ARCH COAL INC
Form 424B5
May 31, 2011

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The information in this prospectus supplement and accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to purchase these securities in any jurisdiction where the offer or sale is not permitted.

Prospectus Supplement Subject to Completion, Dated May 31, 2011
(To Prospectus dated August 2, 2010)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-157880

44,000,000 Shares

COMMON STOCK

Arch Coal, Inc. is offering 44,000,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol ACI. On May 27, 2011, the reported last sale price of our common stock on the New York Stock Exchange was $29.60 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-20 of this prospectus supplement.

PRICE $ A SHARE

	Price to Public	*Underwriting Discounts and Commissions*	*Proceeds to Arch Coal, Inc.*

Per share	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to an additional 6,600,000 shares to cover over-allotments.

The underwriters are offering the common stock as set forth under Underwriting.

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

The underwriters expect to deliver the shares to purchasers on or about , 2011.

Joint Book-Running Managers

Morgan Stanley ***PNC Capital Markets LLC*** ***BofA Merrill Lynch*** ***Citi***

, 2011

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part consists of this prospectus supplement, which describes the specific terms of this offering. The second part consists of the accompanying prospectus, which gives more general information about securities that we may offer from time to time, some of which may not be applicable to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. For more information about our common stock offered in this offering, see Description of Common Stock in this prospectus supplement and Description of Capital Securities Common Stock in the accompanying prospectus.

Before you invest in our common stock, you should read the registration statement of which this prospectus supplement and the accompanying prospectus form a part. You also should read the exhibits to that registration statement, as well as this prospectus supplement, the accompanying prospectus, any free writing prospectus we may file and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The documents incorporated by reference are described in this prospectus supplement under Where You Can Find More Information.

If the information set forth in this prospectus supplement varies in any way from the information set forth in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. If the information set forth in this prospectus supplement varies in any way from the information set forth in a document that we have incorporated by reference into this prospectus supplement, you should rely on the information in the more recent document.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may file. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus we may file and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, unless otherwise specified or the context requires otherwise, we use the terms Arch Coal, the company, we, us and our to refer to Arch Coal, Inc. and its subsidiaries and the terms International Co Group, Inc. and ICG to refer to International Coal Group, Inc. and its subsidiaries.

The term merger refers to our acquisition of the outstanding common shares of ICG and the term transactions refers to the merger and the related financing transactions as described in Prospectus Supplement Summary The Transactions in this prospectus supplement. The term combined company refers to Arch Coal and its subsidiaries (including ICG and its subsidiaries) after the completion of the transactions, including the merger.

The term ton refers to short or net tons, equal to 2,000 pounds (907.18 kilograms) and tonne refers to metric tons, equal to 2,294.62 pounds (1,000 kilograms).

MARKET AND INDUSTRY DATA

This prospectus supplement includes market and industry data and forecasts that we have derived from a variety of sources, including independent reports, publicly available information, various industry publications, other published industry sources and internal data and estimates. Third-party publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although we believe that such information is reliable, we have not had this information verified by any independent sources.

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FORWARD-LOOKING STATEMENTS

Information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus contains or may contain forward-looking statements. These forward-looking statements include, among others, statements of our plans, objectives, expectations (financial or otherwise) or intentions. Words such as anticipates, believes, could, estimates, expects, intends, may, plans, predicts, projects, seeks, comparable words and phrases are intended to identify such forward-looking statements. All statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus that we expect or anticipate will, should or may occur in the future, including, without limitation, statements in this prospectus supplement under the captions Prospectus Supplement Summary, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal, Management s Discussion and Analysis of Financial Condition of Operations of ICG, Business Overview, and Industry Overview, and located elsewhere in this prospectus supplement regarding our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success and other similar matters are forward-looking statements.

Our forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that might cause such a difference to occur include, but are not limited to:

- our ability to successfully integrate the Arch Coal and ICG businesses;
- delay or failure to realize the expected benefits, including anticipated cost savings, we expect to realize in the merger;
- market demand for coal and electricity;
- geologic conditions, weather, including flooding, and other inherent risks of coal mining that are beyond our control;
- competition within our industry and with producers of competing energy sources;
- excess production and production capacity;
- our ability to acquire or develop coal reserves in an economically feasible manner;
- inaccuracies in our estimates of our coal reserves;
- availability and price of mining and other industrial supplies;
- availability of skilled employees and other workforce factors;
- disruptions in the quantities of coal produced by our contract mine operators;
- our ability to collect payments from our customers;

defects in title or the loss of a leasehold interest;

railroad, barge, truck and other transportation performance and costs;

our ability to successfully integrate the operations that we acquire;

our ability to secure new coal supply arrangements or to renew existing coal supply arrangements;

our relationships with, and other conditions affecting, our customers;

the deferral of contracted shipments of coal by our customers;

our ability to service our outstanding indebtedness;

our ability to comply with the restrictions imposed by our credit facility and other financing arrangements;

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- the availability and cost of surety bonds;
- failure by Magnum Coal Company, which we refer to as Magnum, a subsidiary of Patriot Coal Corporation, to satisfy certain below-market contracts that we guarantee;
- our ability to manage the market and other risks associated with certain trading and other asset optimization strategies;
- terrorist attacks, military action or war;
- our ability to obtain and renew various permits, including permits authorizing the disposition of certain mining waste;
- existing and future legislation and regulations affecting both our coal mining operations and our customers coal usage, governmental policies and taxes, including those aimed at reducing emissions of elements such as mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases;
- the accuracy of our estimates of reclamation and other mine closure obligations;
- the existence of hazardous substances or other environmental contamination on property owned or used by us; and
- other factors, including those discussed in Risk Factors.

These and other relevant factors, including those risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2010, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and our other filings with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act), which are incorporated by reference in this prospectus supplement, should be carefully considered when reviewing any forward-looking statement. See Where You Can Find More Information.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. This summary is not complete and does not contain all of the information that may be important to you. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section, and the other documents that we refer to and incorporate by reference in this prospectus supplement and the accompanying prospectus for a more complete understanding of us and this offering. In particular, we incorporate by reference important business and financial information into this prospectus supplement and the accompanying prospectus. This summary contains forward-looking statements that involve risks and uncertainties. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of our common stock.

Our Combined Company

We are one of the world s largest private sector coal producers. We produce, process and sell steam and metallurgical coal. Our combined company will have operations in all major U.S. coal basins, providing us with important geographical diversity and operational flexibility. The diversity of our operations enables us to source coal from multiple locations to meet the needs of our customers, including U.S. and international power producers and steel manufacturers.

The high quality of our coal, our access to key infrastructure hubs and the availability of multiple transportation options (including rail, truck and barge) equip us to compete both in the domestic coal market as well as the growing global seaborne coal markets. For the year ended December 31, 2010, on a pro forma basis giving effect to our acquisition of ICG, we would have sold 179 million tons of coal, including eight million tons of metallurgical coal, and generated net sales of $4.3 billion.

Prior to the ICG acquisition, our principal assets as of December 31, 2010 included:

- Powder River Basin operations, including two mining complexes;
- Western Bituminous operations, including five mining complexes;
- Central Appalachian operations, including four mining complexes;
- transportation and logistics holdings, including a 22% partnership interest in Dominion Terminal Associates which operates a coal export facility on the East Coast and a shipping terminal with a six million ton annual capacity with access to the Ohio River for shipment on inland waterways; and
- approximately 4,700 full and part-time employees.

In addition, during the first quarter of 2011, we expanded our access to the seaborne coal markets by purchasing a 38% ownership interest in Millennium Bulk Terminals-Longview LLC which is developing coal export capacity on the West Coast and by entering into a throughput agreement with Canadian Crown Corporation Ridley Terminals Inc. in British Columbia, Canada.

As a result of the ICG acquisition, we will acquire a number of new assets, including:

Central Appalachian operations, including eight mining complexes;

Northern Appalachian operations, including four mining complexes;

an Illinois Basin operation, including one mining complex;

three development properties, including the Tygart Valley #1 mine complex which is designed to have up to 3.5 million tons of capacity per year of high quality metallurgical and steam coal; and

approximately 2,800 employees.

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Supplemental Pro Forma Combined Reserve and Production Data

The supplemental pro forma combined reserve and production data set forth in the tables below has been prepared for illustrative purposes only and is not necessarily indicative of the reserve data of Arch Coal had the merger occurred on December 31, 2010. Additionally, we have not yet completed all of the due diligence to fully assess ICG s proven and probable reserve data. Upon completion of this detailed due diligence, there may be increases or decreases to the reserve data presented below for ICG and for Arch Coal on a pro forma basis.

The following table presents Arch Coal historical data by region for proven and probable reserves as of December 31, 2010.

	Arch Coal Historical				
Region	**Proven and Probable Reserves**	**Assigned**	**Unassigned**	**Owned**	**Leased**
		(tons in millions)			
Powder River Basin	3,258	1,591	1,667		3,258
Western Bituminous	455	162	293	108	347
Illinois	364		364	307	57
Central Appalachia	368	175	193	63	305
Northern Appalachia					
Total	4,445	1,928	2,517	478	3,967

The following table presents ICG historical data by region for proven and probable reserves as of December 31, 2010.

	ICG Historical				
Region	**Proven and Probable Reserves**	**Assigned**	**Unassigned**	**Owned**	**Leased**
		(tons in millions)			
Illinois	372	48	324	332	40
Central Appalachia	265	177	88	35	230
Northern Appalachia	451	87	364	356	95
Total	1,088	312	776	723	365

The following table presents Arch Coal pro forma data by region for proven and probable reserves as of December 31, 2010. The table assumes the merger was completed on that date.

	Arch Coal Pro Forma[(1)]
	Proven and

Region	Probable Reserves	Assigned	Unassigned	Owned	Leased
		(tons in millions)			
Powder River Basin	3,258	1,591	1,667		3,258
Western Bituminous	455	162	293	108	347
Illinois	736	48	688	639	97
Central Appalachia	633	352	281	98	535
Northern Appalachia	451	87	364	356	95
Total	5,533	2,240	3,293	1,201	4,332

(1) The Arch Coal pro forma data has been calculated by adding the Arch Coal historical data and ICG historical data.

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The following tables present Arch Coal historical, ICG historical and Arch Coal pro forma data by region for production of saleable tons for the year ended December 31, 2010. The table assumes the acquisition was completed on January 1, 2010. This supplemental pro forma combined production data has been prepared for illustrative purposes only and is not necessarily indicative of the production data of Arch Coal had the merger occurred on January 1, 2010.

Region	Arch Coal Historical	2010 Production ICG Historical (tons in millions)	Arch Pro Forma[(1)]
Powder River Basin	128		128
Western Bituminous	16		16
Illinois		2	2
Central Appalachia	12	9	21
Northern Appalachia		4	4
Total	156	16	172

(1) The Arch Coal pro forma data has been calculated by adding the Arch Coal historical data and the ICG historical data.

Pro Forma Reserve Base

5.5 Billion Ton Reserve Base (pro forma reserves at December 31, 2010)

Strategic Rationale

We believe that the acquisition offers numerous strategic benefits, including:

Creating a Leading Global Metallurgical Coal Producer. On a pro forma basis, we expect the combined company to be the second largest U.S. metallurgical coal producer based on 2010 production and 2011 production guidance and a top 10 global metallurgical coal producer based on 2010 production. The merger increases our product diversity and provides significant blending opportunities between ICG s low-volatile and rank A high-volatile metallurgical coals and Arch s existing rank B high-volatile metallurgical products.

Strengthening Our Growth Profile. The combined company will have the industry s second largest U.S. reserve position, with 5.5 billion tons, providing significant opportunities for future coal volume growth. In particular, the combined company s existing and planned development projects are expected to increase annual metallurgical coal production capacity to approximately 14 million tons by 2015, while creating opportunities for further expansion thereafter.

