial condition and results of operations.*

*The term Horizon refers to Horizon NR, LLC (the entity holding the operating subsidiaries of Horizon Natural Resources Company) and its consolidated subsidiaries, the term Anker refers to Anker Coal Group, Inc. and its consolidated subsidiaries, and the term CoalQuest refers to CoalQuest Development, LLC. References to the Anker and CoalQuest acquisitions refer to ICG s acquisition, respectively, of each of Anker and CoalQuest, which are expected to occur prior to the effectiveness of the registration statement of which this prospectus forms a part. Immediately prior to this offering, ICG and its subsidiaries will be reorganized so that ICG will be the parent holding company and ICG, Inc., the current parent holding company, will become a subsidiary of ICG. Unless the context otherwise indicates, as used in this prospectus, the terms ICG, we, our, us and similar terms refer to International Coal Group, Inc. and its consolidated subsidiaries, after giving effect to the corporate reorganization and the Anker and CoalQuest acquisitions. For purposes of the discussion in this prospectus, references to ICG include all the assets and coal reserves resulting from the Anker and CoalQuest acquisitions. For purposes of all financial disclosure contained in this prospectus, ICG, Inc. and Horizon (together with its predecessor AEI Resources Holding, Inc. and its consolidated subsidiaries) are the predecessors to ICG.*

*All information in this prospectus relating to the beneficial ownership of our common stock is presented assuming that all existing shares of ICG, Inc. common stock are exchanged at a 1-for-1 exchange ratio in the corporate reorganization and that we issue 30,950,129 shares of common stock in the Anker and CoalQuest acquisitions, which is the maximum number of shares issuable under the Business Combination Agreements. The term coal reserves as used in this prospectus means proven and probable reserves and the term non-reserve coal deposits in this prospectus means a coal bearing body that has been sufficiently sampled and analyzed to assume continuity between sample points.*

**THE COMPANY**

We are a leading producer of coal in Northern and Central Appalachia with a broad range of mid to high Btu, low to medium sulfur steam and metallurgical coal. Our Appalachian mining operations, which include 11 of our mining complexes, are located in West Virginia, Kentucky and Maryland. We also have a complementary mining complex of mid to high sulfur steam coal strategically located in the Illinois Basin. We market our coal to a diverse customer base of largely investment grade electric utilities, as well as domestic and international industrial customers. The high quality of our coal and the availability of multiple transportation options, including rail, truck and barge, throughout the Appalachian region enable us to participate in both the domestic and international coal markets. Due to the decline in Appalachian coal production in recent years, these markets are currently characterized by strong demand with limited supply response and elevated spot and contract prices.

The company was formed by WL Ross & Co. LLC, or WLR, and other investors in May 2004 to acquire and operate competitive coal mining facilities. As of September 30, 2004, ICG, Inc. acquired certain key assets of Horizon through a bankruptcy auction. These assets are high quality reserves strategically located in Appalachia and the Illinois Basin, are union free, have limited reclamation liabilities and are substantially free of other legacy liabilities. Due to our initial capitalization, we were able to complete the acquisition without incurring a significant level of indebtedness. Consistent with the WLR investor group s strategy to consolidate profitable coal assets, the Anker and CoalQuest acquisitions further diversify our reserves. On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. With the proceeds of this offering, we expect to retire substantially all of our debt, including debt assumed through the Anker and CoalQuest acquisitions, and, thus, we will be strategically well-positioned.

As of January 1, 2005 (pro forma for the Anker and CoalQuest acquisitions), we owned or controlled approximately 315 million tons of metallurgical quality coal reserves and approximately 572 million tons of steam coal reserves. Coal reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. Based on expected 2005 production rates, our Northern and Central Appalachian reserves could support existing production levels for approximately 35 years and all of our reserves could support existing production levels for approximately 49 years. Further, we own or control approximately 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions. Non-reserve coal deposits are coal bearing bodies that have been sufficiently sampled and analyzed, but do not qualify as a commercially viable coal reserve as prescribed by SEC rules until a final comprehensive SEC prescribed evaluation is performed.

Steam coal is primarily consumed by large electric utilities and industrial customers as fuel for electricity generation. Demand for low sulfur steam coal has grown significantly since the introduction of certain controls associated with the Clean Air Act and the decline in coal production in the eastern half of the United States.

Metallurgical coal is primarily used to produce coke, a key raw material used in the steel making process. Generally, metallurgical coal sells at a premium to steam coal because of its higher quality and its importance and value in the steel making process. During 2004 and the first quarter of 2005, the demand for metallurgical coal increased substantially as the global demand for steel increased.

For the year ended December 31, 2004 (pro forma for the Anker and CoalQuest acquisitions), we sold 18.4 million tons of coal, of which 18.2 million tons were steam coal and 0.2 million tons were metallurgical coal. Our steam coal sales volume in 2004 consisted of mid to high quality, high Btu (greater than 12,000 Btu/lb.), low to medium sulfur (1.5% or less) coal, which typically sells at a premium to lower quality, lower Btu, higher sulfur steam coal. We generated total pro forma revenues of $673.8 million and $61.9 million of pro forma earnings before interest, taxes, depreciation and amortization for the year ended December 31, 2004 and total pro forma revenues of $395.7 million and $58.6 million of pro forma EBITDA, for the six months ended June 30, 2005. For a reconciliation of pro forma EBITDA to the most comparable financial measure calculated in accordance with generally accepted accounting principles, or GAAP, see footnotes 2 and 5 to Summary Historical Consolidated and Pro Forma Financial Data of ICG.

## OUR STRENGTHS

***Ability to provide variety of high-quality steam and metallurgical coal.*** Our customers, which include largely investment grade electric utilities, as well as domestic and international industrial customers, demand a variety of coal products. Our variety of coal qualities also allows us to blend coal in order to meet the specifications of our customers. Our access to a comprehensive range of high Btu steam and metallurgical quality coal allows us to market differentiated coal products to a variety of customers with different coal quality demands, which allows us to benefit from particularly strong pricing dynamics in the current market.

***Concentration in highly valued Central Appalachian region.*** Our operations are primarily located in Central Appalachia, a region known for its high quality coal characterized by low sulfur and high Btu content. Production from Central Appalachian mines accounted for approximately 73.2% of our 2004 coal sales volume, pro forma for the Anker and CoalQuest acquisitions. We believe that generally favorable market dynamics and trends in Central Appalachian coal supply and demand, the high quality of Central Appalachian coal and the low transportation costs that result from the relative proximity of Central Appalachian producers and customers have created favorable pricing dynamics that will continue to provide us with an advantage over producers from other regions.

***Significant reserves providing internal expansion opportunities.*** We own approximately 613 million tons of reserves and control an additional 274 million tons of reserves through long-term leases, pro forma for the Anker and CoalQuest acquisitions. We own or control an additional 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions. We have not yet developed approximately 73% of these owned and controlled reserves. We believe these owned and controlled but as yet undeveloped reserves and non-reserve coal deposits would allow us to as much as double our existing production levels over the next several years. Prospecting and testing on our owned reserves in West Virginia indicates the presence of coalbed methane reserves, which is expected to provide us with additional growth opportunities in this complementary energy market.

***Ability to capitalize on strong coal market dynamics.*** A significant portion of our coal supply contracts were renegotiated during the second half of 2004 in connection with Horizon s bankruptcy and were re-priced at that time to then-current (and more favorable) market prices and terms. Our marketing effort is focused on maintaining a balance of longer-term contracts and spot sales. We typically have 50% of our production contracted by the early part of the previous year with another 35% contracted by the second half of the year with the remainder of our production used to take advantage of market dynamics and maximize value in the spot market.

***Diversity of reserves, non-reserve coal deposits and production.*** Our production, reserves and non-reserve coal deposits are located in three of the four major coal regions in the United States. Our production, reserves and non-reserve coal deposits in Northern and Central Appalachia and the Illinois Basin provide important geographical diversity in terms of markets, transportation and labor. We believe the diversity of our operations and reserves provides us with a significant advantage over competitors with operations located primarily in a single coal producing region as it allows us to source coal from multiple operations to meet the needs of our customers and reduce transportation costs.

***Minimal level of long-term liabilities.*** We believe that compared to other publicly traded U.S. coal producers we have among the lowest legacy reclamation liabilities and post-retirement employee obligations. As of June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had total accrued reclamation liabilities of only $68.5 million, post-retirement employee obligations of only $8.7 million, black lung liabilities of approximately $11.1 million and Coal Act liabilities of only $4.5 million. In addition, our entire workforce is union free, which minimizes employee-related liabilities commonly associated with union-represented mines. As of June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $215.5 million and after this offering we expect to retire all of this debt, excluding $6.4 million of capitalized leases and other debt obligations. We believe this low leverage will afford significant financial and operational flexibility.

***Highly skilled management team.*** The members of our senior management team have, on average, 23 years of industry work experience across a variety of mining methods, including longwall mining. We have substantial Appalachian mining experience in increasing productivity, reducing costs, enhancing work safety practices, and maintaining strong customer relationships. In addition, the majority of our senior management team has extensive mine development and expansion experience.

***Recognized leadership in safety and environmental stewardship.*** The injury incident rates at our mines throughout 2004, according to the Mine Safety and Health Administration, or MSHA, were below industry averages. We have been recognized by safety and environmental agencies with several prestigious awards for our safety and environmental record, such as the Sentinels of Safety Award from MSHA, The Department of Interior Excellence in Surface Coal Mining and Reclamation Award and a reclamation award for innovative methods from the West Virginia Coal Association. Our focus on safety and environmental performance results in the reduced likelihood of disruption of production at our mines, which leads to higher productivity and improved financial performance.

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## OUR BUSINESS STRATEGY

***Maximize profitability through highly efficient and productive mining operations.*** We are continuing to evaluate and assess our current operations in order to maximize operating efficiency and returns on invested capital. We are focused on maintaining low-cost, highly productive operations by continuing to invest substantial capital in state-of-the-art equipment and advanced technologies. We expect to internally fund approximately $304 million of capital expenditures in the next two years. As we take advantage of planned expansion opportunities from 2007 through 2009 principally as a result of the Anker and CoalQuest acquisitions, we expect to spend approximately $627 million on capital expenditures, which may require external financing.

***Leverage owned and controlled reserves to generate substantial internal growth.*** We own a large undeveloped reserve in Northern Appalachia containing approximately 194 million tons of high Btu, low to medium sulfur steam and metallurgical quality coal, pro forma for the Anker and CoalQuest acquisitions. We currently expect underground longwall mining operations at this reserve to commence within the next four years, which will increase our production level by providing highly valued premium quality coal in an increasingly tight supply market. In addition, we have two substantial undeveloped reserves in Central Appalachia (pro forma for the Anker and CoalQuest acquisitions), which contain 56.5 million tons of premium metallurgical coal and are expected to be developed in the next three to six years. Further, the substantial reserve position that we own in the Illinois Basin is expected to allow us to benefit from the expected increase in demand for high sulfur coal to generate electricity. In addition, CoalQuest has entered into an arrangement that will allow development of 9,600 acres of coalbed methane reserves within the Hillman property. Finally, we intend to opportunistically acquire new coal reserves and/or coal companies to expand our coal market opportunities and increase shareholder value.

***Capitalize on favorable industry fundamentals by opportunistically marketing coal.*** U.S. coal market fundamentals are among the strongest in the last 20 years. We believe this generally favorable pricing environment will persist given systemic changes in market dynamics such as long-term supply constraints and increasing demand, particularly in Central Appalachia and for our metallurgical coal. Furthermore, because of the high quality of our coal, our access to a variety of alternative transportation methods, including truck, rail and barge, and our mix of long-term contract and spot market sales, we will be able to capitalize on the favorable industry dynamics to maximize our revenues and profits. We plan to extend the life of our longer-term contract arrangements and limit price reopeners in order to lock in margins and enhance our financial stability, while at the same time, we plan to maintain an uncommitted portion of planned production to allow for additional future pricing upside exposure. As of August 31, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had entered into contracts to sell approximately 99% of 2005 planned production, approximately 73% of 2006 planned production and approximately 50% of 2007 planned production.

***Continue to focus on improving workplace safety and environmental compliance.*** We have maintained and plan to continue to maintain an excellent safety and environmental performance record. We continue to implement safety measures and environmental initiatives that are designed to promote safe operating practices and improved environmental stewardship among our employees. Our ability to maintain a good safety and environmental record improves our productivity and lowers our overall cost structure as well as bolsters employee morale.

## OUR HISTORY

On February 28, 2002, Horizon (at that time operating as AEI Resources Holdings, Inc.) filed a voluntary petition for Chapter 11; its plan of reorganization became effective on May 8, 2002. As a result of its continuing financial and operational difficulties, Horizon filed a second voluntary petition for relief under Chapter 11 on November 13, 2002. Certain of the Horizon assets were sold to us through a bankruptcy auction and the sale was completed as of September 30, 2004. The acquisition was financed through equity investments and borrowings under our senior secured credit facility, which we entered into at the closing of the Horizon acquisition. See Description of indebtedness for a discussion of our senior credit facility.

Prior to the closing of this offering, we plan to consummate the Anker and CoalQuest acquisitions pursuant to which each of Anker and CoalQuest are to become indirect wholly owned subsidiaries of ICG. Holders of the outstanding stock of Anker and the membership interests in CoalQuest will be issued in the aggregate up to a maximum of 30,950,129 shares of ICG common stock. The actual number of shares of common stock to be issued will be based upon the price of the shares of common stock sold in this offering and certain other contingencies. The acquisitions are subject to certain closing conditions. See Business Our history The Anker and CoalQuest acquisitions for additional information regarding the acquisitions.

On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. Prior to this reorganization, our current top-tier parent holding company is ICG, Inc. (formerly known as International Coal Group, Inc.). On completion, ICG (formerly known as ICG Holdco, Inc.) will become the new top-tier parent holding company. The stockholders of ICG, Inc. are expected to receive one share of our common stock for each share of ICG, Inc. common stock. The names of the entities were changed in anticipation of the corporate reorganization and this offering. ICG is issuing its shares of common stock to the public in this offering. All stockholders of ICG, Inc., all Anker stockholders and all CoalQuest members will be stockholders of ICG after the corporate reorganization and the Anker and CoalQuest acquisitions. The following chart reflects our corporate organizational structure following the consummation of the Anker and CoalQuest acquisitions, the corporate reorganization and this offering:

**COAL MARKET OUTLOOK**

According to traded coal indices and reference prices, U.S. and international coal demand is currently strong, and coal pricing has increased year-over-year in each of our coal production markets. We believe that the current strong fundamentals in the U.S. coal industry result primarily from:

4 stronger industrial demand following a recovery in the U.S. manufacturing sector, evidenced by the final estimate of 3.4% real gross domestic product growth in the second quarter of 2005, as reported by the Bureau of Economic Analysis;

4 relatively low customer stockpiles, estimated by the U.S. Energy Information Administration, or EIA, to be approximately 116 million tons at the end of June 2005, down 4% from the same period in the prior year;

4 declining coal production in Central Appalachia, including a decline of 11% in Central Appalachian coal production volume from 2000 to 2004, primarily a result of the depletion of economically attractive reserves, permitting issues that delay mine development and increasing costs of production;

4 capacity constraints of U.S. nuclear-powered electricity generators, which operated at an average utilization rate of 90.1% in 2004, up from 70.5% in 1993, as estimated by the EIA;

4 high current and forward prices for natural gas and oil, the primary alternative fuels for electricity generation, with spot prices as of September 22, 2005 for natural gas and heating oil at $14.50 per million Btu and $2.05 per gallon, respectively, as reported by Bloomberg L.P.; and

4 increased international demand for U.S. coal for steelmaking, driven by global economic growth, high ocean freight rates and the weak U.S. dollar.

U.S. spot steam coal prices have steadily increased since mid-2003, particularly for coals sourced in the eastern United States. As reported by Bloomberg L.P., the average price of high Btu, low sulfur Central Appalachia coal was $58.50/ton, during the week of September 23 2005. This price level represents a dramatic 58.1% increase in the price of coal since January 2004.

**CENTRAL APPALACHIA COAL REFERENCE PRICE[1]**

*Source: Bloomberg L.P.*

*Note: (1) Represents coal which meets the specifications (minimum 12,000 Btu/lb, maximum 1.00% sulfur) for Central Appalachian steam coal traded on the New York Mercantile Exchange.*

We expect near-term volume growth in U.S. coal consumption to be driven by greater utilization at existing coal-fired electricity generating plants. Nationally, capacity utilization for coal plants (excluding combined heat and power) is expected to rise from 72% in 2003 to 83% in 2025, according to the EIA. If existing U.S. coal-fired plants operate at estimated potential utilization rates of 85%, we believe they would consume approximately 180 million additional tons of coal per year, which represents an increase of approximately 18% over current coal consumption.

We expect longer-term volume growth in U.S. coal consumption to be driven by the construction of new coal-fired plants. The National Energy Technology Laboratory, or NETL, an arm of the U.S. Department of Energy, or DOE, projects that 112,000 megawatts of new coal-fired electric generation capacity will be constructed in the United States by 2025. The NETL has identified 106 coal-fired plants, representing 65,000 megawatts of electric generation capacity, that have been proposed and are currently in various stages of development.

The current pricing environment for U.S. metallurgical coal is also strong in both the domestic and seaborne export markets. Demand for metallurgical coal in the United States has recently increased due to a recovery in the U.S. steel industry. In addition to increased demand for metallurgical coal in the United States, demand for metallurgical coal has increased in international markets. According to the International Iron and Steel Institute, Chinese steel consumption increased 13% in 2004 as compared to 2003, and Asia-Pacific Rim consumption of metallurgical coal continues to strain supply. For example, BHP Billiton, a major Australian coal producer, reported average 2005 price settlement increases of 120% for approximately three quarters of its annually priced metallurgical coal contracts from the prior year. Fording Canadian Coal Trust, a major Canadian metallurgical coal producer, announced substantially all metallurgical coal contracts for the 2005 coal year are priced at an average of $125 per ton, an increase of 140% over the average sales price during 2004. The dramatic rise in metallurgical coal prices in global markets is due in part to concerns over the availability of sufficient supply and the significant increase in steel production in China. In addition, weakness of the U.S. dollar has made U.S. metallurgical coal more competitive in international markets.

**RISKS RELATED TO OUR BUSINESS AND STRATEGY**

Our ability to execute our strategy is subject to the risks that are generally associated with the coal industry. For example, our profitability could decline due to changes in coal prices or coal consumption patterns, as well as unanticipated mine operating conditions, loss of customers, changes in our ability to access our coal reserves and other factors that are not within our control. Furthermore, the heavily regulated nature of the coal industry imposes significant actual and potential costs on us, and future regulations could increase those costs or limit our ability to produce coal.

We are also subject to a number of risks related to our competitive position and business strategies. For example, our business strategy exposes us to the risks involving our long-term coal supply contracts, the demand for coal, electricity and steel, our projected plans and objectives for future operations and expansion or consolidation, the integration of Anker and CoalQuest into our business, and future economic or capital market conditions. In addition, our focus on the Central Appalachian region exposes us to the risks of operating in this region, including higher costs of production as compared to other coal-producing regions and more costly and restrictive permitting, licensing and other environmental and regulatory requirements.

For additional risks relating to our business, the coal industry and this offering, see Risk factors beginning on page 14 of this prospectus.

**RECENT DEVELOPMENTS**

As a result of infrastructure weaknesses and short term geologic issues, the transition period for implementation of various operational improvements at Anker has been longer than originally anticipated. This extended transition is expected to result in decreased coal production and increased production costs for the remainder of 2005 but is not expected to impact cost or productivity materially in 2006. Profitability is further expected to be adversely impacted during the remainder of fiscal 2005 by cost increases for various commodities and services influenced by the recent price acceleration of crude oil and natural gas a trend that was greatly exacerbated by Hurricane Katrina. Costs of diesel fuel, explosives (ANFO), and coal trucking have all escalated as a direct result of supply chain problems related to Hurricane Katrina s devastation in Mississippi and Louisiana. These problems are expected to ease somewhat over the coming weeks but will likely remain a significant issue in both the third and fourth quarters of 2005, however, they are not expected to impact cost or productivity materially in 2006.

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**OUR SPONSOR**

WLR Ross & Co. LLC, together with other investors, formed ICG, Inc. in May 2004 to acquire key assets of Horizon through a bankruptcy auction. Following the acquisitions, the corporate reorganization and this offering WLR will own approximately 15.2% of our common stock. Additionally, Wilbur L. Ross, the principal of WLR, is our Chairman of the Board. We also pay WLR a management fee. See Certain relationships and related party transactions.

WL Ross & Co. LLC was organized on April 1, 2000 by Wilbur L. Ross, Jr. and other members of the Restructuring Group of Rothschild Inc. This team had restructured more than $200 billion of liabilities in North America and other parts of the world. The firm maintains offices in New York City and has become the sponsor of more than $4.0 billion of alternative investment partnerships on behalf of major U.S., European and Japanese institutional investors. Selected current and recent portfolio companies include International Steel Group, the largest integrated steel producer in North America, and International Textile Group, a combination of Burlington Industries and Cone Mills.

Our principal executive office is located at 2000 Ashland Drive, Ashland, Kentucky 41101 and our telephone number is (606) 920-7400.

You should carefully consider the information contained in the Risk factors section of this prospectus before you decide to purchase shares of our common stock.