Increasing Our Presence in Global Seaborne Thermal and Metallurgical Coal Markets. We expect to expand our participation in global markets via the offering of a greatly expanded metallurgical and steam coal product slate, and through the increased utilization of our extensive transportation and logistics network.

Creating One of the Industry s Most Balanced Operating Portfolios. The acquisition extends our geographic diversity, greatly strengthening our position in Central Appalachia while creating the only U.S. coal producer with assets in every major U.S. coal supply basin.

Driving Significant Synergies. We expect to generate annual synergies of $70-$80 million beginning in 2012 across a wide range of marketing, operational and administrative activities and functions.

We believe that these strategic benefits enhance our scale, competitive profile, and ability to respond to economic, regulatory, legislative and other developments that affect the coal industry in general and our combined business in particular.

Business Strategy

Our objective is to increase shareholder value through sustained earnings growth and free cash flow generation. Our key strategies to achieve this objective are described below:

Increasing Metallurgical Coal Production. We expect 2011 pro forma metallurgical coal sales to reach approximately 11 million tons. Over the next four years, we anticipate metallurgical coal production capacity to increase to approximately 14 million tons by 2015 from the combined operations primarily from ICG s growth asset in Tygart Valley. The Tygart Valley #1 mine is currently scheduled to begin development production in late 2011. At full output, currently projected for early 2014, Tygart Valley #1 is designed to have 3.5 million tons of capacity per year of high quality coal that is well suited to both the high-volatile metallurgical market and the steam market.

Establishing a Preeminent Position in All Major U.S. Coal Producing Basins. We maintain one of the industry s most geographically balanced operating portfolios and upon completion of the merger we expect to be the only U.S. coal producer with assets in every major U.S. coal producing basin. In particular, we believe that ICG s Central and Northern Appalachian assets, in conjunction with our existing Central Appalachian operations, provide a strong growth platform in the high quality thermal and metallurgical coal market. We expect that the acquisition, which will add approximately 1.1 billion tons of proven and probable reserves, will create attractive new opportunities and increase our flexibility in evaluating potential future growth opportunities.

Expanding Our Product Offerings. By operating and owning reserves in all major U.S. coal producing regions, we will be able to source and blend coal from multiple mines to meet the needs of our domestic and international customers. For example, blending ICG s low-volatile and rank A high-volatile metallurgical coals with our existing rank B high-volatile metallurgical products will allow us to create new synthetic mid-volatile metallurgical coals that command a premium in the global market. We anticipate that marketing synergies, including these expanded blending opportunities, will allow us to generate approximately an additional $27 million annually as a result of increased sales prices. Additionally, we believe the robust product offerings of the combined company will enhance our value proposition to customers, which will allow us to grow our customer base and customer loyalty.

Continuing to Position Our Business to Take Advantage of Favorable Long-Term Trends for Global Coal Consumption and Associated Export of Domestic Coal Production. We expect that international demand for U.S. coal will increase in the future, driven by favorable projected global growth trends and the high quality of U.S. coal compared to many other producing regions around the world. We have actively strengthened our logistical positioning through our recent investment in the development of port capacity at Millennium Bulk Terminal and our throughput agreement with Ridley Terminals in Canada.

Upholding Our Commitment to Excellence in Safety and Environmental Stewardship. In 2010 we were honored with a national Sentinels of Safety certificate from the U.S. Department of Labor and eight state awards for outstanding safety practices. We intend to maintain our recognized leadership in operating some of the safest mines in the United States and in achieving environmental excellence. We intend to integrate ICG s already strong safety and environmental processes with our own. Our ability to minimize workplace incidents and environmental violations improves our operating efficiency, which directly improves our cost structure and financial performance.

Competitive Strengths

Second Largest Publicly Traded Coal Producer in U.S. The combined company will represent the second largest publicly traded coal producer in the U.S. based on pro forma 2010 sales of approximately 179 million tons. As of December 31, 2010, on a pro forma basis giving effect to the merger, we would have had approximately 5.5 billion tons of coal reserves. We will also represent the second largest producer of domestic metallurgical coal based on our combined pro forma 2010 production and 2011 production guidance.

Diversity of Production and Reserves with Operations in Every Major U.S. Coal Basin. Upon completion of the merger, we will be a leading producer in each of the five major coal producing regions in the United States, which provides important geographical diversity in terms of markets, transportation and labor. Our combined company will operate or contract out the operation of 46 mines, which we believe gives us substantial operational flexibility and makes us less reliant on any single mine for a significant portion of our earnings or cash flow. We believe the diversity of our operations and reserves also provides us with a significant advantage over those 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. In addition, we believe our operations are well positioned to take advantage of the growing global seaborne coal markets in Asia, Europe and South America.

Low Cost Producer. We seek to maintain our operational excellence with an emphasis on investing selectively in new equipment and advanced technologies. We will continue to focus on profitability and efficiency by leveraging our significant economies of scale, large fleet of mining equipment, information technology and logistics systems and coordinated purchasing and land management functions. In addition, we intend to continue to focus on productivity through our culture of workforce involvement by leveraging our strong base of experienced, well-trained employees.

Significant Leverage to Coal Prices Given Uncommitted Position. As of March 31, 2011, the combined company would have had 85 million tons committed and priced for 2012 delivery. Based on planned pro forma 2011 sales volumes, the 2012 committed and priced volume would represent 49% of total company sales for 2012. We believe our uncommitted position provides us with substantial leverage in a stronger coal

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price environment and allows us to take advantage of the growing seaborne coal markets. In addition, we believe we are well-positioned to increase our export volumes through strategic infrastructure investments that guarantee us throughput, such as our 22% partnership interest in Dominion Terminal located in Newport News, Virginia, our 38% ownership interest in the Millennium Bulk Terminals located near Longview, Washington and our agreement with Ridley Terminals in Canada.

Low Amount of Legacy Liabilities. Compared to other publicly traded U.S. coal producers, we believe we have among the lowest legacy liabilities. As of December 31, 2010, we had pro forma total legacy liabilities of $640 million (including accrued workers compensation, pension, post-retirement medical and reclamation liabilities). Approximately two-thirds of our pro forma legacy liabilities relate to reclamation liabilities, which we consider an ordinary course liability. In addition, substantially all of our workforce is non-unionized, which minimizes employee-related liabilities commonly associated with union-represented mines.

Experienced and Skilled Management Team. Our top nine senior officers have an average of more than 25 years of industry experience. Our management team has demonstrated a history of increasing productivity, effectively managing mining costs, maintaining strong customer relationships, enhancing work safety practices, and improving environmental compliance. In addition, our management team has demonstrated its ability to successfully integrate large acquisitions in the past such as our North Rochelle and Jacobs Ranch acquisitions.

The Transactions

Acquisition of ICG

Merger Agreement

On May 2, 2011, Arch Coal, Atlas Acquisition Corp., a wholly-owned subsidiary of Arch Coal (Merger Sub), and ICG entered into a definitive Agreement and Plan of Merger (as amended on May 26, 2011, the Merger Agreement), pursuant to which Arch Coal, through Merger Sub, agreed to commence a tender offer to acquire all of the outstanding shares of ICG s common stock, par value $0.01 per share (the ICG Shares), for $14.60 per share in cash, without interest (the Offer Price). The tender offer was commenced on May 16, 2011 and is scheduled to expire on June 14, 2011, unless extended.

Completion of the tender offer is subject to several conditions, including:

- a majority of the ICG Shares outstanding (generally determined on a fully diluted basis) must be validly tendered and not validly withdrawn prior to the expiration of the tender offer;

- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR);

- the absence of a material adverse effect on ICG; and

- certain other customary conditions.

The tender offer is not subject to a financing condition and this common stock offering is not conditioned on the tender offer, the completion of the New Senior Notes offering (as discussed below) or the consummation of the proposed acquisition of ICG.

The Merger Agreement also provides that following consummation of the tender offer and satisfaction of certain customary conditions, Merger Sub will be merged with and into ICG, with ICG surviving as a wholly-owned subsidiary of Arch Coal. Upon completion of the merger, each ICG Share outstanding immediately prior to the effective time of the merger (excluding those ICG Shares that are held by (1) Arch Coal, Merger Sub, ICG or their respective subsidiaries and (2) stockholders of ICG who properly exercised their appraisal rights under the Delaware General Corporation Law) will be converted into the right to receive the Offer Price.

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If Merger Sub holds 90% or more of the outstanding ICG Shares following the completion of the tender offer (the Short-Form Threshold), the parties will effect the merger as a short-form merger without the need for approval by ICG s stockholders. In addition, subject to the terms of the Merger Agreement and applicable law, ICG has granted Merger Sub an irrevocable option, exercisable after completion of the tender offer and Arch Coal s purchase of a majority of the ICG Shares, to purchase additional ICG Shares from ICG as necessary so that Arch Coal, Merger Sub or their subsidiaries own one ICG Share more than the Short-Form Threshold. If for whatever reason Merger Sub does not attain the Short-Form Threshold, ICG will hold a special stockholders meeting to obtain stockholder approval of the merger. In this event, ICG will call and convene a stockholders meeting to obtain such approval, and Merger Sub will vote all ICG Shares it acquires pursuant to the tender offer in favor of the adoption of the Merger Agreement, thereby assuring approval.

The Merger Agreement can be terminated by Arch Coal or ICG under certain circumstances, and ICG will be required to pay Arch Coal a termination fee of $105.0 million in connection with certain termination events.

Tender and Voting Agreements

In connection with the parties entry into the Merger Agreement, (1) certain affiliates of WL Ross & Co. LLC who collectively own approximately 6% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch Coal and Merger Sub and (2) certain affiliates of Fairfax Financial Holdings Limited who collectively own approximately 11% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch and Merger Sub pursuant to which they have agreed to, among other things, tender their shares of ICG s common stock into the tender offer and vote their shares of ICG s common stock in favor of adopting the Merger Agreement, if applicable.

Financing Transactions

Concurrent Arch Coal Notes Offering. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of senior notes due 2019 and senior notes due 2021, which we collectively refer to as the New Senior Notes, in accordance with Rule 144A under the Securities Act of 1933, as amended (the Securities Act). All of our subsidiaries that guarantee indebtedness under our existing senior secured credit facility will be guarantors of the New Senior Notes on a senior basis. Neither the completion of the New Senior Notes offering nor the completion of this offering is contingent on the completion of the other; however, the completion of the New Senior Notes offering is contingent on the concurrent consummation of the proposed acquisition of ICG. We anticipate closing this offering of common stock prior to closing our concurrent offering of New Senior Notes. We plan to use the net proceeds from the New Senior Notes offering, together with the net proceeds of this offering as described under Use of Proceeds. We estimate that the net proceeds of the New Senior Notes offering, after deducting the initial purchasers discounts and estimated fees and expenses, will be approximately $1,958.2 million.

The concurrent offering of New Senior Notes will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and the New Senior Notes may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The New Senior Notes will be offered only to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. This description and other information in this prospectus supplement regarding our concurrent offering of New Senior Notes is included in this prospectus supplement solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, any New Senior Notes.

Amended and Restated Senior Secured Credit Facility. In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion.

Redemption, Conversion or Other Retirement of ICG Indebtedness. In connection with the merger, we expect to redeem, pay cash in connection with the conversion of, or otherwise retire certain outstanding ICG indebtedness, including:

$200.0 million aggregate principal amount of ICG s 9.125% senior secured second-priority notes due 2018;

$115.0 million aggregate principal amount of ICG s 4.00% convertible senior notes due 2017;

$0.7 million aggregate principal amount of ICG s 9.00% convertible senior notes due 2012; and

$50.1 million aggregate principal amount of other ICG indebtedness, including equipment notes and capital leases.