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The offering

| | |
|---|---|
| Common stock we are offering | 20,000,000 shares |
| Common stock to be outstanding after this offering | 158,156,128 shares |
| Use of proceeds after expenses | We estimate that the net proceeds from this offering, after expenses, will be approximately $277.5 million, or approximately $319.8 million if the underwriters exercise their over-allotment option in full, assuming a public offering price of $15.00 per share. As of June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $215.5 million. We expect to retire all of this debt, excluding $6.4 million of capitalized leases and other debt obligations, with the net proceeds of this offering and to use the remaining net proceeds for general corporate purposes. See Use of proceeds. |
| Over-allotment option | We have granted the underwriters an option to purchase up to 3,000,000 additional shares of our common stock to cover over-allotments. |
| Proposed New York Stock Exchange symbol | ICO |

The number of shares of our common stock outstanding immediately after this offering is based on approximately 107,205,999 shares outstanding as of June 30, 2005 plus the 30,950,129 shares expected to be issued in the Anker and CoalQuest acquisitions.

The number of shares of our common stock to be outstanding immediately after this offering excludes:

4 the shares of our common stock issuable upon exercise of options we have granted under our employee stock option plan; and

4 the shares of our common stock expected to be available for future grant under the equity incentive plan we have adopted.

Unless we specifically state otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares. See Underwriting.

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Summary historical consolidated and pro forma financial data of ICG

ICG is a recently formed holding company which does not have any independent external operations, assets or liabilities, other than through its operating subsidiaries. Prior to the acquisition of certain assets of Horizon as of September 30, 2004, our predecessor, ICG, Inc., did not have any material assets, liabilities or results of operations.

The summary historical consolidated financial data as of and for the period from May 13, 2004 to December 31, 2004 have been derived from the audited consolidated financial statements of ICG, Inc. and the summary historical consolidated financial data as of and for the six months ended June 30, 2005 have been derived from ICG, Inc. s unaudited consolidated financial statements. The following summary historical consolidated financial data as of and for the period January 1, 2004 to September 30, 2004, the year ended December 31, 2003 and the period May 10, 2002 to December 31, 2002 has been derived from the audited consolidated financial statements of Horizon (the predecessor to ICG for accounting purposes) and the summary historical consolidated financial statements for the six months ended June 30, 2004 have been derived from Horizon s unaudited consolidated financial statements. The summary historical consolidated financial data for the period January 1, 2002 to May 9, 2002 has been derived from the audited consolidated financial statements of AEI Resources (the predecessor to Horizon for accounting purposes).

The financial statements for the predecessor periods have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG that were previously included in the consolidated financial statements of Horizon. The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. The predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG if it had operated during the predecessor periods presented. In the opinion of management, such financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The following summary unaudited pro forma consolidated financial data of ICG, Inc. and its subsidiaries as of and for the year ended December 31, 2004 and the six months ended June 30, 2005 have been prepared to give pro forma effect to our corporate reorganization and our acquisitions of Horizon, Anker and CoalQuest, as if each had occurred on January 1, 2004, in the case of unaudited pro forma statement of operations data, and on June 30, 2005, in the case of unaudited pro forma balance sheet data. The successor balance sheet data and pro forma adjustments used in preparing the pro forma financial data reflect our preliminary estimates of the purchase price allocation to certain assets and liabilities. The pro forma financial data are for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions actually been consummated on the dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. You should read the following data in conjunction with Unaudited consolidated pro forma financial information, Management s discussion and analysis of financial condition and results of operations and the audited consolidated financial statements and related notes of each of ICG, Inc., Horizon (and its predecessors), Anker and CoalQuest, each included elsewhere in this prospectus.

| | AEI RESOURCES Predecessor to Horizon | HORIZON Predecessor to ICG, Inc. | | | ICG, Inc. | HORIZON Predecessor to ICG, Inc. | ICG, Inc. | ICG, Inc. | |
|---|---|---|---|---|---|---|---|---|---|
| | Period from January 1, 2002 to May 9, 2002[6] | Period from May 10, 2002 to December 31, 2002[6] | Year ended December 31, 2003[6] | Period January 1, 2004 to September 30, 2004[6] | Period May 13, 2004 to December 31, 2004 | Six months ended June 30, 2004 | Six months ended June 30, 2005 | Pro forma year ended December 31, 2004[4] | Pro forma six months ended June 30, 2005[4] |
| | (in thousands) | | | | | | | | |
| **Statement of operations data:** | | | | | | | | | |
| Revenues: | | | | | | | | | |
| Coal sales revenues | $ 136,040 | $ 264,235 | $ 441,291 | $ 346,981 | $ 130,463 | $ 233,307 | $ 289,763 | $ 624,120 | $ 368,272 |
| Freight and handling revenues | 2,947 | 6,032 | 8,008 | 3,700 | 880 | 3,005 | 4,384 | 15,996 | 10,502 |
| Other revenues | 21,183 | 27,397 | 31,771 | 22,702 | 4,766 | 15,491 | 13,117 | 33,696 | 16,911 |
| Total revenues | 160,170 | 297,664 | 481,070 | 373,383 | 136,109 | 251,803 | 307,264 | 673,812 | 395,685 |
| Cost and expenses: | | | | | | | | | |
| Freight and handling costs | 2,947 | 6,032 | 8,008 | 3,700 | 880 | 3,005 | 4,384 | 15,996 | 10,502 |
| Cost of coal sales and other revenues (exclusive of depreciation, | 114,767 | 251,361 | 400,652 | 306,429 | 113,707 | 201,628 | 234,261 | 564,723 | 314,085 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| depletion and amortization shown separately below) | | | | | | | | | |
| Depreciation, depletion and amortization | 32,316 | 40,033 | 52,254 | 27,547 | 7,943 | 19,003 | 18,307 | 46,054 | 24,733 |
| Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above) | 9,677 | 16,695 | 23,350 | 8,477 | 4,194 | 4,819 | 13,941 | 17,257 | 17,271 |
| (Gain)/loss on sale of assets | (93) | (39) | (4,320) | (226) | (10) | (240) | 43 | (236) | 43 |
| Writedowns and other items | 8,323 | 729,953 | 9,100 | 10,018 | | 10,518 | | 10,018 | |
| Total costs and expenses | 167,937 | 1,044,035 | 489,044 | 355,945 | 126,714 | 238,733 | 270,936 | 653,812 | 366,634 |
| Income (loss) from operations | (7,767) | (746,371) | (7,974) | 17,438 | 9,395 | 13,070 | 36,328 | 20,000 | 29,051 |
| Other income (expense): | | | | | | | | | |
| Interest expense | (36,666) | (80,405) | (145,892) | (114,211) | (3,453) | (75,723) | (6,784) | (5,889) | (2,549) |
| Reorganization items | 787,900 | (4,075) | (23,064) | (12,471) | | (8,374) | | (12,471) | |
| Other, net | 499 | 1,256 | 187 | 1,581 | 898 | 571 | 1,625 | 8,329 | 4,826 |
| Total interest and other income (expense) | 751,733 | (83,224) | (168,769) | (125,101) | (2,555) | (83,526) | (5,159) | (10,031) | 2,277 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Income (loss) before income taxes | 743,966 | (829,595) | (176,743) | (107,663) | 6,840 | (70,456) | 31,169 | 9,969 | 31,328 |
| Income tax expense | | | | | (2,591) | | (11,220) | (3,777) | (11,278) |
| Net income (loss) | $ 743,966 | $ (829,595) | $ (176,743) | $ (107,663) | $ 4,249 | $ (70,456) | $ 19,949 | $ 6,192 | $ 20,050 |

| | AEI RESOURCES Predecessor to Horizon | HORIZON Predecessor to ICG, Inc. | | | ICG, Inc. | HORIZON Predecessor to ICG, Inc. | ICG, Inc. | ICG, Inc. | |
|---|---|---|---|---|---|---|---|---|---|
| | Period from January 1, 2002 to May 9, 2002(6) | Period from May 10, 2002 to December 31, 2002(6) | Year ended December 31, 2003(6) | Period January 1, 2004 to September 30, 2004(6) | Period May 13, 2004 to December 31, 2004 | Six months ended June 30, 2004 | Six months ended June 30, 2005 | Pro forma year ended December 31, 2004(4) | Pro f six m e Ju 2 |
| | (in thousands, except per share and per ton data) | | | | | | | | |
| **ngs per 1):** | | | | | | | | | |
| | | | | | 0.04 | | 0.19 | 0.04 | |
| ed | | | | | 0.04 | | 0.19 | 0.04 | |
| **ge on nding** | | | | | | | | | |
| | | | | | 106,605,999 | | 107,205,999 | 158,156,128 | 158,15 |
| ed | | | | | 106,605,999 | | 107,255,820 | 158,205,949 | 158,20 |
| **ce data riod** | | | | | | | | | |
| nd lents | $ 87,278 | $ 114 | $ 859 | $ | $ 23,967 | $ 1,231 | $ 12,692 | $ | $ 8 |
| | 1,521,318 | 623,800 | 576,372 | 539,606 | 459,975 | 548,955 | 489,759 | | 95 |
| erm nd | 933,106 | 1,157 | 315 | 29 | 173,446 | 52 | 172,376 | | |
| ies | 1,286,318 | 1,222,219 | 1,351,393 | 1,422,290 | 305,575 | 1,394,430 | 312,756 | | 20 |
| | $ 235,000 | $ (598,419) | $ (775,021) | $ (882,684) | $ 154,400 | $ (845,475) | $ 177,003 | $ | $ 74 |
| olders | | | | | | | | | |
| bers | | | | | | | | | |

)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ies olders pers ) | $ 1,521,318 | $ 623,800 | $ 576,372 | $ 539,606 | $ 459,975 | $ 548,955 | $ 489,759 | $ | $ 95 |
| **ial** | | | | | | | | | |
| DA(2) | $ 812,948 | $ (709,157) | $ 21,403 | $ 34,095 | $ 18,236 | $ 24,270 | $ 56,260 | $ 61,912(5) | $ 5 |
| sh ed ed ting ties | $ (353,592) | $ 76,378 | $ 20,030 | $ 28,085 | $ 30,211 | $ 35,805 | $ 38,028 | N/A | |
| ting ties | $ 44,555 | $ (12,805) | $ (3,826) | $ 3,437 | $ (329,168) | $ 6,831 | $ (45,258) | N/A | |
| cing ties | $ 259,011 | $ (78,025) | $ (15,459) | $ (32,381) | $ 322,924 | $ (42,260) | $ (4,045) | N/A | |
| l ditures | $ 10,963 | $ 13,435 | $ 16,937 | $ 6,624 | $ 5,583 | $ 3,471 | $ 43,224 | N/A | |
| **ting** | | | | | | | | | |
| old | 5,416 | 11,124 | 16,655 | 10,421 | 3,582 | 7,102 | 7,028 | 18,400 | |
| ed | 4,231 | 7,139 | 12,041 | 8,812 | 2,959 | 5,975 | 6,078 | 14,591 | |
| ge les tion n) | $ 25.12 | $ 23.75 | $ 26.50 | $ 33.30 | $ 36.42 | $ 32.85 | $ 41.23 | $ 33.92 | $ |

(1) *Earnings per share data and average shares outstanding are not presented for the period from January 1, 2002 to May 9, 2002, period from May 10, 2002 to December 31, 2002, year ended December 31, 2003, the period from January 1, 2004 to September 30, 2004 and the six months ended June 30, 2004 because they were prepared on a carve-out basis.*

(2) *EBITDA represents net income before deducting interest expense, income taxes and depreciation, depletion and amortization. We present EBITDA and pro forma EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, substantially all of which present EBITDA when reporting their results.*

*We also use EBITDA for the following purposes: Our executive compensation plan bases incentive compensation payments on our EBITDA performance measured against budgets and a peer group. Our credit agreement uses EBITDA (with additional adjustments) to measure our compliance with covenants, such as interest coverage and debt incurrence. EBITDA is also widely used by us and others in our industry to evaluate and price potential* *acquisition candidates.*

*EBITDA and pro forma EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:*

4 *EBITDA and pro forma EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;*

4 *EBITDA and pro forma EBITDA do not reflect changes in, or cash requirements for, our working capital needs;*

4 *EBITDA and pro forma EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;*

4 *Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and pro forma EBITDA do not reflect any cash requirements for such replacements; and*

4 *Other companies in our industry may calculate EBITDA and pro forma EBITDA differently than we do, limiting their usefulness as comparative measures.*

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*EBITDA and pro forma EBITDA are a measure of our performance that are not required by, or presented in accordance with, GAAP and we also believe each is a useful indicator of our ability to meet debt service and capital expenditure requirements. EBITDA and pro forma EBITDA are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.*

*The following table reconciles net income, which we believe to be the closest GAAP performance measure, to EBITDA.*

| | **AEI Resources (Predecessor to Horizon)** | **Horizon (Predecessor to ICG, Inc.)** | | | **ICG, Inc.** | **Horizon Predecessor to ICG, Inc.** | **ICG, Inc.** |
|---|---|---|---|---|---|---|---|
| | **Period from January 1, 2002 to May 9, 2002** | **Period from May 10, 2002 to December 31, 2002** | **Year ended December 31, 2003** | **Period from January 1, 2004 to September 30, 2004** | **Period from May 13, 2004 to December 31, 2004** | **Six months ended June 30, 2004** | **Six months ended June 30, 2005** |
| | | | | **(in thousands)** | | | |
| Net income (loss) | $ 743,966 | $ (829,595) | $ (176,743) | $ (107,663) | $ 4,249 | $ (70,456) | $ 19,949 |
| Interest expense | 36,666 | 80,405 | 145,892 | 114,211 | 3,453 | 75,723 | 6,784 |
| Income tax expense | | | | | 2,591 | | 11,220 |
| Depreciation, depletion and amortization expense | 32,316 | 40,033 | 52,254 | 27,547 | 7,943 | 19,003 | 18,307 |
| EBITDA | $ 812,948 | $ (709,157) | $ 21,403 | $ 34,095 | $ 18,236 | $ 24,270 | $ 56,260 |

*Net income (loss) and EBITDA were further affected by reorganization items of $(787.9) million for the period from January 1, 2002 to May 9, 2002, $4.1 million for the period May 10, 2002 to December 31, 2002, $23.1 million for the year ended December 31, 2003 and $12.5 million for the period from January 1, 2004 to*

*September 30, 2004. Net income (loss) and EBITDA were further affected by writedowns and other items of $8.3 million for the period from January 1, 2002 to May 9, 2002, $730.0 million for the period May 10, 2002 to December 31, 2002, $9.1 million for the year ended December 31, 2003, and $10.0 million for the period from January 1, 2004 to September 30, 2004. See Notes 14 and 15 to Horizon s audited combined financial statements included elsewhere in this prospectus.*

(3) *Amounts were not derived from the audited financial statements herein.*

(4) *The summary unaudited pro forma data of ICG, Inc. and its subsidiaries as of and for the year ended December 31, 2004 and the six months ended June 30, 2005 have been prepared to give pro forma effect to our corporate reorganization, the acquisition of Horizon, Anker and CoalQuest, as if each had occurred on January 1, 2004, in the case of unaudited statements of operations data, and on June 30, 2005, in the case of unaudited pro forma balance sheet data.*

(5) *The following table reconciles pro forma net income, which we believe to be the closest GAAP performance measure, to pro forma EBITDA.*

| | **Pro forma year ended December 31, 2004(5)** | **Pro forma six months ended June 30, 2005(5)** |
|---|---|---|
| | **(in thousands)** | |
| Pro forma net income | $ 6,192 | $20,050 |
| Interest expense | 5,889 | 2,549 |
| Income tax expense | 3,777 | 11,278 |
| Depreciation, depletion and amortization expense | 46,054 | 24,733 |
| Pro forma EBITDA | $61,912 | $58,610 |

*Pro forma net income and pro forma EBITDA were further affected by reorganization items of $12.5 million and writedowns and other items of $10.0 million for the year ended December 31, 2004.*

(6) *As restated. See Note 19 to the combined financial statements of Horizon NR, LLC.*

Risk factors

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this prospectus, before investing in our common stock. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially adversely affected, the trading price of your shares of our common stock could decline and you may lose all or part of your investment.*

**RISKS RELATING TO OUR BUSINESS**

**Because of our limited operating history, historical information regarding our company prior to October 1, 2004 is of little relevance in understanding our business as currently conducted.**

We are subject to the risks, uncertainties, expenses and problems encountered by companies in the early stages of operations. ICG was incorporated in March 2005 as a holding company and our predecessor, ICG, Inc., was incorporated in May 2004 for the sole purpose of acquiring certain assets of Horizon. Until we completed that acquisition we had substantially no operations. As a result, we believe the historical financial information presented in this prospectus, other than for the period ended December 31, 2004 and the six months ended June 30, 2005, which do not include the historical financial information for Anker and CoalQuest, are of limited relevance in understanding our business as currently conducted. The financial statements for the predecessor periods have been prepared from the books and records of Horizon as if ICG had existed as a separate legal entity under common management for all periods presented (that is, on a carve-out basis). The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. In light of these allocations and estimates, the predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG if it had operated during the predecessor period presented. See Unaudited consolidated pro forma financial data, Selected historical consolidated financial data of ICG and Management s discussion and analysis of financial condition and results of operations.

**A decline in coal prices could reduce our revenues and the value of our coal reserves.**

Our results of operations are dependent upon the prices we charge for our coal as well as our ability to improve productivity and control costs. Any decreased demand would cause spot prices to decline and require us to increase productivity and decrease costs in order to maintain our margins. Declines in the prices we receive for our coal could adversely affect our operating results and our ability to generate the cash flows we require to improve our productivity and invest in our operations. The prices we receive for coal depend upon factors beyond our control, including:

4 the supply of and demand for domestic and foreign coal;

4 the demand for electricity;

4 domestic and foreign demand for steel and the continued financial viability of the domestic and/or foreign steel industry;

4 the proximity to, capacity of and cost of transportation facilities;

4 domestic and foreign governmental regulations and taxes;

4 air emission standards for coal-fired power plants;

**Risk factors**

4 regulatory, administrative and judicial decisions;

4 the price and availability of alternative fuels, including the effects of technological developments; and

4 the effect of worldwide energy conservation measures.

**Our coal mining operations are subject to operating risks that could result in decreased coal production thereby reducing our revenues.**

Our revenues depend on our level of coal mining production. The level of our production is subject to operating conditions and events beyond our control that could disrupt operations and affect production at particular mines for varying lengths of time. These conditions and events include:

4 the unavailability of qualified labor;

4 our inability to acquire, maintain or renew necessary permits or mining or surface rights in a timely manner, if at all;

4 unfavorable geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;

4 failure of reserve estimates to prove correct;

4 changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke our permits or changes in the manner of enforcement of existing regulations;

4 mining and processing equipment failures and unexpected maintenance problems;

4 adverse weather and natural disasters, such as heavy rains and flooding;

4 increased water entering mining areas and increased or accidental mine water discharges;

4 increased or unexpected reclamation costs;

4 interruptions due to transportation delays;

4 the unavailability of required equipment of the type and size needed to meet production expectations; and

4 unexpected mine safety accidents, including fires and explosions from methane.

These conditions and events may increase our cost of mining and delay or halt production at particular mines either permanently or for varying lengths of time.

**Reduced coal consumption by North American electric power generators could result in lower prices for our coal, which could reduce our revenues and adversely impact our earnings and the value of our coal reserves.**

Steam coal accounted for nearly all of our coal sales volume in 2004, pro forma for the Anker and CoalQuest acquisitions. The majority of our sales of steam coal in 2004 were to electric power generators. Domestic electric power generation accounted for approximately 92% of all U.S. coal consumption in 2003, according to the EIA. The amount of coal consumed for U.S. electric power generation is affected primarily by the overall demand for electricity, the location, availability, quality and price of competing fuels for power such as natural gas, nuclear, fuel oil and alternative energy sources such as hydroelectric power, technological developments, and environmental and other governmental regulations.

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## Risk factors

Although we expect that many new power plants will be built to produce electricity during peak periods of demand, we also expect that many of these new power plants will be fired by natural gas because gas-fired plants are cheaper to construct than coal-fired plants and because natural gas is a cleaner burning fuel. Gas-fired generation from existing and newly constructed gas-fired facilities has the potential to displace coal-fired generation, particularly from older, less efficient coal-powered generators. In addition, the increasingly stringent requirements of the Clean Air Act may result in more electric power generators shifting from coal to natural gas-fired plants. Any reduction in the amount of coal consumed by North American electric power generators could reduce the price of steam coal that we mine and sell, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

Weather patterns also can greatly affect electricity generation. Extreme temperatures, both hot and cold, cause increased power usage and, therefore, increased generating requirements from all sources. Mild temperatures, on the other hand, result in lower electrical demand, which allows generators to choose the lowest-cost sources of power generation when deciding which generation sources to dispatch. Accordingly, significant changes in weather patterns could reduce the demand for our coal.

Overall economic activity and the associated demands for power by industrial users can have significant effects on overall electricity demand. Robust economic activity can cause much heavier demands for power, particularly if such activity results in increased utilization of industrial assets during evening and nighttime periods. The economic slowdown experienced during the last several years significantly slowed the growth of electrical demand and, in some locations, resulted in contraction of demand. Any downward pressure on coal prices, whether due to increased use of alternative energy sources, changes in weather patterns, decreases in overall demand or otherwise, would likely cause our profitability to decline.