Total cash required to complete the merger and the financing transactions is estimated to be $3.8 billion, which includes $238.3 million in debt premiums and approximately $197.0 million of fees and expenses (including $79.8 million of merger expenses but excluding accrued and unpaid interest which must be paid to debtholders on the applicable redemption dates). These cash requirements are expected to be financed with proceeds from the common stock offered hereby, proceeds from the concurrent Arch Coal New Senior Notes offering and borrowings under our amended and restated senior secured credit facility. In addition, the existing ICG asset-based loan facility (the ABL loan facility) will be terminated in connection with the financing transactions.

Sources and Uses

Based on an assumed offering price of $29.60 per share, the last reported sales price of Arch Coal s common stock on the New York Stock Exchange (the NYSE) on May 27, 2011, we estimate that the net proceeds of the common stock offering, after deducting underwriters discounts and estimated fees and expenses, will be approximately $1,252.8 million (assuming no exercise by the underwriters of their over-allotment option). If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds of this offering will be approximately $1,440.8 million, after deducting underwriters discounts and estimated fees and expenses. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of New Senior Notes. We intend to use the net proceeds of this offering and our concurrent offering of New Senior Notes, together with borrowings under our amended and restated senior secured credit facility, to fund the transactions and to pay fees and expenses in connection with the transactions.

The following table illustrates the estimated sources of funds and uses of funds relating to the transactions, as if the transactions were completed on March 31, 2011. The actual amounts may differ at the time of the consummation of the transactions.

Sources of Funds	**Amount (in millions)**	**Uses of Funds**	**Amount (in millions)**
Common Stock offered hereby	$ 1,302.4	Tender offer for ICG equity[2]	$ 3,044.6
Concurrent New Senior Notes offering	2,000.0	Redeem ICG 9.125% senior secured second-priority notes due 2018[3]	256.7
Amended and restated senior secured credit facility[1]	548.7	Cash conversion of ICG 4.00% convertible senior notes due 2017[4]	300.7
		Cash conversion of ICG 9.00% convertible senior notes due 2012[5]	1.7

			Repay other ICG debt(6)		50.1
			Estimated fees and expenses(7)		197.0
Total sources	$	3,851.1	Total uses	$	3,851.1

(1) In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion. Any shortfall from the proceeds of the shares offered hereby or the concurrent New Senior Notes offering will be financed with borrowings under our amended and restated senior secured credit facility.

(footnotes continued on next page)

(2) Assumes all outstanding shares of common stock are validly tendered and acquired by Merger Sub in the tender offer.
(3) Assumes all of the 9.125% senior secured second-priority notes are redeemed at a price equal to 100% of the principal amount plus an applicable make-whole premium of $51.6 million and accrued and unpaid interest to the redemption date.
(4) Assumes holders elect to convert all of the 4.00% convertible senior notes due 2017 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.
(5) Assumes holders elect to convert all of the 9.00% convertible senior notes due 2012 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.
(6) Consists of other ICG indebtedness, including equipment notes and capital leases.
(7) Consists of estimated fees and expenses related to the transactions, including legal, accounting and advisory fees, fees associated with the financing transactions and other transaction costs.

Additional Information

We were organized in Delaware in 1969. Our principal executive offices are located at One CityPlace Drive, Suite 300, St. Louis, Missouri 63141, and our telephone number at that address is (314) 994-2700. Our website address is www.archcoal.com. The information on or accessible through our website is not part of this prospectus supplement or the accompanying prospectus and should not be relied upon in connection with making any investment decision with respect to the securities offered by this prospectus supplement and the accompanying prospectus.

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THE OFFERING

The following is a brief summary of some of the terms of this offering and is not intended to be complete. For a more complete description of our common stock, please refer to Description of Common Stock in this prospectus supplement and Description of Capital Stock Common Stock in the accompanying prospectus.

Issuer	Arch Coal, Inc.
Shares of our common stock offered	44,000,000 shares(1)
Option to purchase additional shares	We have granted the underwriters an option exercisable for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 6,600,000 shares of our common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.
Common stock to be outstanding after this offering	206,834,773 shares(2)
Use of proceeds	Assuming an offering price of $29.60 per share, the last reported sales price of our common stock on the NYSE on May 27, 2011, we estimate that the net proceeds from this offering will be approximately $1,252.8 million (or approximately $1,440.8 million if the underwriters over-allotment option is exercised in full), after deducting underwriting discounts and estimated fees and expenses. We expect to use the net proceeds of this offering, the concurrent New Senior Notes offering, together with borrowings under our amended and restated senior secured credit facility, to finance the cost of the transactions and pay related fees and expenses. If our acquisition of ICG is not completed, we intend to use the net proceeds from this offering for general corporate purposes, which may include the financing of future acquisitions, including lease-by-applications, or strategic combinations, capital expenditures, additions to working capital, repurchases, repayment or refinancing of debt or stock repurchases. See Use of Proceeds.
Risk factors	You should carefully consider the information set forth in the Risk Factors section of this prospectus supplement as well as all other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether to invest in our common stock.
NYSE symbol	ACI

(1) If the underwriters exercise their option to purchase such additional shares in full, the total number of shares of common stock offered will be 50,600,000.
(2) The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding on May 27, 2011 and assumes no exercise of the underwriters over-allotment option. 162,834,773 shares of our common stock were outstanding at May 27, 2011. The number of issued shares of our common stock as of May 27, 2011 excludes an aggregate of approximately 5.2 million shares of our common stock issuable upon the

exercise of stock options outstanding as of May 27, 2011 at a weighted average exercise price of $26.31 per share and an aggregate of approximately 27,000 shares of our common stock issuable upon vesting of certain restricted stock units that we have issued to our executive officers.

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Summary Consolidated Historical Financial Data for Arch Coal

The historical statement of operations data, the cash flow data and the other data for the years ended December 31, 2010, 2009 and 2008, and the historical balance sheet data as of December 31, 2010 and 2009, presented below have been derived from Arch Coal s audited consolidated financial statements included and incorporated by reference into this prospectus supplement. The historical statement of operations data, the cash flow data and the other data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from Arch Coal s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement. In the opinion of Arch Coal s management, the interim financial information provided herein reflects all adjustments (consisting of normal and recurring adjustments) necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Capitalization, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal and the consolidated financial statements of Arch Coal and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Three Months Ended March 31,	
	2010[2][3]	2009[4]	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Statement of Operations Data[1]:					
Coal sales revenue	$ 3,186.3	$ 2,576.1	$ 2,983.8	$ 872.9	$ 711.9
Cost of coal sales	2,395.8	2,070.7	2,183.9	653.7	550.8
Depreciation, depletion and amortization, including amortization of acquired sales contracts, net	400.7	321.2	292.8	89.5	99.3
Selling, general and administrative expenses	118.2	97.8	107.1	30.4	27.2
Change in fair value of coal derivatives and coal trading activities, net	8.9	(12.1)	(55.1)	(1.8)	5.9
Gain on Knight Hawk transaction	(41.6)				
Costs related to acquisition of Jacobs Ranch		13.8			
Other operating income, net	(19.7)	(39.0)	(6.3)	(1.1)	(3.4)
Income from operations	324.0	123.7	461.3	102.2	32.2
Interest expense, net	(140.1)	(98.3)	(64.3)	(33.8)	(34.7)
Other non-operating expenses, net	(6.8)				
Income (loss) before income taxes	177.1	25.4	397.0	68.4	(2.5)
(Provision for) benefit from income taxes	(17.7)	16.8	(41.8)	(12.5)	0.8
Income attributable to noncontrolling interest	(0.5)		(0.9)	(0.3)	(0.1)
	$ 158.9	$ 42.2	$ 354.3	$ 55.6	$ (1.8)

Net income (loss) attributable to Arch Coal, Inc.					
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 93.6	$ 61.1	$ 70.6	$ 69.2	$ 50.4
Total assets	4,880.8	4,840.6	3,979.0	4,900.0	4,813.3
Working capital	207.6	55.1	46.6	313.2	138.8
Total debt	1,609.7	1,807.7	1,312.4	1,608.5	1,783.7
Other long-term obligations	566.7	544.6	482.7	572.9	567.2
Arch Coal, Inc. stockholders equity	2,237.5	2,115.1	1,728.7	2,291.6	2,105.1

	Year Ended December 31,			Three Months Ended March 31,	
	2010(2)(3)	2009(4)	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Cash Flow Data:					
Cash provided by operating activities	$ 697.1	$ 383.0	$ 679.1	$ 86.1	$ 93.3
Capital expenditures	314.7	323.2	497.3	38.7	32.0
Common Stock Data:					
Weighted average shares outstanding:					
Basic	162.4	151.0	143.6	162.6	162.4
Diluted	163.2	151.3	144.4	163.8	162.4
Basic earnings (loss) per common share	$ 0.98	$ 0.28	$ 2.47	$ 0.34	$ (0.01)
Diluted earnings (loss) per common share	0.97	0.28	2.45	0.34	(0.01)
Other Financial Data:					
Adjusted EBITDA (unaudited)(5)	724.2	458.7	753.2	191.4	131.4
Other Data:					
Tons sold	162.8	126.1	139.6	36.6	37.8
Tons produced	156.3	119.6	133.1	36.6	38.2
Tons purchased from third parties	6.8	7.5	6.0	1.4	1.3

(1) Figures shown as totals in this table may not be the arithmetic aggregation of the figures that precede them due to rounding adjustments made to certain of the figures in this table.

(2) In the second quarter of 2010, we exchanged 68.4 million tons of coal reserves in the Illinois Basin for an additional 9% ownership interest in Knight Hawk Holdings, LLC (Knight Hawk), increasing our ownership to 42%. We recognized a pre-tax gain of $41.6 million on the transaction, representing the difference between the fair value and net book value of the coal reserves, adjusted for our retained ownership interest in the reserves through the investment in Knight Hawk.

(3) On August 9, 2010, we issued $500.0 million in aggregate principal amount of 71/4% senior unsecured notes due 2020 at par. We used the net proceeds from the offering and cash on hand to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our outstanding 63/4% senior notes due 2013 at a redemption price of 101.125%. We recognized a loss on the redemption of $6.8 million.

(4) On October 1, 2009, we purchased the Jacobs Ranch mining complex in the Powder River Basin from Rio Tinto Energy America for a purchase price of $768.8 million. To finance the acquisition, the Company sold 19.55 million shares of its common stock and $600.0 million in aggregate principal amount of senior unsecured notes. The net proceeds received from the issuance of common stock were $326.5 million and the net proceeds received from the issuance of the 83/4% senior unsecured notes were $570.3 million.