**Our profitability may be adversely affected by the status of our long-term coal supply agreements and changes in purchasing patterns in the coal industry, which could adversely affect the capability and profitability of our operations.**

We sell a significant portion of our coal under long-term coal supply agreements, which we define as contracts with a term greater than 12 months. For the six months ended June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), approximately 74% of our revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, we had 29 long-term sales agreements with a volume-weighted average term of approximately 4.7 years. The prices for coal shipped under these agreements are fixed for the initial year of the contract, subject to certain adjustments in later years, and thus may be below the current market price for similar type coal at any given time, depending on the timeframe of contract execution or initiation. As a consequence of the substantial volume of our sales that are subject to these long-term agreements, we have less coal available with which to capitalize on higher coal prices, if and when they arise. In addition, in some cases, our ability to realize the higher prices that may be available in the spot market may be restricted when customers elect to purchase higher volumes allowable under some contracts.

When our current contracts with customers expire or are otherwise renegotiated, our customers may decide not to extend or enter into new long-term contracts or, in the absence of long-term contracts, our customers may decide to purchase fewer tons of coal than in the past or on different terms, including under different pricing terms. For additional information relating to these contracts, see Business Customers and coal contracts Long-term coal supply agreements.

Furthermore, as electric utilities seek to adjust to requirements of the Clean Air Act, particularly the Acid Rain regulations, the Clean Air Mercury Rule and the Clean Air Interstate Rule, although these two rules are subject to judicial challenge and the Clean Air Mercury Rule has been subject to legislative challenge in Congress, and the possible deregulation of their industry, they could become increasingly less willing to enter into long-term coal supply agreements and instead may purchase

## Risk factors

higher percentages of coal under short-term supply agreements. To the extent the electric utility industry shifts away from long-term supply agreements, it could adversely affect us and the level of our revenues. For example, fewer electric utilities will have a contractual obligation to purchase coal from us, thereby increasing the risk that we will not have a market for our production. Furthermore, spot market prices tend to be more volatile than contractual prices, which could result in decreased revenues.

**Certain provisions in our long-term supply agreements may provide limited protection during adverse economic conditions or may result in economic penalties upon the failure to meet specifications.**

Price adjustment, price reopener and other similar provisions in long-term supply agreements may reduce the protection from short-term coal price volatility traditionally provided by such contracts. Most of our coal supply agreements contain provisions that allow for the purchase price to be renegotiated at periodic intervals. These price reopener provisions may automatically set a new price based on the prevailing market price or, in some instances, require the parties to agree on a new price, sometimes between a specified range of prices. In some circumstances, failure of the parties to agree on a price under a price reopener provision can lead to termination of the contract. Any adjustment or renegotiations leading to a significantly lower contract price would result in decreased revenues. Accordingly, supply contracts with terms of one year or more may provide only limited protection during adverse market conditions.

Coal supply agreements also typically contain force majeure provisions allowing temporary suspension of performance by us or our customers during the duration of specified events beyond the control of the affected party. Most of our coal supply agreements contain provisions requiring us to deliver coal meeting quality thresholds for certain characteristics such as Btu, sulfur content, ash content, hardness and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or, in the extreme, termination of the contracts.

Consequently, due to the risks mentioned above with respect to long-term supply agreements, we may not achieve the revenue or profit we expect to achieve from these sales commitments. In addition, we may not be able to successfully convert these sales commitments into long-term supply agreements.

**A decline in demand for metallurgical coal would limit our ability to sell our high quality steam coal as higher-priced metallurgical coal.**

Portions of our coal reserves possess quality characteristics that enable us to mine, process and market them as either metallurgical coal or high quality steam coal, depending on the prevailing conditions in the metallurgical and steam coal markets. A decline in the metallurgical market relative to the steam market could cause us to shift coal from the metallurgical market to the steam market, thereby reducing our revenues and profitability.

Most of our metallurgical coal reserves possess quality characteristics that enable us to mine, process and market them as high quality steam coal. However, some of our mines operate profitably only if all or a portion of their production is sold as metallurgical coal to the steel market. If demand for metallurgical coal declined to the point where we could earn a more attractive return marketing the coal as steam coal, these mines may not be economically viable and may be subject to closure. Such closures would lead to accelerated reclamation costs, as well as reduced revenue and profitability.

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## Risk factors

**Inaccuracies in our estimates of economically recoverable coal reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.**

We base our reserves information on engineering, economic and geological data assembled and analyzed by our staff, which includes various engineers and geologists, and which is periodically reviewed by outside firms. The reserves estimates as to both quantity and quality are annually updated to reflect production of coal from the reserves and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of and costs to mine recoverable reserves, including many factors beyond our control. Estimates of economically recoverable coal reserves and net cash flows necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results such as:

4 geological and mining conditions which may not be fully identified by available exploration data or which may differ from experience in current operations;

4 historical production from the area compared with production from other similar producing areas; and

4 the assumed effects of regulation and taxes by governmental agencies and assumptions concerning coal prices, operating costs, mining technology improvements, severance and excise tax, development costs and reclamation costs.

For these reasons, estimates of the economically recoverable quantities and qualities attributable to any particular group of properties, classifications of reserves based on risk of recovery and estimates of net cash flows expected from particular reserves prepared by different engineers or by the same engineers at different times may vary substantially. Actual coal tonnage recovered from identified reserve areas or properties and revenues and expenditures with respect to our reserves may vary materially from estimates. These estimates, thus, may not accurately reflect our actual reserves. Any inaccuracy in our estimates related to our reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

**We depend heavily on a small number of large customers, the loss of any of which would adversely affect our operating results.**

Our three largest customers for six months ended June 30, 2005 were Georgia Power, Carolina Power & Light and Duke Power and we derived approximately 51% of our pro forma coal revenues from sales to our five largest customers, pro forma for the Anker and CoalQuest acquisitions. At June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had 12 coal supply agreements with these customers that expire at various times from 2005 to 2010. We are currently discussing the extension of existing agreements or entering into new long-term agreements with some of these customers, however these negotiations may not be successful and these customers may not continue to purchase coal from us pursuant to long-term coal supply agreements. If a number of these customers were to significantly reduce their purchases of coal from us, or if we were unable to sell coal to them on terms as favorable to us as the terms under our current agreements, our financial condition and results of operations could suffer materially.

**Disruptions in transportation services could limit our ability to deliver coal to our customers, which could cause revenues to decline.**

We depend primarily upon railroads, trucks and barges to deliver coal to our customers. Disruption of railroad service due to weather-related problems, strikes, lockouts and other events could temporarily impair our ability to supply coal to our customers, resulting in decreased shipments. Decreased

## Risk factors

performance levels over longer periods of time could cause our customers to look elsewhere for their fuel needs, negatively affecting our revenues and profitability.

During 2004, the major eastern railroads (CSX and Norfolk Southern) experienced significant service problems. These problems were caused by an increase in overall rail traffic from the expanding economy and shortages of both equipment and personnel. The service problems had an adverse effect on our shipments during several months in 2004. If these service problems persist, they could have an adverse impact on our financial results in 2005 and beyond.

The states of West Virginia and Kentucky have recently increased enforcement of weight limits on coal trucks on its public roads. Additionally, West Virginia legislation, which raised coal truck weight limits in West Virginia, includes provisions supporting enhanced enforcement. The legislation went into effect on October 1, 2003 and implementation began on January 1, 2004. It is possible that other states in which our coal is transported by truck could conduct similar campaigns to increase enforcement of weight limits. Such stricter enforcement actions could result in shipment delays and increased costs. An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production and could adversely affect revenues.

Some of our mines depend on a single transportation carrier or a single mode of transportation. Disruption of any of these transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks and other events could temporarily impair our ability to supply coal to our customers. Our transportation providers may face difficulties in the future that may impair our ability to supply coal to our customers, resulting in decreased revenues. Currently, there is a shortage of available train cars to service our coal operations in eastern Kentucky.

If there are disruptions of the transportation services provided by our primary rail carriers that transport our produced coal and we are unable to find alternative transportation providers to ship our coal, our business could be adversely affected.

**Fluctuations in transportation costs could impair our ability to supply coal to our customers.**

Transportation costs represent a significant portion of the total cost of coal for our customers and, as a result, the cost of transportation is a critical factor in a customer s purchasing decision. Increases in transportation costs could make coal a less competitive source of energy or could make our coal production less competitive than coal produced from other sources.

On the other hand, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the country. For instance, coordination of the many eastern loading facilities, the large number of small shipments, the steeper average grades of the terrain and a more unionized workforce are all issues that combine to make shipments originating in the eastern United States inherently more expensive on a per-mile basis than shipments originating in the western United States. The increased competition could have a material adverse effect on our business, financial condition and results of operations.

**Disruption in supplies of coal produced by third parties could temporarily impair our ability to fill our customers orders or increase our costs.**

In addition to marketing coal that is produced from our controlled reserves, we purchase and resell coal produced by third parties from their controlled reserves to meet customer specifications. Disruption in our supply of third-party coal could temporarily impair our ability to fill our customers orders or require us to pay higher prices in order to obtain the required coal from other sources. Any increase in the prices we pay for third-party coal could increase our costs and therefore lower our earnings.

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**The unavailability of an adequate supply of coal reserves that can be mined at competitive costs could cause our profitability to decline.**

Our profitability depends substantially on our ability to mine coal reserves that have the geological characteristics that enable them to be mined at competitive costs and to meet the quality needed by our customers. Because our reserves decline as we mine our coal, our future success and growth depend, in part, upon our ability to acquire additional coal reserves that are economically recoverable. Replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. We may not be able to accurately assess the geological characteristics of any reserves that we acquire, which may adversely affect our profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on our operating results that is disproportionate to the percentage of overall production represented by such mines. Our ability to obtain other reserves in the future could be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties, the lack of suitable acquisition candidates or the inability to acquire coal properties on commercially reasonable terms.

**Unexpected increases in raw material costs could significantly impair our operating profitability.**

Our coal mining operations use significant amounts of steel, petroleum products and other raw materials in various pieces of mining equipment, supplies and materials, including the roof bolts required by the room and pillar method of mining described below. Scrap steel prices have risen significantly in recent months, and historically, the prices of scrap steel and petroleum have fluctuated. Recently we have experienced cost increases for various commodities and services influenced by the recent price acceleration of crude oil and natural gas a trend that was greatly exacerbated by Hurricane Katrina. Costs of diesel fuel, explosives (ANFO), and coal trucking have all escalated as a direct result of supply chain problems related to Hurricane Katrina s devastation in Mississippi and Louisiana. There may be other acts of nature or terrorist attacks or threats that could also increase the costs of raw materials. If the price of steel, petroleum products or other of these materials increase, our operational expenses will increase, which could have a significant negative impact on our profitability.

**A shortage of skilled labor in the mining industry could pose a risk to achieving optimal labor productivity and competitive costs, which could adversely affect our profitability.**

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least a year of experience and proficiency in multiple mining tasks. In order to support our planned expansion opportunities, we intend to sponsor both in-house and vocational coal mining programs at the local level in order to train additional skilled laborers. In the event the shortage of experienced labor continues or worsens or we are unable to train the necessary amount of skilled laborers, there could be an adverse impact on our labor productivity and costs and our ability to expand production and therefore have a material adverse effect on our earnings.

**We have a new management team, and if they are unable to work effectively together, our business may be harmed.**

Most of our and ICG, Inc. s management team was hired in 2005, and the group has only been working together for a short period of time. Moreover, several other key employees were hired in 2005. Because many of our executive officers and key employees are new and we also expect to add additional key personnel in the near future, there is a risk that our management team will not be able to work together effectively. If our management team is unable to work together, our operations could be disrupted and our business harmed.

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**Our ability to operate our company effectively could be impaired if we fail to attract and retain key personnel.**
Our senior management team averages 23 years of experience in the coal industry, which includes developing innovative, low-cost mining operations, maintaining strong customer relationships and making strategic, opportunistic acquisitions. The loss of any of our senior executives could have a material adverse effect on our business. There may be a limited number of persons with the requisite experience and skills to serve in our senior management positions. We may not be able to locate or employ qualified executives on acceptable terms. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled personnel with coal industry experience. Competition for these persons in the coal industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. We may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our ability to effectively operate our business.

**Acquisitions that we may undertake involve a number of inherent risks, any of which could cause us not to realize the anticipated benefits.**
We continually seek to expand our operations and coal reserves through acquisitions. If we are unable to successfully integrate the companies, businesses or properties we acquire, our profitability may decline and we could experience a material adverse effect on our business, financial condition, or results of operations. Acquisition transactions involve various inherent risks, including:

4 uncertainties in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mine safety liabilities) of, acquisition candidates;

4 the potential loss of key customers, management and employees of an acquired business;

4 the ability to achieve identified operating and financial synergies anticipated to result from an acquisition;

4 problems that could arise from the integration of the acquired business; and

4 unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition.

Any one or more of these factors could cause us not to realize the benefits anticipated to result from an acquisition. Any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. In addition, future acquisitions could result in our assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous acquisitions.

**We may not be able to effectively integrate Anker and CoalQuest into our operations.**
Our future success will depend largely on our ability to consolidate and effectively integrate Anker s and CoalQuest s operations into our operations. We may not be able to do so successfully without substantial costs, delays or other difficulties. We may face significant challenges in consolidating functions and integrating procedures, information technology systems, personnel and operating philosophies in a timely and efficient manner. The integration process is complex and time consuming and may pose a number of obstacles, such as:

4 the loss of key employees or customers;

4 the challenge of maintaining the quality of customer service;

4 the need to coordinate geographically diverse operations;

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4 retooling and reprogramming of equipment and information technology systems; and

4 the resulting diversion of management s attention from our day-to-day business and the need to hire and integrate additional management personnel to manage our expanded operations.

If we are not successful in completing the integration of Anker and CoalQuest into our operations, if the integration takes longer or is more complex or expensive than anticipated, if we cannot operate the Anker and CoalQuest businesses as effectively as we anticipate, whether as a result of deficiency of the acquired business or otherwise, or if the integrated businesses fail to achieve market acceptance, our operating performance, margins, sales and reputation could be materially adversely affected.

**If the value of our goodwill becomes impaired, the write-off of the impaired portion could materially reduce the value of our assets and reduce our net income for the year in which the write-off occurs.**

When we acquire a business, we record an asset called goodwill if the amount we pay for the business, including liabilities assumed, is in excess of the fair value of the assets of the business we acquire. We recorded $183.9 million of goodwill in connection with the Horizon acquisition and will record goodwill in connection with the Anker and CoalQuest acquisitions. Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, requires that goodwill be tested at least annually (absent any impairment indicators). The testing includes comparing the fair value of each reporting unit with its carrying value. Fair value is determined using discounted cash flows, market multiples and market capitalization. Impairment adjustments, if any, generally are required to be recognized as operating expenses. We may have future impairment adjustments to our recorded goodwill. Any finding that the value of our goodwill has been impaired would require us to write-off the impaired portion, which could significantly reduce the value of our assets and reduce our net income for the year in which the write-off occurs.

**Failure to obtain or renew surety bonds in a timely manner and on acceptable terms could affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease coal.**

Federal and state laws require us to obtain surety bonds to secure payment of certain long-term obligations, such as mine closure or reclamation costs, federal and state workers compensation costs, coal leases and other obligations. These bonds are typically renewable annually. Surety bond issuers and holders may not continue to renew the bonds or may demand additional collateral or other less favorable terms upon those renewals. The ability of surety bond issuers and holders to demand additional collateral or other less favorable terms has increased as the number of companies willing to issue these bonds has decreased over time. Our failure to maintain, or our inability to acquire, surety bonds that are required by state and federal law would affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease coal. That failure could result from a variety of factors including, without limitation:

4 lack of availability, higher expense or unfavorable market terms of new bonds;

4 restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of our credit facility; and

4 the exercise by third-party surety bond issuers of their right to refuse to renew the surety.

**Failure to maintain capacity for required letters of credit could limit our ability to obtain or renew surety bonds.**

At June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had $50.4 million of letters of credit in place, of which $40.5 million serve as collateral for reclamation surety bonds and $9.9 million secure miscellaneous obligations. Included in the $40.5 million letters of credit securing

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collateral for reclamation surety bonds is a $10.0 million letter of credit related to Lexington Coal Company, LLC. As amended, our credit facility currently provides for a $110.0 million revolving credit facility, of which up to $75.0 million may be used for letters of credit. If we do not maintain sufficient borrowing capacity under our revolving credit facility for additional letters of credit, we may be unable to obtain or renew surety bonds required for our mining operations.

**Our business requires substantial capital investment and maintenance expenditures, which we may be unable to provide.**

Our business strategy will require additional substantial capital investment. We require capital for, among other purposes, managing acquired assets, acquiring new equipment, maintaining the condition of our existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under our credit facilities are not sufficient to fund capital requirements, we will require additional debt and/or equity financing. However, this type of financing may not be available or, if available, may not be on satisfactory terms. Future debt financings, if available, may result in increased interest and amortization expense, increased leverage and decreased income available to fund further acquisitions and expansion. In addition, future debt financings may limit our ability to withstand competitive pressures and render us more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance our indebtedness.

**Our level of indebtedness and other demands on our cash resources could materially adversely affect our ability to execute our business strategy and make us more vulnerable to economic downturns.**

As of June 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had cash of approximately $16.8 million and total consolidated indebtedness, including current maturities and capital lease obligations, of approximately $215.5 million before application of the proceeds of this offering. During 2005, our anticipated principal repayments will be approximately $1.8 million on the term loan if the term loan is not repaid with the proceeds of this offering. Subject to the limits contained in our credit facilities, we may also incur additional debt in the future. In addition to the principal repayments on our outstanding debt, we have other demands on our cash resources, including, among others, capital expenditures and operating expenses.

Our credit facilities are secured by substantially all our assets. If we default under these facilities, the lenders could choose to declare all outstanding amounts immediately due and payable, and seek foreclosure of the assets we granted to them as collateral. If the amounts outstanding under the credit facilities were accelerated, we may not have sufficient resources to repay all outstanding amounts, and our assets may not be sufficient to repay all of our outstanding debt in full. Foreclosures on any of our material assets could disrupt our operations, and have a material adverse effect on our reputation, production volume, sales and earnings.

**Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.**

Our borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness would increase even if the amount borrowed remained the same, resulting in a decrease in our net income. We have developed a hedging program to actively manage the risks associated with interest rate fluctuations but our program may not effectively eliminate all of the financial exposure associated with interest rate fluctuations. We currently have instruments in place that have the effect of fixing the interest rate on a portion of our outstanding debt for various time periods up to two years.

**Increased consolidation and competition in the U.S. coal industry may adversely affect our ability to retain or attract customers and may reduce domestic coal prices.**

During the last several years, the U.S. coal industry has experienced increased consolidation, which has contributed to the industry becoming more competitive. According to the EIA, in 1995, the top ten coal producers accounted for approximately 50% of total domestic coal production. By 2003, however, the top ten coal producers share had increased to approximately 63% of total domestic coal production. Consequently, many of our competitors in the domestic coal industry are major coal producers who have significantly greater financial resources than us. The intense competition among coal producers may impact our ability to retain or attract customers and may therefore adversely affect our future revenues and profitability.

The demand for U.S. coal exports is dependent upon a number of factors outside of our control, including the overall demand for electricity in foreign markets, currency exchange rates, ocean freight rates, the demand for foreign-produced steel both in foreign markets and in the U.S. market (which is dependent in part on tariff rates on steel), general economic conditions in foreign countries, technological developments and environmental and other governmental regulations. If foreign demand for U.S. coal were to decline, this decline could cause competition among coal producers in the United States to intensify, potentially resulting in additional downward pressure on domestic coal prices.

**Our ability to collect payments from our customers could be impaired if their creditworthiness deteriorates.**

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. Our customer base is changing with deregulation as utilities sell their power plants to their non-regulated affiliates or third parties that may be less creditworthy, thereby increasing the risk we bear on payment default. These new power plant owners may have credit ratings that are below investment grade. In addition, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk we bear on payment default.

We have contracts to supply coal to energy trading and brokering companies under which those companies sell coal to end users. During 2004 and continuing in 2005, the creditworthiness of the energy trading and brokering companies with which we do business declined, increasing the risk that we may not be able to collect payment for all coal sold and delivered to or on behalf of these energy trading and brokering companies.

**Defects in title or loss of any leasehold interests in our properties could limit our ability to mine these properties or result in significant unanticipated costs.**

We conduct a significant part of our mining operations on properties that we lease. A title defect or the loss of any lease could adversely affect our ability to mine the associated reserves. Title to most of our owned or leased properties and mineral rights is not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the property. In some cases, we rely on title information or representations and warranties provided by our lessors or grantors. Our right to mine some of our reserves has in the past been, and may again in the future be, adversely affected if defects in title or boundaries exist or if a lease expires. Any challenge to our title could delay the exploration and development of the property and could ultimately result in the loss of some or all of our interest in the property. Mining operations from time to time may rely on an expired lease that we are unable to renew. In such event, we may have to close down or significantly alter the sequence of such mining operations which may adversely affect our future coal production and future revenues. If we mine on property that we do not own or lease, we could incur liability for such mining. Also, in any such case, the investigation and resolution of title issues would divert management s time from our business and our results of operations could be adversely affected.