(5) Adjusted EBITDA is not a measure of financial performance in accordance with GAAP, and items excluded to calculate Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under GAAP. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt based on ongoing operations. Furthermore, analogous measures are used by industry analysts to evaluate operating performance. In addition, acquisition related expenses are excluded to make results more comparable between periods. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

The table below shows how we calculate Adjusted EBITDA:

Adjusted EBITDA	Year Ended December 31, 2010	2009	2008	Three Months Ended March 31, 2011	2010
			(in millions)		
Net income (loss) attributable to Arch Coal, Inc.	$ 158.9	$ 42.2	$ 354.3	$ 55.6	$ (1.8)
Adjustments:					
Interest expense, net	140.1	98.3	64.3	33.8	34.7
Provision for (benefit from) income taxes	17.7	(16.8)	41.8	12.5	(0.8)
Depreciation, depletion and amortization, including amortization of sales contracts, net	400.7	321.2	292.8	89.5	99.3
Costs related to acquisition of Jacobs Ranch		13.8			
Other non-operating expenses	6.8				
Adjusted EBITDA	$ 724.2	$ 458.7	$ 753.2	$ 191.4	$ 131.4

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Summary Consolidated Historical Financial Data for ICG

The historical statement of operations data, the cash flow data and the other data for the years ended December 31, 2010, 2009 and 2008, and the historical balance sheet data as of December 31, 2010 and 2009, presented below have been derived from ICG s audited consolidated financial statements included and incorporated by reference into this prospectus supplement. The historical statement of operations data, the cash flow data and the other data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from ICG s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement. In the opinion of ICG s management, the interim financial information provided herein reflects all adjustments (consisting of normal and recurring adjustments) necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Capitalization, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and the consolidated financial statements of ICG and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Statement of Operations Data:					
Revenues:					
Coal sales revenues	$ 1,078.2	$ 1,006.6	$ 998.2	$ 283.7	$ 270.5
Freight and handling revenues	35.4	26.3	45.2	7.2	9.4
Other revenues	52.8	92.4	53.3	11.1	8.7
Total revenues	1,166.4	1,125.3	1,096.7	302.0	288.6
Costs and Expenses:					
Cost of coal sales	850.3	832.2	883.0	218.0	220.1
Freight and handling costs	35.4	26.3	45.2	7.2	9.4
Cost of other revenues	48.3	36.1	35.7	7.3	7.2
Depreciation, depletion and amortization	104.6	106.1	96.0	25.6	26.4
Selling, general and administrative	35.6	32.7	38.1	51.2	8.6
Gain on sale of assets	(4.2)	(3.6)	(32.5)	(6.7)	(3.5)
Impairment losses			37.4		
Total costs and expenses	1,070.0	1,029.8	1,102.9	302.6	268.2
Income (loss) from operations	96.4	95.5	(6.2)	(0.6)	20.4
Interest and other income (expense):					
Loss on extinguishment of debt	(29.4)	(13.3)			(22.0)
Interest expense net	(40.7)	(53.0)	(43.6)	(8.1)	(13.3)
Other, net					

Total interest and other income (expense)		(70.1)		(66.3)		(43.6)		(8.1)		(35.3)
Income (loss) before income taxes		26.3		29.2		(49.8)		(8.7)		(14.8)
Income tax benefit (expense)		3.8		(7.7)		23.6		2.4		6.0
Net income (loss)		30.1		21.5		(26.2)		(6.3)		(8.9)
Net (income) loss attributable to noncontrolling interest										
Net income (loss) attributable to International Coal Group, Inc.	$	30.1	$	21.5	$	(26.2)	$	(6.3)	$	(8.9)

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	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 215.3	$ 92.6	$ 63.9	$ 186.6	$ 301.7
Total assets	1,479.7	1,368.0	1,350.6	1,495.0	1,584.6
Long-term debt and capital leases	326.4	384.3	432.9	332.0	471.9
Total liabilities	725.4	758.8	841.5	745.7	834.3
Total stockholders equity	754.3	609.2	509.1	749.3	750.3
Total liabilities and stockholders equity	1,479.7	1,368.0	1,350.6	1,495.0	1,584.6
Statement of Cash Flows Data:					
Net cash from:					
Operating activities	$ 187.4	$ 115.8	$ 78.7	$ 7.9	$ 5.4
Investing activities	(89.3)	(73.2)	(124.0)	(30.5)	(10.8)
Financing activities	24.5	(13.9)	2.1	(6.1)	214.4
Capital expenditures	102.9	66.3	132.8	31.1	20.6
Common Stock Data:					
Weighted average shares outstanding:					
Basic	197.3	153.6	152.6	202.6	181.3
Diluted	205.2	155.3	152.6	202.6	181.3
Basic earnings (loss) per common share	$ 0.15	$ 0.14	$ (0.17)	$ (0.03)	$ (0.05)
Diluted earnings (loss) per common share	0.15	0.14	(0.17)	(0.03)	(0.05)
Other Financial Data					
Adjusted EBITDA(1)	$ 201.0	$ 201.6	$ 127.2	$ 65.0	$ 46.8
Other Data:					
Tons sold	16.3	16.8	18.9	3.9	4.3
Tons produced	15.5	16.3	17.8	4.0	3.9
Tons purchased from third parties	0.5	1.0	1.2		0.1

(1) Adjusted EBITDA is a non-GAAP financial measure used by ICG management to gauge operating performance. ICG defines Adjusted EBITDA as net income or loss attributable to ICG before deducting interest, income taxes, depreciation, depletion and amortization, loss on extinguishment of debt, certain legal reserves, impairment charges and noncontrolling interest. Adjusted EBITDA is not, and should not be used as, a substitute for operating income, net income and cash flow as determined in accordance with GAAP. ICG presents Adjusted EBITDA because its management considers it an important supplemental measure of ICG s performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in ICG s industry, substantially all of which present EBITDA or Adjusted EBITDA when reporting their results. ICG also uses Adjusted EBITDA as its executive compensation plan bases incentive compensation payments on ICG s Adjusted EBITDA performance measured against budgets. ICG s ABL loan facility uses Adjusted EBITDA (with additional adjustments) to measure ICG s compliance with covenants, such as fixed charge coverage. EBITDA or Adjusted EBITDA is also widely used by ICG and others in the industry to evaluate and price potential acquisition candidates. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of ICG s results as reported under GAAP. Some of these limitations are that Adjusted EBITDA does not reflect all of ICG s cash expenditures or any of ICG s future requirements for capital expenditures or contractual commitments; changes in, or cash requirements

for, our working capital needs; or interest expense, or the cash requirements necessary to service interest or principal payments, on ICG s debt. Although depreciation, depletion and amortization are non-cash charges, the assets being depreciated, depleted and amortized will often have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such replacements. Other companies in the industry may calculate EBITDA or Adjusted EBITDA differently than ICG does, limiting its usefulness as a comparative measure.

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The table below shows how we calculated Adjusted EBITDA.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
			(in millions)		
Net income (loss) attributable to ICG	$ 30.1	$ 21.5	$ (26.2)	$ (6.3)	$ (8.9)
Adjustments:					
Depreciation, depletion and amortization	104.6	106.1	96.0	25.6	26.4
Interest expense, net	40.7	53.0	43.6	8.1	13.3
Income tax (benefit) expense	(3.8)	7.7	(23.6)	(2.4)	(6.0)
Legal reserve for Allegheny lawsuit				40.0	
Impairment losses			37.4		
Loss on extinguishment of debt	29.4	13.3			22.0
Noncontrolling interest					
Adjusted EBITDA	$ 201.0	$ 201.6	$ 127.2	$ 65.0	$ 46.8

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Summary Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information is based on the historical financial information of Arch Coal and ICG included and incorporated by reference into this prospectus supplement and has been prepared to reflect the proposed merger of Merger Sub with and into ICG and the related financing transactions. The pro forma data in the unaudited pro forma condensed combined balance sheet as of March 31, 2011 assume that the proposed merger of Merger Sub with and into ICG was completed on that date. The data in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and the three months ended March 31, 2011 assume the proposed merger was completed at the beginning of each period.

The unaudited pro forma condensed combined financial information should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information, including the notes thereto, beginning on page S-63 and the historical financial statements and related notes thereto of Arch Coal and ICG.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations of Arch Coal had the transactions actually occurred on the dates assumed in the unaudited pro forma condensed combined financial statements. See The Transactions.

The proposed merger of Merger Sub with and into ICG will be accounted for under the acquisition method of accounting under U.S. GAAP whereby the total purchase price is allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The cash purchase price will be determined based on the number of common shares of ICG tendered plus the fair value of liabilities incurred in conjunction with the merger. The estimated purchase price for this unaudited pro forma condensed combined financial information assumes that all shares of ICG common stock outstanding on March 31, 2011 were tendered. At this time, Arch Coal has not performed detailed valuation analyses to determine the fair values of ICG s assets and liabilities; and accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates which, while considered reasonable under the circumstances, are subject to changes, which may be material. Additionally, Arch Coal has not yet performed all of the due diligence necessary to identify items that could significantly impact the purchase price allocation or the assumptions and adjustments made in preparation of this unaudited pro forma condensed combined financial information. Upon determination of the fair value of assets acquired and liabilities assumed, there may be additional increases or decreases to the recorded book values of ICG s assets and liabilities, including, but not limited to, mineral reserves, property, plant and equipment, asset retirement obligations, coal supply agreements, commitments and contingencies and other intangible assets that will give rise to future amounts of depletion, depreciation and amortization expenses or credits that are not reflected in the information contained in this unaudited pro forma condensed combined financial information. Accordingly, once the necessary due diligence has been performed, the final purchase price has been determined and the purchase price allocation has been completed, actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information.

Certain amounts in ICG s historical balance sheets and statements of income have been conformed to Arch Coal s presentation.

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	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions, except per share data)	
Pro Forma Condensed Combined Income Statement Data:		
Total revenues	$ 4,299.9	$ 1,163.8
Cost of coal sales	3,281.6	878.8
Depreciation, depletion and amortization	510.6	122.2
Amortization of acquired sales contracts, net	21.5	2.4
Selling, general and administrative expenses	153.7	81.6
Change in fair value of coal derivatives and coal trading activities, net	8.9	(1.8)
Gain on Knight Hawk transaction	(41.6)	
Other operating income, net	(28.5)	(11.6)
	3,906.2	1,071.6
Income from operations	393.7	92.2
Interest expense, net:	(304.9)	(75.0)
Other non-operating expense		
Loss on early extinguishment of debt	(36.2)	
Income (loss) before income taxes	52.6	17.2
Provision for (benefit from) income taxes	(42.6)	(5.8)
Net income	$ 95.2	$ 23.0
Less: Net income attributable to noncontrolling interest	(0.5)	(0.3)
Net income attributable to Arch Coal, Inc.	$ 94.7	$ 22.7
Earnings per common share		
Basic earnings per common share	$ 0.46	$ 0.11
Diluted earnings per common share	$ 0.46	$ 0.11
Adjusted EBITDA (1)	$ 925.2	$ 256.5

	As of March 31, 2011 (In millions)
Pro Forma Condensed Combined Balance Sheet Data:	
Total assets	$ 10,431.5
Total liabilities and redeemable noncontrolling interest	$ 6,978.7

Total stockholders equity	$	3,452.7

(1) Adjusted EBITDA is defined as net income attributable to the combined company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results.

Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded to calculate Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt based on ongoing operations. Furthermore, analogous measures are used by industry analysts to evaluate operating performance. In addition, acquisition related expenses are excluded to make results more comparable between periods. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions)	
Net income	$ 94.7	$ 22.7
Income tax expense (benefit)	(42.6)	(5.8)
Interest expense, net	304.9	75.0
Depreciation, depletion and amortization	510.6	122.2
Legal reserve for ICG s Allegheny lawsuit		40.0
Amortization of acquired sales contracts, net	21.5	2.4
Other non-operating expense	36.2	
Adjusted EBITDA[a]	$ 925.2	$ 256.5

(a) Figures shown as totals in this table may not be the arithmetic aggregation of the figures that precede them due to rounding adjustments made to certain of the figures in the table.

Other Pro Forma Data

The following table presents certain Arch Coal pro forma operating data, calculated by adding the Arch Coal historical operating data and the ICG historical operating data.

	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions of tons)	
Pro Forma Operating Data:		
Tons sold	179.1	40.5
Tons produced	171.8	40.6
Tons purchased from third parties	7.3	1.4

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RISK FACTORS

An investment in our common stock involves certain risks. You should carefully consider the risks described below, as well as the Risk Factors contained in our Annual Report on Form 10-K for our fiscal year ended December 31, 2010, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read Forward-Looking Statements in this prospectus supplement and the accompanying prospectus where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In addition, you should consider that the risks related to each of the businesses of Arch Coal and ICG may also affect the operations and financial results reported by the combined company. The risks and uncertainties described below and in the incorporated documents are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer.

Risks Related to the Offering

This offering is expected to be dilutive, and there may be future dilution of our common stock.

Except as described under the heading Underwriting, we are not restricted from issuing additional shares of our common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive shares of our common stock. In this offering, we expect to issue 44,000,000 shares of common stock (or 50,600,000 shares of common stock if the underwriters exercise their over-allotment option in full). Giving effect to the issuance of common stock in this offering, the receipt of the expected net proceeds and the use of those net proceeds as described under Use of Proceeds, we expect that this offering will have a dilutive effect on our expected earnings per share for the year ending December 31, 2011 and possibly future years. The actual amount of such dilution cannot be determined at this time and will be based on numerous factors.

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

Any of the following factors could affect the market price of our common stock:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- our failure to meet financial analysts performance expectations; and
- changes in market valuations of other coal companies.

In addition, many of the risks that are described elsewhere in this Risk Factors section and under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (which are incorporated by reference into this prospectus supplement and the accompanying prospectus) could materially and adversely affect our stock price. Stock markets recently have experienced price and volume volatility that has affected many companies stock prices. Stock prices for many companies recently have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may affect the market price of our common stock materially.

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Other companies may have difficulty acquiring us due to provisions in our certificate of incorporation and bylaws.

Provisions in our certificate of incorporation and our bylaws could make it more difficult for other companies to acquire us, even if that acquisition would benefit our stockholders. Our certificate of incorporation and bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- our board of directors is classified into three classes;
- subject to the rights of holders of our preferred stock, if any, the affirmative vote of the holders of not less than two-thirds of the shares of common stock voting thereon is required in order to:
  - adopt an agreement or plan of merger or consolidation;
  - authorize the sale, lease or exchange of all or substantially all of our property or assets; or
  - authorize the disposition of Arch Coal or the distribution of all or substantially all of our assets to our stockholders;
- subject to the rights of holders of our preferred stock, if any, certain provisions of the restated certificate may be amended only by the affirmative vote of the holders of at least two-thirds of the shares of common stock voting on the proposed amendment;
- subject to the rights of holders of our preferred stock, if any, all actions required to be taken or which may be taken at any annual or special meeting of our stockholders must be taken at a duly called annual or special meeting of stockholders and cannot be taken by a consent in writing without a meeting; and
- special meetings of the stockholders may be called at any time by our board of directors and may not be called by any other person or persons or in any other manner.

Any of these restrictions could have the effect of delaying or preventing a change of control of us.

Risks Related to the Combined Company and the Merger

If completed, the merger may not achieve its intended results, and Arch Coal and ICG may be unable to successfully integrate their operations.

Arch Coal and ICG entered into the Merger Agreement with the expectation that the merger will result in various benefits or synergies, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether the businesses of Arch Coal and ICG can be integrated in an efficient and effective manner. In addition, the combined company may experience unanticipated issues, expenses and liabilities.

It is possible that the integration process could take longer than anticipated or cost more than anticipated and could result in the loss of valuable employees, the disruption of each company s ongoing businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits and synergies of the merger. Our results of operations could also be adversely affected by any issues attributable to either company s operations that arise or are based on events or actions that occur prior to the closing of the merger. The companies may have difficulty addressing possible differences in corporate cultures and management philosophies. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing or cost of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and prospects, and may cause the combined company s stock price to decline.

Arch Coal and ICG will be subject to various uncertainties and ICG will be subject to certain contractual restrictions while the merger is pending that could adversely affect their respective financial results and the financial results of the combined company.

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Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Arch Coal and/or ICG. These uncertainties may impair Arch Coal s and/or ICG s ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others who deal with Arch Coal or ICG to seek to change their existing business relationships with Arch Coal or ICG. Employee retention and recruitment may be particularly challenging prior to completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and new business opportunities and any difficulties encountered in the transition and integration process could affect Arch Coal s and/or ICG s financial results.

In addition, the Merger Agreement restricts ICG, without Arch Coal s consent, from making certain acquisitions and dispositions and taking other specified actions while the merger is pending. These restrictions may prevent ICG from pursuing attractive business opportunities and making other changes to its business prior to completion of the merger or termination of the Merger Agreement.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only and may not be an indication of our financial condition or results of operations following the merger.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of our financial condition or results of operations following the merger for several reasons. See Unaudited Pro Forma Condensed Combined Financial Information. Our actual financial condition and results of operations following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the merger. Any potential decline in our financial condition or results of operations may cause significant variations in our stock price.

A lowering or withdrawal of the ratings assigned to our debt securities, including the notes offered in the New Senior Notes offering, by rating agencies may increase our future borrowing costs and reduce our access to capital.

Depending on the sources of financing used to fund our acquisition of ICG, and on our final pro forma capital structure after giving effect to the transactions, rating agencies may lower or withdraw ratings assigned to our debt securities, including the notes offered in the New Senior Notes offering. Our debt, including the notes offered in the New Senior Notes offering, currently has a non-investment grade rating, and there can be no assurance that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital, which could have a material adverse impact on our financial condition, cash flows and results of operations.

Risks Related to Arch Coal s Business

Coal prices are subject to change and a substantial or extended decline in prices could materially and adversely affect our profitability and the value of our coal reserves.

Our profitability and the value of our coal reserves depend upon the prices we receive for our coal. The contract prices we may receive in the future for coal depend upon factors beyond our control, including the following:

the domestic and foreign supply and demand for coal;

the quantity and quality of coal available from competitors;

competition for production of electricity from non-coal sources, including the price and availability of alternative fuels;

domestic air emission standards for coal-fueled power plants and the ability of coal-fueled power plants to meet these standards by installing scrubbers or other means;

adverse weather, climatic or other natural conditions, including natural disasters;

domestic and foreign economic conditions, including economic slowdowns;

legislative, regulatory and judicial developments, environmental regulatory changes or changes in energy policy and energy conservation measures that would adversely affect the coal industry, such as legislation limiting carbon emissions or providing for increased funding and incentives for alternative energy sources;

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

market price fluctuations for sulfur dioxide emission allowances.

A substantial or extended decline in the prices we receive for our future coal sales contracts could materially and adversely affect us by decreasing our profitability and the value of our coal reserves.

Our coal mining operations are subject to operating risks that are beyond our control, which could result in materially increased operating expenses and decreased production levels and could materially and adversely affect our profitability.

We mine coal at underground and surface mining operations. Certain factors beyond our control, including those listed below, could disrupt our coal mining operations, adversely affect production and shipments and increase our operating costs:

poor mining conditions resulting from geological, hydrologic or other conditions that may cause instability of highwalls or spoil piles or cause damage to nearby infrastructure or mine personnel;

a major incident at the mine site that causes all or part of the operations of the mine to cease for some period of time;

mining, processing and plant equipment failures and unexpected maintenance problems;

adverse weather and natural disasters, such as heavy rains or snow, flooding and other natural events affecting operations, transportation or customers;

unexpected or accidental surface subsidence from underground mining;

accidental mine water discharges, fires, explosions or similar mining accidents; and

competition and/or conflicts with other natural resource extraction activities and production within our operating areas, such as coalbed methane extraction or oil and gas development.

If any of these conditions or events occurs, particularly at our Black Thunder mining complex, which accounted for approximately 75% of the coal volume we sold in 2010, our coal mining operations may be disrupted, we could experience a delay or halt of production or shipments or our operating costs could increase significantly. In addition, if our insurance coverage is limited or excludes certain of these conditions or events, then we may not be able to recover any of the losses we may incur as a result of such conditions or events, some of which may be substantial.

Competition within the coal industry could put downward pressure on coal prices and, as a result, materially and adversely affect our revenues and profitability.

We compete with numerous other coal producers in various regions of the United States for domestic sales. International demand for U.S. coal also affects competition within our industry. The demand for U.S. coal exports depends upon a number of factors outside our control, including the overall demand for electricity in foreign markets, currency exchange rates, ocean freight rates, port and shipping capacity, the demand for foreign-priced steel, both in foreign markets and in the U.S. market, general economic conditions in foreign countries, technological developments and environmental and other governmental regulations. Foreign demand for Central Appalachian coal has increased in recent periods. If foreign demand for U.S. coal were to decline, this decline could cause competition among coal producers for the sale of coal in the United States to intensify, potentially resulting in significant downward pressure on domestic coal prices.

In addition, during the mid-1970s and early 1980s, increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in additional production capacity throughout the industry, all of which led to increased competition and lower coal prices. Increases in coal prices over the past several years have encouraged the development of expanded capacity by coal producers and may continue to do so. Any resulting overcapacity and increased production could materially reduce coal prices and therefore materially reduce our revenues and profitability.

Decreases in demand for electricity resulting from economic, weather changes or other conditions could adversely affect coal prices and materially and adversely affect our results of operations.

Our coal is primarily used as fuel for electricity generation. Overall economic activity and the associated demand for power by industrial users can have significant effects on overall electricity demand. An economic slowdown can significantly slow the growth of electrical demand and could result in contraction of demand for coal. Declines in international prices for coal generally will impact U.S. prices for coal. During the past several years, international demand for coal has been driven, in significant part, by fluctuations in demand due to economic growth in China and India as well as other developing countries. Significant declines in the rates of economic growth in these regions could materially affect international demand for U.S. coal, which may have an adverse effect on U.S. coal prices.

Weather patterns can also greatly affect electricity demand. 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 sources of power generation when deciding which generation sources to dispatch. Any downward pressure on coal prices, due to decreases in overall demand or otherwise, including changes in weather patterns, would materially and adversely affect our results of operations.

The use of alternative energy sources for power generation could reduce coal consumption by U.S. electric power generators, which could result in lower prices for our coal. Declines in the prices at which we sell our coal could reduce our revenues and materially and adversely affect our business and results of operations.

In 2010, approximately 76% of the tons we sold were to domestic electric power generators. The amount of coal consumed for U.S. electric power generation is affected by, among other things:

- the location, availability, quality and price of alternative energy sources for power generation, such as natural gas, fuel oil, nuclear, hydroelectric, wind, biomass and solar power; and

- technological developments, including those related to alternative energy sources.

Gas-fueled generation has the potential to displace coal-fueled generation, particularly from older, less efficient coal-powered generators. We expect that many of the new power plants needed to meet increasing demand for electricity generation will be fueled by natural gas because gas-fired plants are cheaper to construct and permits to construct these plants are easier to obtain as natural gas is seen as having a lower environmental impact than coal-fueled generators. In addition, state and federal mandates for increased use of electricity from renewable energy sources could have an impact on the market for our coal. Several states have enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power. There have been numerous proposals to establish a similar uniform, national standard although none of these proposals have been enacted to date. Possible advances in technologies and incentives, such as tax credits, to enhance the economics of renewable energy sources could make these sources more competitive with coal. Any reduction in the amount of coal consumed by domestic electric power generators could reduce the price of coal that we mine and sell, thereby reducing our revenues and materially and adversely affecting our business and results of operations.

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Our inability to acquire additional coal reserves or our inability to develop coal reserves in an economically feasible manner may adversely affect our business.

Our profitability depends substantially on our ability to mine and process, in a cost-effective manner, coal reserves that possess the quality characteristics desired by our customers. As we mine, our coal reserves decline. As a result, our future success depends upon our ability to acquire additional coal that is economically recoverable. If we fail to acquire or develop additional coal reserves, our existing reserves will eventually be depleted. We may not be able to obtain replacement reserves when we require them. If available, replacement reserves may not be available at favorable prices, or we may not be capable of mining those reserves at costs that are comparable with our existing coal reserves. Our ability to obtain coal reserves in the future could also be limited by the availability of cash we generate from our operations or available financing, restrictions under our existing or future financing arrangements, and competition from other coal producers, the lack of suitable acquisition or lease-by-application, or LBA, opportunities or the inability to acquire coal properties or LBAs on commercially reasonable terms. If we are unable to acquire replacement reserves, our future production may decrease significantly and our operating results may be negatively affected. In addition, we may not be able to mine future reserves as profitably as we do at our current operations.

Inaccuracies in our estimates of our coal reserves could result in decreased profitability from lower than expected revenues or higher than expected costs.