In order to obtain leases or mining contracts to conduct our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs. In addition, we may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves, or maintain our leasehold interests in properties where we have not commenced mining operations during the term of the lease. Some leases have minimum production requirements. Failure to meet those requirements could result in losses of prepaid royalties and, in some rare cases, could result in a loss of the lease itself.

**Our work force could become unionized in the future, which could adversely affect the stability of our production and reduce our profitability.**

All of our coal production is from mines operated by union-free employees. However, our subsidiaries employees have the right at any time under the National Labor Relations Act to form or affiliate with a union. If the terms of a union collective bargaining agreement are significantly different from our current compensation arrangements with our employees, any unionization of our subsidiaries employees could adversely affect the stability of our production and reduce our profitability.

**Our ability and the ability of some of our subsidiaries to engage in some business transactions may be limited by the terms of our debt.**

Our credit facilities contain a number of financial covenants requiring us to meet financial ratios and financial condition tests, as well as covenants restricting our ability to:

4 incur additional debt;

4 pay dividends on, redeem or repurchase capital stock;

4 allow our subsidiaries to issue new stock to any person other than us or any of our other subsidiaries;

4 make investments;

4 make acquisitions;

4 incur or permit to exist liens;

4 enter into transactions with affiliates;

4 guarantee the debt of other entities, including joint ventures;

4 merge or consolidate or otherwise combine with another company; and

4 transfer or sell a material amount of our assets outside the ordinary course of business.

These covenants could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies.

Additionally, our ability to borrow under our credit facilities will depend upon our ability to comply with these covenants and our borrowing base requirements. Our ability to meet these covenants and requirements may be affected by events beyond our control and we may not meet these obligations. Our failure to comply with these covenants and requirements could result in an event of default under our credit facilities that, if not cured or waived, could terminate our ability to borrow further, permit acceleration of the relevant debt and permit foreclosure on any collateral granted as security under our credit facilities. If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we were able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default

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for any reason, our business, financial condition and results of operations could be materially and adversely affected. See Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources and Note 6 to our audited consolidated financial statements appearing elsewhere in this prospectus.

**If our business does not generate sufficient cash for operations, we may not be able to repay our indebtedness.**

Our ability to pay principal and interest on and to refinance our debt depends upon the operating performance of our subsidiaries, which will be affected by, among other things, general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond our control. In particular, economic conditions could cause the price of coal to fall, our revenue to decline, and hamper our ability to repay our indebtedness.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under our new credit facility or otherwise in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms, on terms acceptable to us or at all.

**RISKS RELATING TO GOVERNMENT REGULATION**

**Extensive government regulations impose significant costs on our mining operations, and future regulations could increase those costs or limit our ability to produce and sell coal.**

The coal mining industry is subject to increasingly strict regulation by federal, state and local authorities with respect to matters such as:

4 limitations on land use;

4 employee health and safety;

4 mandated benefits for retired coal miners;

4 mine permitting and licensing requirements;

4 reclamation and restoration of mining properties after mining is completed;

4 air quality standards;

4 water pollution;

4 protection of human health, plantlife and wildlife;

4 the discharge of materials into the environment;

4 surface subsidence from underground mining; and

4 the effects of mining on groundwater quality and availability.

In particular, federal and state statutes require us to restore mine property in accordance with specific standards and an approved reclamation plan, and require that we obtain and periodically renew permits for mining operations. If we do not make adequate provisions for all expected reclamation and other costs associated with mine closures, it could harm our future operating results. In addition, state and federal regulations impose strict standards for particulate matter emissions which may restrict our ability to develop new mines or could require us to modify our existing operations and increase our costs of doing business.

Federal and state safety and health regulation in the coal mining industry may be the most comprehensive and pervasive system for protection of employee safety and health affecting any segment of the U.S. industry. It is costly and time-consuming to comply with these requirements and

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new regulations or orders may materially adversely affect our mining operations or cost structure, any of which could harm our future results.

Under federal law, each coal mine operator must secure payment of federal black lung benefits to claimants who are current and former employees and contribute to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry before July 1973. The trust fund is funded by an excise tax on coal production. If this tax increases, or if we could no longer pass it on to the purchaser of our coal under many of our long-term sales contracts, it could increase our operating costs and harm our results. New regulations that took effect in 2001 could significantly increase our costs with contesting and paying black lung claims. If new laws or regulations increase the number and award size of claims, it could substantially harm our business.

The costs, liabilities and requirements associated with these and other regulations may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. Failure to comply with these regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from our operations. We may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. We must compensate employees for work-related injuries. If we do not make adequate provisions for our workers compensation liabilities, it could harm our future operating results. If we are pursued for these sanctions, costs and liabilities, our mining operations and, as a result, our profitability could be adversely affected. See Environmental and other regulatory matters.

The possibility exists that new legislation and/or regulations and orders may be adopted that may materially adversely affect our mining operations, our cost structure and/or our customers ability to use coal. New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that would further regulate and tax the coal industry, may also require us or our customers to change operations significantly or incur increased costs. These regulations, if proposed and enacted in the future, could have a material adverse effect on our financial condition and results of operations.

**Mining in Northern and Central Appalachia is more complex and involves more regulatory constraints than mining in the other areas, which could affect the mining operations and cost structures of these areas.**

The geological characteristics of Northern and Central Appalachian coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. In addition, as compared to mines in the Powder River Basin, permitting, licensing and other environmental and regulatory requirements are more costly and time-consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of, and customers ability to use coal produced by, our mines in Northern and Central Appalachia.

**Judicial rulings that restrict disposal of mining wastes could significantly increase our operating costs, discourage customers from purchasing our coal and materially harm our financial condition and operating results.**

In our surface mining operations, we use mountaintop removal mining wherever feasible because it allows us to recover more tons of coal per acre and facilitates the permitting of larger projects, which allows mining to continue over a longer period of time than would be the case using other mining methods. To dispose of mining waste generated by mountaintop removal operations, as well as other

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mining operations, we obtain permits to construct and operate valley fills and surface impoundments. Some of these permits are nationwide permits (as opposed to individual permits) issued by the Army Corps of Engineers, or ACOE, for dredging and filling in streams and wetlands. Lawsuits challenging ACOE s authority to issue Nationwide Permit 21 have been instituted by environmental groups. In 2004, a federal court issued an order enjoining ACOE from issuing further Nationwide 21 permits in the South District of West Virginia. This decision is being appealed. A similar lawsuit has been filed in federal court in Kentucky, which seeks to invalidate the ACOE issuance of Nationwide Permit 21 and enjoin ACOE from allowing pursuant to this permit further discharges into valley fills or surface impoundments from 54 mines in Kentucky, including some of our mines. We cannot predict the final outcomes of these lawsuits. If mining methods at issue are limited or prohibited, it could significantly increase our operational costs, make it more difficult to economically recover a significant portion of our reserves and lead to a material adverse effect on our financial condition and results of operation. We may not be able to increase the price we charge for coal to cover higher production costs without reducing customer demand for our coal.

**We may be unable to obtain and renew permits necessary for our operations, which would reduce our production, cash flow and profitability.**

Mining companies must obtain numerous permits that impose strict regulations on various environmental and safety matters in connection with coal mining. These include permits issued by various federal and state agencies and regulatory bodies. The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the permits we need may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict our ability to conduct our mining operations. An inability to conduct our mining operations pursuant to applicable permits would reduce our production, cash flow, and profitability.

**If the assumptions underlying our reclamation and mine closure obligations are materially inaccurate, we could be required to expend greater amounts than anticipated.**

The Surface Mining Control and Reclamation Act of 1977, or SMCRA, establishes operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. Estimates of our total reclamation and mine-closing liabilities are based upon permit requirements and our engineering expertise related to these requirements. The estimate of ultimate reclamation liability is reviewed periodically by our management and engineers. The estimated liability can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. We adopted Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations ( Statement No. 143 ) effective January 1, 2003. Statement No. 143 requires that retirement obligations be recorded as a liability based on fair value, which is calculated as the present value of the estimated future cash flows. In estimating future cash flows, we considered the estimated current cost of reclamation and applied inflation rates and a third-party profit, as necessary. The third-party profit is an estimate of the approximate markup that would be charged by contractors for work performed on behalf of us. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from our assumptions.

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**Our operations may substantially impact the environment or cause exposure to hazardous materials, and our properties may have significant environmental contamination, any of which could result in material liabilities to us.**

We use, and in the past have used, hazardous materials and generate, and in the past have generated, hazardous wastes. In addition, many of the locations that we own or operate were used for coal mining and/or involved hazardous materials usage either before or after we were involved with those locations. We may be subject to claims under federal and state statutes, and/or common law doctrines, for toxic torts, natural resource damages, and other damages as well as the investigation and clean up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of current or former activities at sites that we own or operate currently, as well as at sites that we or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the remediation costs or other damages, or even for the entire share. We have from time to time been subject to claims arising out of contamination at our own and other facilities and may incur such liabilities in the future.

Mining operations can also impact flows and water quality in surface water bodies and remedial measures may be required, such as lining of stream beds, to prevent or minimize such impacts. We are currently involved with state environmental authorities concerning impacts or alleged impacts of our mining operations on water flows in several surface streams. We are studying, or addressing, those impacts and we have not finally resolved those matters. Many of our mining operations take place in the vicinity of streams, and similar impacts could be asserted or identified at other streams in the future. The costs of our efforts at the streams we are currently addressing, and at any other streams that may be identified in the future, could be significant.

We maintain extensive coal slurry impoundments at a number of our mines. Such impoundments are subject to regulation. Slurry impoundments maintained by other coal mining operations have been known to fail, releasing large volumes of coal slurry. Structural failure of an impoundment can result in extensive damage to the environment and natural resources, such as bodies of water that the coal slurry reaches, as well as liability for related personal injuries and property damages, and injuries to wildlife. Some of our impoundments overlie mined out areas, which can pose a heightened risk of failure and of damages arising out of failure. We have commenced measures to modify our method of operation at one surface impoundment containing slurry wastes in order to reduce the risk of releases to the environment from it, a process that will take several years to complete. If one of our impoundments were to fail, we could be subject to substantial claims for the resulting environmental contamination and associated liability, as well as for fines and penalties.

These and other impacts that our operations may have on the environment, as well as exposures to hazardous substances or wastes associated with our operations and environmental conditions at our properties, could result in costs and liabilities that would materially and adversely affect us.

**Extensive environmental regulations affect our customers and could reduce the demand for coal as a fuel source and cause our sales to decline.**

The Clean Air Act and similar state and local laws extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, and other compounds emitted into the air from coke ovens and electric power plants, which are the largest end-users of our coal. Such regulations will require significant emissions control expenditures for many coal-fired power plants to comply with applicable ambient air quality standards. As a result, these generators may switch to other fuels that generate less of these emissions, possibly reducing future demand for coal and the construction of coal-fired power plants.