Our future performance depends on, among other things, the accuracy of our estimates of our proven and probable coal reserves. We base our estimates of reserves on engineering, economic and geological data assembled, analyzed and reviewed by internal and third-party engineers and consultants. We update our estimates of the quantity and quality of proven and probable coal reserves annually to reflect the production of coal from the reserves, updated geological models and mining recovery data, the tonnage contained in new lease areas acquired and estimated costs of production and sales prices. There are numerous factors and assumptions inherent in estimating the quantities and qualities of, and costs to mine, coal reserves, including many factors beyond our control, including the following:

- quality of the coal;
- geological and mining conditions, which may not be fully identified by available exploration data and/or may differ from our experiences in areas where we currently mine;
- the percentage of coal ultimately recoverable;
- the assumed effects of regulation, including the issuance of required permits, taxes, including severance and excise taxes and royalties, and other payments to governmental agencies;
- assumptions concerning the timing for the development of the reserves; and
- assumptions concerning equipment and productivity, future coal prices, operating costs, including for critical supplies such as fuel, tires and explosives, capital expenditures and development and reclamation costs.

As a result, estimates of the quantities and qualities of economically recoverable coal attributable to any particular group of properties, classifications of reserves based on risk of recovery, estimated cost of production, and estimates of future net cash flows expected from these properties as prepared by different engineers, or by the same engineers at different times, may vary materially due to changes in the above factors and assumptions. Actual production recovered from identified reserve areas and properties, and revenues and expenditures associated with our mining operations, may vary materially from estimates. Any inaccuracy in our estimates related to our reserves could result in decreased profitability from lower than expected revenues and/or higher than expected costs.

Increases in the costs of mining and other industrial supplies, including steel-based supplies, diesel fuel and rubber tires, or the inability to obtain a sufficient quantity of those supplies, could negatively affect our operating costs or disrupt or delay our production.

Our coal mining operations use significant amounts of steel, diesel fuel, explosives, rubber tires and other mining and industrial supplies. The cost of roof bolts we use in our underground mining operations depend on the price of scrap steel. We also use significant amounts of diesel fuel and tires for the trucks and other heavy machinery we use, particularly at our Black Thunder mining complex. If the prices of mining and other industrial supplies, particularly steel-based supplies, diesel fuel and rubber tires, increase, our operating costs could be negatively affected. In addition, if we are unable to procure these supplies, our coal mining operations may be disrupted or we could experience a delay or halt in our production.

Disruptions in the quantities of coal produced by our contract mine operators or purchased from other third parties could temporarily impair our ability to fill customer orders or increase our operating costs.

We use independent contractors to mine coal at certain of our mining complexes, including select operations at our Coal-Mac and Cumberland River mining complexes. In addition, we purchase coal from third parties that we sell to our customers. Operational difficulties at contractor-operated mines or mines operated by third parties from whom we purchase coal, changes in demand for contract miners from other coal producers and other factors beyond our control could affect the availability, pricing, and quality of coal produced for or purchased by us. Disruptions in the quantities of coal produced for or purchased by us could impair our ability to fill our customer orders or require us to purchase coal from other sources in order to satisfy those orders. If we are unable to fill a customer order or if we are required to purchase coal from other sources in order to satisfy a customer order, we could lose existing customers and our operating costs could increase.

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

We have contracts to supply coal to energy trading and brokering companies under which they purchase the coal for their own account or resell the coal to end users. Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. If we determine that a customer is not creditworthy, we may not be required to deliver coal under the customer s coal sales contract. If this occurs, we may decide to sell the customer s coal on the spot market, which may be at prices lower than the contracted price, or we may be unable to sell the coal at all. Furthermore, the bankruptcy of any of our customers could materially and adversely affect our financial position. In addition, our customer base may change 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 for customer payment default. These new power plant owners may have credit ratings that are below investment grade or may become below investment grade after we enter into contracts with them. In addition, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk of payment default.

A defect in title or the loss of a leasehold interest in certain property could limit our ability to mine our coal reserves or result in significant unanticipated costs.

We conduct a significant part of our coal mining operations on properties that we lease. A title defect or the loss of a lease could adversely affect our ability to mine the associated coal reserves. We may not verify title to our leased properties or associated coal reserves until we have committed to developing those properties or coal reserves. We may not commit to develop property or coal reserves until we have obtained necessary permits and completed exploration. As such, the title to property that we intend to lease or coal reserves that we intend to mine may contain defects prohibiting our ability to conduct mining operations. Similarly, our leasehold interests may be subject to superior property rights of other third parties. In order to conduct our mining operations on properties where these defects exist, we may incur unanticipated costs. In addition, some leases require us to produce a minimum quantity of coal and require us to pay minimum production royalties. Our inability to satisfy those requirements may cause the leasehold interest to terminate.

The availability and reliability of transportation facilities and fluctuations in transportation costs could affect the demand for our coal or impair our ability to supply coal to our customers.

We depend upon barge, ship, rail, truck and belt transportation systems to deliver coal to our customers. Disruptions in transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks, and other events could impair our ability to supply coal to our customers. As we do not have long-term contracts with transportation providers to ensure consistent and reliable service, decreased performance levels over longer periods of time could cause our customers to look to other sources for their coal needs. In addition, increases in transportation costs, including the price of gasoline and diesel fuel, could make coal a less competitive source of energy when compared to alternative fuels or could make coal produced in one region of the United States less competitive than coal produced in other regions of the United States or abroad. If we experience disruptions in our transportation services or if transportation costs increase significantly and we are unable to find alternative transportation providers, our coal mining operations may be disrupted, we could experience a delay or halt of production or our profitability could decrease significantly.

Our profitability depends upon the long-term coal supply agreements we have with our customers. Changes in purchasing patterns in the coal industry could make it difficult for us to extend our existing long-term coal supply agreements or to enter into new agreements in the future.

We sell a portion of our coal under long-term coal supply agreements, which we define as contracts with terms greater than one year. Under these arrangements, we fix the prices of coal shipped during the initial year and may adjust the prices in later years. As a result, at any given time the market prices for similar-quality coal may exceed the prices for coal shipped under these arrangements. Changes in the coal industry may cause some of our customers not to renew, extend or enter into new long-term coal supply agreements with us or to enter into agreements to purchase fewer tons of coal than in the past or on different terms or prices. In addition, uncertainty caused by federal and state regulations, including the Clean Air Act, could deter our customers from entering into long-term coal supply agreements.

Because we sell a portion of our coal production under long-term coal supply agreements, our ability to capitalize on more favorable market prices may be limited. Conversely, at any given time we are subject to fluctuations in market prices for the quantities of coal that we have produced but which we have not committed to sell. As described above under Coal prices are subject to change and a substantial or extended decline in prices could materially or adversely affect our profitability and the value of our coal reserves, the market prices for coal may be volatile and may depend upon factors beyond our control. Our profitability may be adversely affected if we are unable to sell uncommitted production at favorable prices or at all. For more information about our long-term coal supply agreements, you should see the section entitled Item 1. Business Long-Term Coal Supply Arrangements in our Form 10-K for the year ended December 31, 2010, which is incorporated by reference into this prospectus supplement.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our profitability.

For the year ended December 31, 2010, we derived approximately 20% of our total coal revenues from sales to our three largest customers and approximately 40% of our total coal revenues from sales to our ten largest customers. We expect to renew, extend or enter into new long-term coal supply agreements with those and other customers. However, we may be unsuccessful in obtaining long-term coal supply agreements with those customers, and those customers may discontinue purchasing coal from us. If any of those customers, particularly any of our three largest customers, was to significantly reduce the quantities of coal it purchases from us, or if we are unable to sell coal to those customers on terms as favorable to us as the terms under our current long-term coal supply agreements, our profitability could suffer significantly. We have limited protection during adverse economic conditions and may face economic penalties if we are unable to satisfy certain quality specifications under our long-term coal supply agreements.

Our long-term coal supply agreements typically contain force majeure provisions allowing the parties to temporarily suspend performance during specified events beyond their control. Most of our long-term coal supply agreements also contain provisions requiring us to deliver coal that satisfies certain quality specifications, such as heat value, sulfur content, ash content, hardness and ash fusion temperature. These provisions in our long-term coal supply agreements could result in negative economic consequences to us, including price adjustments, purchasing replacement coal in a higher-priced open market, the rejection of deliveries or, in the extreme, contract termination. Our profitability may be negatively affected if we are unable to seek protection during adverse economic conditions or if we incur financial or other economic penalties as a result of these provisions of our long-term supply agreements.

We have a substantial amount of debt, which limits our flexibility and imposes restrictions on us, and a downturn in economic or industry conditions may materially affect our ability to meet our future financial commitments and liquidity needs.

We have, and after this offering and our concurrent New Senior Notes offering will continue to have, a significant amount of indebtedness. As of March 31, 2011, on a pro forma basis giving effect to the transactions, we would have had consolidated indebtedness of approximately $4.2 billion outstanding, representing approximately 55% of our total pro forma capitalization. Our ability to satisfy our debt, lease and royalty obligations, and our ability to refinance our indebtedness, will depend upon our future operating performance, which will be affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. We may be unable to generate sufficient cash flow from operations and future borrowings or other financing may be unavailable in an amount sufficient to enable us to fund our future financial obligations or our other liquidity needs.

The amount and terms of our debt could have material consequences to our business, including, but not limited to:

- limiting our ability to obtain additional financing to fund growth, such as new lease-by-application acquisitions or other mergers and acquisitions, working capital, capital expenditures, debt service requirements or other cash requirements;
- exposing us to the risk of increased interest costs if the underlying interest rates rise;
- limiting our ability to invest operating cash flow in our business due to existing debt service requirements;
- making it more difficult to obtain surety bonds, letters of credit or other financing, particularly during periods in which credit markets are weak;
- causing a decline in our credit ratings;
- limiting our ability to compete with companies that are not as leveraged and that may be better positioned to withstand economic downturns;
- limiting our ability to acquire new coal reserves and/or plant and equipment needed to conduct operations; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we compete and general economic and market conditions.

If we further increase our indebtedness, the related risks that we now face, including those described above, could intensify. In addition to the principal repayments on our outstanding debt, we have other demands on our cash resources, including capital expenditures and operating expenses. Our ability to pay our debt depends upon our operating performance. In particular, economic conditions could cause our revenues to decline, and hamper our ability to repay our indebtedness. If we do not have enough cash to satisfy our debt service obligations, we may be required to refinance all or part of our debt, sell assets or reduce our spending. We may not be able to, at any given time, refinance our debt or sell assets on terms acceptable to us or at all.

We may be unable to comply with restrictions imposed by our credit facilities and other financing arrangements.

The agreements governing our outstanding financing arrangements impose a number of restrictions on us. For example, the terms of our credit facilities, leases and other financing arrangements contain financial and other covenants that create limitations on our ability to borrow the full amount under our credit facilities, effect acquisitions or dispositions and incur additional debt and require us to maintain various financial ratios and comply with various other financial covenants. Our ability to comply with these restrictions may be affected by events beyond our control. A failure to comply with these restrictions could adversely affect our ability to borrow under our credit facilities or result in an event of default under these agreements. In the event of a default, our lenders and the counterparties to our other financing arrangements could terminate their commitments to us and declare all amounts borrowed, together with accrued interest and fees, immediately due and payable. If this were to occur, we might not be able to pay these amounts, or we might be forced to seek an amendment to our financing arrangements which could make the terms of these arrangements more onerous for us. As a result, a default under one or more of our existing or future financing arrangements could have significant consequences for us. For more information about some of the restrictions contained in our credit facilities, leases and other financial arrangements, you should see the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal Liquidity and Capital Resources.

Failure to obtain or renew surety bonds on acceptable terms could affect our ability to secure reclamation and coal lease obligations and, therefore, our ability to mine or lease coal.

Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long-term obligations, such as mine closure or reclamation costs, federal and state workers compensation costs, coal leases and other obligations. We may have difficulty procuring or maintaining our surety bonds. Our bond issuers may demand higher fees, additional collateral, including letters of credit or other terms less favorable to us upon those renewals. Because we are required by state and federal law to have these bonds in place before mining can commence or continue, or failure to maintain surety bonds, letters of credit or other guarantees or security arrangements would materially and adversely affect our ability to mine or lease coal. That failure could result from a variety of factors, including lack of availability, higher expense or unfavorable market terms, the exercise by third party surety bond issuers of their right to refuse to renew the surety and restrictions on availability on collateral for current and future third-party surety bond issuers under the terms of our financing arrangements.

Our profitability may be adversely affected if we must satisfy certain below-market contracts with coal we purchase on the open market or with coal we produce at our remaining operations.

We have agreed to guarantee Magnum s obligations to supply coal under certain coal sales contracts that we sold to Magnum. In addition, we have agreed to purchase coal from Magnum in order to satisfy our obligations under certain other contracts that have not yet been transferred to Magnum, the longest of which extends to the year 2017. If Magnum cannot supply the coal required under these coal sales contracts, we would be required to purchase coal on the open market or supply coal from our existing operations in order to satisfy our obligations under these contracts. At March 31, 2011, if we had purchased the 12.4 million tons of coal required under these contracts over their duration at market prices then in effect, we would have incurred a loss of approximately $457.4 million.

We may incur losses as a result of certain marketing, trading and asset optimization strategies.

We seek to optimize our coal production and leverage our knowledge of the coal industry through a variety of marketing, trading and other asset optimization strategies. We maintain a system of complementary processes and controls designed to monitor and control our exposure to market and other risks as a consequence of these strategies. These processes and controls seek to balance our ability to profit from certain marketing, trading and asset optimization strategies with our exposure to potential losses. While we employ a variety of risk monitoring and mitigation techniques, those techniques and accompanying judgments cannot anticipate every potential outcome or the timing of such outcomes. In addition, the processes and controls that we use to manage our exposure to market and other risks resulting from these strategies involve assumptions about the degrees of correlation or lack thereof among prices of various assets or other market indicators. These correlations may change significantly in times of market turbulence or other unforeseen circumstances. As a result, we may experience volatility in our earnings as a result of our marketing, trading and asset optimization strategies.

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Risks to Arch Coal Related to Environmental, Other Regulations and Legislation

Extensive environmental regulations, including existing and potential future regulatory requirements relating to air emissions, affect our customers and could reduce the demand for coal as a fuel source and cause coal prices and sales of our coal to materially decline.

Coal contains impurities, including but not limited to sulfur, mercury, chlorine, carbon and other elements or compounds, many of which are released into the air when coal is burned. The operations of our customers are subject to extensive environmental regulation particularly with respect to air emissions. For example, the federal 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 electric power plants, which are the largest end-users of our coal. A series of more stringent requirements relating to particulate matter, ozone, haze, mercury, sulfur dioxide, nitrogen oxide and other air pollutants are expected to be proposed or become effective in coming years. In addition, concerted conservation efforts that result in reduced electricity consumption could cause coal prices and sales of our coal to materially decline.

Considerable uncertainty is associated with these air emissions initiatives. The content of regulatory requirements in the U.S. is in the process of being developed, and many new regulatory initiatives remain subject to review by federal or state agencies or the courts. Stringent air emissions limitations are either in place or are likely to be imposed in the short to medium term, and these limitations will likely require significant emissions control expenditures for many coal-fueled power plants. As a result, these power plants may switch to other fuels that generate fewer of these emissions or may install more effective pollution control equipment that reduces the need for low-sulfur coal, possibly reducing future demand for coal and a reduced need to construct new coal-fueled power plants. The expectations of the Energy Information Administration (the EIA) for the coal industry assume there will be a significant number of as yet unplanned coal-fired plants built in the future which may not occur. Any switching of fuel sources away from coal, closure of existing coal-fired plants, or reduced construction of new plants could have a material adverse effect on demand for and prices received for our coal. Alternatively, less stringent air emissions limitations, particularly related to sulfur, to the extent enacted, could make low-sulfur coal less attractive, which could also have a material adverse effect on the demand for and prices received for our coal.

You should see Item 1. Business Environmental and Other Regulatory Matters in our Form 10-K for the year ended December 31, 2010 which is incorporated by reference in this prospectus supplement for more information about the various governmental regulations affecting us.

Our failure to obtain and renew permits necessary for our mining operations could negatively affect our business.

Mining companies must obtain numerous permits that impose strict regulations on various environmental and operational matters in connection with coal mining. These include permits issued by various federal, state and local agencies and regulatory bodies. The permitting rules, and the interpretations of these rules, are complex, change frequently and are often subject to discretionary interpretations by the regulators, all of which may make compliance more difficult or impractical, and may possibly preclude the continuance of ongoing operations or the development of future mining operations. The public, including non-governmental organizations, anti-mining groups and individuals, have certain statutory rights to comment upon and submit objections to requested permits and environmental impact statements prepared in connection with applicable regulatory processes, and otherwise engage in the permitting process, including bringing citizens lawsuits to challenge the issuance of permits, the validity of environmental impact statements or performance of mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion or at all, or permits issued or renewed may be conditioned in a manner that may restrict our ability to efficiently and economically conduct our mining activities, any of which would materially reduce our production, cash flow and profitability.

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Federal or state regulatory agencies have the authority to order certain of our mines to be temporarily or permanently closed under certain circumstances, which could materially and adversely affect our ability to meet our customers demands.

Federal or state regulatory agencies have the authority under certain circumstances following significant health and safety incidents, such as fatalities, to order a mine to be temporarily or permanently closed. If this occurred, we may be required to incur capital expenditures to re-open the mine. In the event that these agencies order the closing of our mines, our coal sales contracts generally permit us to issue force majeure notices which suspend our obligations to deliver coal under these contracts. However, our customers may challenge our issuances of force majeure notices. If these challenges are successful, we may have to purchase coal from third-party sources, if it is available, to fulfill these obligations, incur capital expenditures to re-open the mines and/or negotiate settlements with the customers, which may include price reductions, the reduction of commitments or the extension of time for delivery or terminate customers contracts. Any of these actions could have a material adverse effect on our business and results of operations.

Extensive environmental regulations impose significant costs on our mining operations, and future regulations could materially 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 environmental matters such as:

- limitations on land use;
- mine permitting and licensing requirements;
- reclamation and restoration of mining properties after mining is completed;
- management of materials generated by mining operations;
- the storage, treatment and disposal of wastes;
- remediation of contaminated soil and groundwater;
- air quality standards; water pollution;
- protection of human health, plant-life and wildlife, including endangered or threatened species;
- protection of wetlands;
- the discharge of materials into the environment;
- the effects of mining on surface water and groundwater quality and availability; and
- the management of electrical equipment containing polychlorinated biphenyls.

The costs, liabilities and requirements associated with the laws and regulations related to these and other environmental matters may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. We cannot assure you that we have been or will be at all times in compliance with the applicable laws and regulations. Failure to comply with these laws and 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 incur material costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. If we are pursued for sanctions, costs and liabilities in respect of these matters, our mining operations and, as a result, our profitability could be materially and adversely affected.

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 to change operations significantly or incur increased costs. Such changes could have a material adverse effect on our financial condition and results of operations. You should see Item 1. Business Environmental and Other Regulatory Matters in our Form 10-K for the year ended

December 31, 2010 which is incorporated by reference in this prospectus supplement for more information about the various governmental regulations affecting us.

If the assumptions underlying our estimates of reclamation and mine closure obligations are inaccurate, our costs could be greater than anticipated.

The Surface Mining Control and Reclamation Act (the SMCRA) and counterpart state laws and regulations establish operational, reclamation and closure standards for all aspects of surface mining, as well as most aspects of underground mining. We base our estimates of reclamation and mine closure liabilities on permit requirements, engineering studies and our engineering expertise related to these requirements. Our management and engineers periodically review these estimates. The estimates can change significantly if actual costs vary from our original assumptions or if governmental regulations change significantly. We are required to record new obligations as liabilities at fair value under generally accepted accounting principles. In estimating fair value, we considered the estimated current costs of reclamation and mine closure and applied inflation rates and a third-party profit, as required. The third-party profit is an estimate of the approximate markup that would be charged by contractors for work performed on our behalf. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from our assumptions, which could have a material adverse effect on our results of operations and financial condition.

Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities to us.

Our operations currently use hazardous materials and generate limited quantities of hazardous wastes from time to time. We could become subject to claims for toxic torts, natural resource damages and other damages as well as for the investigation and clean up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of conditions at sites that we currently own or operate, as well as at sites that we previously owned or operated, or may acquire. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share.

We maintain extensive coal refuse areas and slurry impoundments at a number of our mining complexes. Such areas and impoundments are subject to extensive regulation. Slurry impoundments have been known to fail, releasing large volumes of coal slurry into the surrounding environment. 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. 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.

Drainage flowing from or caused by mining activities can be acidic with elevated levels of dissolved metals, a condition referred to as acid mine drainage, which we refer to as AMD. The treating of AMD can be costly. Although we do not currently face material costs associated with AMD, it is possible that we could incur significant costs in the future.

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

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

To dispose of mining overburden generated by our surface mining operations, we often need to obtain permits to construct and operate valley fills and surface impoundments. Some of these permits are Clean Water Act Section 404 permits issued by the Army Corps of Engineers (the ACOE). Two of our operating subsidiaries were identified in an existing lawsuit, which challenged the issuance of such permits and asked that the Corps be ordered to rescind them. Two of our operating subsidiaries intervened in the suit to protect their interests in being allowed to operate under the issued permits, and one of them thereafter was dismissed. On January 13, 2011, the EPA issued its Final Determination to withdraw the specification of two of the three watersheds as a disposal site for dredged or fill material approved under the current Section 404 permit. The court has been notified of the Final Determination.

Changes in the legal and regulatory environment, particularly in light of developments in 2010, could complicate or limit our business activities, increase our operating costs or result in litigation.

The conduct of our businesses is subject to various laws and regulations administered by federal, state and local governmental agencies in the United States. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events or in response to significant events. Certain recent developments particularly may cause changes in the legal and regulatory environment in which we operate and may impact our results or increase our costs or liabilities. Such legal and regulatory environment changes may include changes in: the processes for obtaining or renewing permits; costs associated with providing healthcare benefits to employees; health and safety standards; accounting standards; taxation requirements; and competition laws.

For example, in April 2010, the EPA issued comprehensive guidance regarding the water quality standards that EPA believes should apply to certain new and renewed Clean Water Act permit applications for Appalachian surface coal mining operations. Under the EPA s guidance, applicants seeking to obtain state and federal Clean Water Act permits for surface coal mining in Appalachia must perform an evaluation to determine if a reasonable potential exists that the proposed mining would cause a violation of water quality standards. According to the EPA Administrator, the water quality standards set forth in the EPA s guidance may be difficult for most surface mining operations to meet. Additionally, the EPA s guidance contains requirements for the avoidance and minimization of environmental and mining impacts, consideration of the full range of potential impacts on the environment, human health and local communities, including low-income or minority populations, and provision of meaningful opportunities for public participation in the permit process. EPA s guidance is subject to several pending legal challenges related to its legal effect and sufficiency including consolidated challenges pending in Federal District Court in the District of Columbia led by the National Mining Association. We may be required to meet these requirements in the future in order to obtain and maintain permits that are important to our Appalachian operations. We cannot give any assurance that we will be able to meet these or any other new standards.

In response to the April 2010 explosion at Massey Energy Company s Upper Big Branch Mine and the ensuing tragedy, we expect that safety matters pertaining to underground coal mining operations will be the topic of new legislation and regulation, as well as the subject of heightened enforcement efforts. For example, federal and West Virginia state authorities have announced special inspections of coal mines to evaluate several safety concerns, including the accumulation of coal dust and the proper ventilation of gases such as methane. In addition, both federal and West Virginia state authorities have announced that they are considering changes to mine safety rules and regulations which could potentially result in additional or enhanced required safety equipment, more frequent mine inspections, stricter and more thorough enforcement practices and enhanced reporting requirements. Any new environmental, health and safety requirements may increase the costs associated with obtaining or maintain permits necessary to perform our mining operations or otherwise may prevent, delay or reduce our planned production, any of which could adversely affect our financial condition, results of operations and cash flows.