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## Risk factors

The Federal Clean Air Act, including the Clean Air Act Amendments of 1990, and corresponding state laws that regulate emissions of materials into the air affect coal mining operations both directly and indirectly. Measures intended to improve air quality that reduce coal s share of the capacity for power generation could diminish our revenues and harm our business, financial condition and results of operations. The price of higher sulfur coal may decrease as more coal-fired utility power plants install additional pollution control equipment to comply with stricter sulfur dioxide emission limits, which may reduce our revenues and harm our results. In addition, regulatory initiatives including the nitrogen oxide rules, new ozone and particulate matter standards, regional haze regulations, new source review, regulation of mercury emissions, and legislation or regulations that establish restrictions on greenhouse gas emissions or provide for other multiple pollutant reductions could make coal a less attractive fuel to our utility customers and substantially reduce our sales.

Various new and proposed laws and regulations may require further reductions in emissions from coal-fired utilities. For example, under the Clean Air Interstate Rule issued in March 2005, the U.S. Environmental Protection Agency, or EPA, has further regulated sulfur dioxide and nitrogen oxides from coal-fired power plants. Among other things, in affected states, the rule mandates reductions in sulfur dioxide emissions by approximately 45% below 2003 levels by 2010, and by approximately 57% below 2003 levels by 2015. The stringency of this cap may require many coal-fired sources to install additional pollution control equipment, such as wet scrubbers. Installation of additional pollution control equipment required by this proposed rule could result in a decrease in the demand for low sulfur coal (because sulfur would be removed by the new equipment), potentially driving down prices for low sulfur coal. In March 2005, the EPA also adopted the Clean Air Mercury Rule to control mercury emissions from power plants, which could require coal-fired power plants to install new pollution controls or comply with a mandatory, declining cap on the total mercury emissions allowed from coal-fired power plants nationwide. Both of these are subject to judicial challenge and the Clean Air Mercury Rule has been subject to legislative challenge in Congress. These and other future standards could have the effect of making the operation of coal-fired plants less profitable, thereby decreasing demand for coal. The majority of our coal supply agreements contain provisions that allow a purchaser to terminate its contract if legislation is passed that either restricts the use or type of coal permissible at the purchaser s plant or results in specified increases in the cost of coal or its use.

There have been several recent proposals in Congress, including the Clear Skies Initiative, that are designed to further reduce emissions of sulfur dioxide, nitrogen oxides and mercury from power plants, and certain ones could regulate additional air pollutants. If such initiatives are enacted into law, power plant operators could choose fuel sources other than coal to meet their requirements, thereby reducing the demand for coal.

A regional haze program initiated by the EPA to protect and to improve visibility at and around national parks, national wilderness areas and international parks restricts the construction of new coal-fired power plants whose operation may impair visibility at and around federally protected areas, and may require some existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions.

One major by-product of burning coal is carbon dioxide, which is considered a greenhouse gas and is a major source of concern with respect to global warming. The Kyoto Protocol to the 1992 Framework Convention on Global Climate Change, which establishes a binding set of emission targets for greenhouse gases, became binding on ratifying countries on February 16, 2005. Four industrialized nations have refused to ratify the Kyoto Protocol Australia, Liechtenstein, Monaco and the United States. Although the targets vary from country to country, if the United States were to ratify the Kyoto Protocol, our nation would be required to reduce greenhouse gas emissions to 93% of 1990 levels in a series of phased reductions from 2008 to 2012.

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## Risk factors

Future regulation of greenhouse gases in the United States could occur pursuant to future U.S. treaty obligations, statutory or regulatory changes under the Clean Air Act, or otherwise. The Bush Administration has proposed a package of voluntary emission reductions for greenhouse gases which provide for certain incentives if targets are met. Some states, such as Massachusetts, have already issued regulations regulating greenhouse gas emissions from large power plants. Further, in 2002, the Conference of New England Governors and Eastern Canadian Premiers adopted a Climate Change Action Plan, calling for reduction in regional greenhouse emissions to 1990 levels by 2010, and a further reduction of at least 10% below 1990 levels by 2020. Increased efforts to control greenhouse gas emissions, including the future ratification of the Kyoto Protocol by the United States, could result in reduced demand for our coal. See Environmental and other regulatory matters for a discussion of these and other regulations affecting our business.

### RISKS RELATING TO OUR COMMON STOCK AND THIS OFFERING

**We may be unable to provide the required financial information in a timely and reliable manner.**

Our current operations consist primarily of the assets of our predecessor, Horizon, and the Anker and CoalQuest businesses that we have acquired, each of which had different historical operating, financial, accounting and other systems. Due to our rapid growth and limited history operating, our acquired operations as an integrated business, and our internal controls and procedures do not currently meet all the standards applicable to public companies, including those contemplated by Section 404 of the Sarbanes-Oxley Act of 2002, as well as rules and regulations enacted by the Securities and Exchange Commission and The New York Stock Exchange. Areas of deficiency in our internal controls requiring improvement include documentation of controls and procedures, insufficient experience in public company accounting and periodic reporting matters among our financial and accounting staff.

Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to attest to the adequacy of our internal controls over financial reporting. This result may subject us to adverse regulatory consequences, and there could also be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. We could also suffer a loss of confidence in the reliability of our financial statements if our auditors report a material weakness in our internal controls. In addition, if we fail to develop and maintain effective controls and procedures, we may be unable to provide the required financial information in a timely and reliable manner or otherwise comply with the standards applicable to us as a public company. Any failure by us to timely provide the required financial information could materially and adversely impact our financial condition and the market value of our securities.

**Our stock price may be extremely volatile, and you may not be able to resell your shares at or above the public offering price.**

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations may negatively affect the market price of our common stock. The public offering price for the shares of common stock being sold in this offering reflect recent prices of our common stock as quoted on the Pink Sheets Electronic Quotation Service and may not be indicative of prices that will prevail in the open market following this offering. You may not be able to resell your shares at or above the public offering price due to fluctuations in the market price of our common stock caused by changes in our operating performance or prospects and other factors.

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## Risk factors

Some specific factors that may have a significant effect on our common stock market price include:

4 actual or anticipated fluctuations in our operating results or future prospects;

4 the public s reaction to our press releases, our other public announcements and our filings with the SEC;

4 strategic actions by us or our competitors, such as acquisitions or restructurings;

4 new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

4 changes in accounting standards, policies, guidance, interpretations or principles;

4 conditions of the coal industry as a result of changes in financial markets or general economic conditions, including those resulting from war, incidents of terrorism and responses to such events;

4 sales of common stock by us or members of our management team; and

4 changes in stock market analyst recommendations or earnings estimates regarding our common stock, other comparable companies or the coal industry generally.

We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

**Anti-takeover provisions in our charter documents and Delaware corporate law may make it difficult for our stockholders to replace or remove our current board of directors and could deter or delay third-parties from acquiring us, which may adversely affect the marketability and market price of our common stock.**

Provisions in our amended and restated certificate of incorporation and bylaws and in Delaware corporate law may make it difficult for stockholders to change the composition of our board of directors in any one year, and thus prevent them from changing the composition of management. In addition, the same provisions may make it difficult and expensive for a third-party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and board of directors. Public stockholders who might desire to participate in this type of transaction may not have an opportunity to do so. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or change our management and board of directors and, as a result, may adversely affect the marketability and market price of our common stock.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an interested stockholder, we may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning more than 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Under any change of control, the lenders under our credit facilities would have the right to require us to repay all of our outstanding obligations under the facility.

**You will incur immediate and substantial dilution as a result of this offering.**

Investors purchasing shares of our common stock in this offering will incur immediate and substantial dilution in net tangible book value per share because the price that new investors pay will be substantially greater than the net tangible book value per share of the shares acquired. This dilution is due in large part to the fact that our existing investors paid substantially less than the public offering

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## Risk factors

price of the shares of common stock being sold in this offering when they purchased their shares. To the extent that we raise additional capital by issuing equity security or shares of our common stock are issued upon the exercise of stock options or under the restricted stock plan we have adopted, investors may experience additional substantial dilution.

**There may be circumstances in which the interests of our major stockholders could be in conflict with your interests as a stockholder.**

Funds sponsored by WLR will own approximately 15.2% of our common stock on a fully consolidated basis following the completion of the offering and after giving effect to the Anker and CoalQuest acquisitions, assuming no exercise of the underwriters over-allotment option. Circumstances may occur in which WLR or other major investors may have an interest in pursuing acquisitions, divestitures or other transactions, including among other things, taking advantage of certain corporate opportunities that, in their judgment, could enhance their investment in us or another company in which they invest. These transactions might invoke risks to our other holders of common stock or adversely affect us or other investors, including investors who purchase common stock in this offering.

We may from time to time engage in transactions with related parties and affiliates that include, among other things, business arrangements, lease arrangements for certain coal reserves and the payment of fees or commissions for the transfer of coal reserves by one operating company to another. These transactions, if any, may adversely affect our sales volumes, margins and earnings.

**If our stockholders sell substantial amounts of our common stock following this offering, the market price of our common stock may decline.**

Sales of shares of our common stock in the public market following this offering, or the perception that these sales may occur, could cause the market price of our common stock to decline. After this offering, our corporate reorganization and after giving effect to the Anker and CoalQuest acquisitions, we will have approximately 158,156,128 shares of common stock outstanding. The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities law and under lock-up agreements that our directors, executive officers and certain holders of our common stock have entered into with the underwriters and with us. Those lock-up agreements restrict these persons from selling, pledging or otherwise disposing of their shares for a period of 180 days after the date of this prospectus without the prior written consent of UBS Securities LLC. However, UBS Securities LLC, may release all or any portion of the common stock from the restrictions of the lock-up agreements. These sales might make it difficult or impossible for us to sell additional securities if we need to raise capital. All of the shares sold in this offering, as well as all of the shares to be issued by us in the corporate reorganization to the holders of ICG, Inc. common stock, will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, except for any shares held by our affiliates, as defined in Rule 144 of the Securities Act. The remaining shares of common stock outstanding after this offering, including those issued to former Anker stockholders and CoalQuest members, will be available for sale into the public market at various times in the future. Additional shares of common stock underlying options to be granted will become available for sale in the public market. We expect to file registration statements on Form S-8 that will register up to 644,052 shares of common stock covering the shares of common stock to be issued pursuant to the exercise of options we have granted under our employee stock option plan.

In addition, under a registration rights agreement that we entered into with certain of our existing stockholders, certain of our stockholders have demand and piggyback registration rights in connection with this offering and future offerings of our common stock. Demand rights enable the holders to demand that their shares of common stock be registered