Further, mining companies are entitled a tax deduction for percentage depletion, which may allow for depletion deductions in excess of the basis in the mineral reserves. The deduction is currently being reviewed by the federal government for repeal. If repealed, the inability to take a tax deduction for percentage depletion could have a material impact on our financial condition, results of operations, cash flows and future tax payments.

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Risks Related to ICG s Business

A decline in coal prices could reduce ICG s revenues and the value of its coal reserves.

ICG s results of operations are dependent upon the prices it receives for its coal, as well as its ability to improve productivity and control costs. Any decreased demand would cause spot prices to decline and require ICG to increase productivity and decrease costs in order to maintain its margins. A decrease in the price ICG receives for coal could adversely affect its operating results and its ability to generate the cash flows required to meet its bank loan requirements, improve its productivity and invest in its operations. The prices ICG receive for coal depends upon factors beyond its control, including:

- supply of and demand for domestic and foreign coal;
- demand for electricity;
- domestic and foreign demand for steel and the continued financial viability of the domestic and/or foreign steel industry;
- proximity to, capacity of and cost of transportation facilities;
- domestic and foreign governmental legislation, regulations and taxes;
- the imposition of regulatory requirements which restrict the ability of electric power companies to use coal to generate electricity;
- regulatory, administrative and judicial decisions;
- price and availability of alternative fuels, including the effects of technological developments; and
- effect of worldwide energy conservation measures.

ICG s coal mining operations are subject to operating risks that could result in decreased coal production, which could reduce its revenues.

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

- unavailability of qualified labor;
- ICG s inability to acquire, maintain or renew necessary permits or mining or surface rights in a timely manner, if at all;
- unfavorable geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposits;
- failure of reserve estimates to prove correct;

changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke ICG s permits or changes in the manner of enforcement of existing regulations, or changes in governmental regulation affecting the use of coal by ICG s customers;

mining and processing equipment failures and unexpected maintenance problems;

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

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

increased or unexpected reclamation costs;

interruptions due to transportation delays;

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

unexpected mine safety accidents, including fires and explosions.

These conditions and events may increase ICG s 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 ICG s coal, which could reduce its revenues and adversely impact its earnings and the value of its coal reserves.

Restrictions on the emission of greenhouse gases, including carbon dioxide, continue to be proposed and adopted by various legislative and regulatory bodies at federal, state and local levels of government and at the international level. The intended effect of these restrictions is to discourage the combustion of fossil fuels in general, and the generation of electricity by coal in particular, in favor of alternative sources of energy which do not involve the combustion of fossil fuels. The enactment of federal legislation designed to restrict greenhouse gas emissions is uncertain. Federal legislation has been proposed and may continue to be proposed that would create or expand a myriad of federal programs designed to reduce energy produced by burning fossil fuels and increase alternative energy sources. One such program proposed to reduce greenhouse gas emissions via a cap and trade system for larger emitters, including coal-fired power plants. The imposition of such programs, or the effect of negative public perceptions of coal due to climate change issues, may result in more electric power generators shifting from coal to natural gas-fired plants or alternative energy sources. Any reduction in the amount of coal consumed by North American electric power generators could reduce the price of steam coal that ICG mines and sells, thereby reducing its revenues and adversely impacting its earnings and the value of its coal reserves.

The United States is participating in international discussions to develop a treaty or other agreement to require reductions in greenhouse gas emissions after 2012 and has signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The outcome of these discussions is also uncertain.

Restrictions on greenhouse gas emissions under the Clean Air Act are being adopted by the EPA. In its Endangerment Finding, the EPA found that the emission of six greenhouse gases, including carbon dioxide (which is emitted from coal combustion) and methane (which is emitted from coal beds) may reasonably be anticipated to endanger public health and welfare. Based on this finding, the EPA determined these six greenhouse gases to be air pollutants subject to regulation under the Clean Air Act. Although the EPA has stated a preference that greenhouse gas regulation be based on new federal legislation rather than the existing Clean Air Act, the EPA has already adopted regulations that impact major stationary sources of greenhouse gas emissions, including coal-fired power plants and has announced plans to propose additional regulations restricting greenhouse gas emissions.

States have adopted a variety of greenhouse gas control programs which impact electric utilities in particular. In addition to programs that would cap or otherwise control greenhouse gas emissions, various programs require electric utilities to generate a percentage of their electricity using alternative energy sources. There have also been public nuisance lawsuits brought against power, coal, oil and gas companies, alleging that their operations are contributing to climate change.

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 ICG 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. An economic slowdown can significantly slow the growth of electrical demand and, in some locations, result in contraction of demand. The economy suffered a significant slowdown in the fourth quarter of 2008 that resulted in lower 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 ICG s profitability to decline.

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The capability and profitability of ICG s operations may be adversely affected by the status of its long-term coal supply agreements and changes in purchasing patterns in the coal industry.

ICG sells a significant portion of its coal under long-term coal supply agreements, which ICG defines as contracts with a term greater than 12 months. For the year ended December 31, 2010, approximately 72% of its coal sales revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, ICG had 25 long-term sales agreements with a volume-weighted average term of approximately 4.2 years. The prices for coal shipped under these agreements are typically fixed for at least 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 its sales that are subject to these long-term agreements, ICG has less coal available with which to capitalize on higher coal prices, if and when they arise. In addition, in some cases, ICG s 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 ICG s current contracts with customers expire or are otherwise renegotiated, its customers may decide not to extend or enter into new long-term contracts or, in the absence of long-term contracts, its customers may decide to purchase fewer tons of coal than in the past or on different terms, including under different pricing terms.

Furthermore, as electric utilities seek to adjust to requirements of the Clean Air Act, and the potential for more stringent requirements, they could become increasingly less willing to enter into long-term coal supply agreements and instead may purchase 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 ICG and the level of its revenues. For example, fewer electric utilities will have a contractual obligation to purchase coal from ICG, thereby increasing the risk that ICG will not have a market for its production. Furthermore, spot market prices tend to be more volatile than contractual prices, which could result in decreased revenues.

Certain provisions in ICG s long-term supply agreements may provide limited protection during periods of adverse economic conditions. For example, the customer may be forced to reduce electricity output due to weak demand. If the low demand were to persist for an extended period, the customer might be forced to delay its contract shipments thereby reducing ICG s revenue.

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 ICG s 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 ICG or its customers during the duration of specified events beyond the control of the affected party. Additionally, most of its coal supply agreements contain provisions requiring ICG to deliver coal meeting quality thresholds for certain characteristics such as heat value (measured in Btus), 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, ICG may not achieve the revenue or profit it expects to achieve from its long-term supply agreements.

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

Portions of ICG s coal reserves possess quality characteristics that enable it 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 ICG to shift coal from the metallurgical market to the steam market, thereby reducing its revenues and profitability. However, some of ICG s 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 ICG 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.

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

ICG bases its reserves information on engineering, economic and geological data assembled and analyzed by its 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 updated quarterly to reflect production of coal from the reserves, acquisitions, dispositions, depleted 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 ICG s 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:

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

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

- assumed effects of regulation and taxes by governmental agencies and assumptions concerning coal prices, operating costs, mining technology improvements, severance and excise taxes, 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 its reserves, may vary materially from estimates. These estimates, thus, may not accurately reflect ICG s actual reserves. Any inaccuracy in ICG s estimates related to its reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

Disruptions in transportation services could limit ICG s ability to deliver coal to its customers, which could cause revenues to decline.

ICG depends primarily upon railroads, trucks and barges to deliver coal to its customers. Disruption of railroad service due to weather-related problems, strikes, lockouts and other events could temporarily impair its ability to supply coal to its customers, resulting in decreased shipments and related sales revenues. Decreased performance levels over longer periods of time could cause its customers to look elsewhere for their fuel needs, negatively affecting ICG s revenues and profitability.

Several of ICG s 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 ICG s ability to supply coal to its customers. ICG s transportation providers may face difficulties in the future that may impair its ability to supply coal to its customers, resulting in decreased revenues.

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

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Fluctuations in transportation costs could impair ICG s ability to supply coal to its customers.

Transportation costs represent a significant portion of the total cost of coal for its 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 its coal production less competitive than coal produced from other sources.

Conversely, 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 ICG s business, financial condition and results of operations.

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

ICG s profitability depends substantially on its 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 its customers. Because ICG s reserves decline as ICG mines its coal, its future success and growth depend, in part, upon its 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. ICG may not be able to accurately assess the geological characteristics of any reserves that it acquires, which may adversely affect its profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on ICG s operating results that is disproportionate to the percentage of overall production represented by such mines. ICG s ability to obtain other reserves in the future could be limited by restrictions under its 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 or decreases in availability could significantly impair ICG s operating profitability.

ICG s coal mining operations use significant amounts of steel, rubber, petroleum products and other raw materials in various pieces of mining equipment, supplies and materials. Scrap steel prices have risen significantly and, historically, the prices of scrap steel and petroleum have fluctuated. There may be other acts of nature, terrorist attacks or threats or other conditions that could also increase the costs of raw materials. If the price of steel, rubber, petroleum products or other of these materials increase, its operational expenses will increase, which could have a significant negative impact on its profitability. Additionally, shortages in raw materials used in the manufacturing of supplies and mining equipment could limit its ability to obtain such items which could have an adverse effect on ICG s ability to carry out its business plan.

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 ICG s 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 its planned expansion opportunities, ICG intends to continue sponsoring both in-house and vocational coal mining programs at the local level in order to train additional skilled laborers. Competitive labor markets require competitive compensation packages. As a result, $16.50 of ICG s cost of coal sales per ton in 2010 was attributable to labor and benefits, compared to $15.48 for 2009. In the event that a shortage of experienced labor were to arise or ICG is unable to train the necessary amount of skilled laborers, there could be an adverse impact on ICG s labor productivity and costs and ICG s ability to expand production, which could have a material adverse effect on ICG s earnings.

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ICG s ability to operate its company effectively could be impaired if they fail to attract and retain key personnel.

ICG s senior management team averages 27 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 its senior executives could have a material adverse effect on its business. There may be a limited number of persons with the requisite experience and skills to serve in its senior management positions. ICG may not be able to locate or employ qualified executives on acceptable terms. In addition, as its business develops and expands, ICG believes that its future success will depend greatly on its continued ability to attract and retain highly skilled personnel with coal industry experience. Competition for these persons in the coal industry is intense and ICG may not be able to successfully recruit, train or retain qualified personnel. ICG may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. ICG s failure to retain or attract key personnel could have a material adverse effect on their ability to effectively operate its business.

Acquisitions that ICG may undertake involve a number of inherent risks, any of which could cause it not to realize the anticipated benefits.

ICG continually seeks to expand its operations and coal reserves through selective acquisitions. If it is unable to successfully integrate the companies, businesses or properties acquired, its profitability may decline and ICG could experience a material adverse effect on its business, financial condition or results of operations. Acquisition transactions involve various inherent risks, including:

- 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;
- potential loss of key customers, management and employees of an acquired business;
- ability to achieve identified operating and financial synergies anticipated to result from an acquisition;
- discrepancies between the estimated and actual reserves of the acquired business;
- problems that could arise from the integration of the acquired business; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying ICG s rationale for pursuing the acquisition.

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

Risks inherent to mining could increase the cost of operating its business.

ICG s mining operations is subject to conditions that can impact the safety of its workforce or delay coal deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include:

- fires and explosions from methane gas or coal dust;
- accidental minewater discharges;

weather, flooding and natural disasters;

unexpected maintenance problems;

key equipment failures;

variations in coal seam thickness;

variations in the amount of rock and soil overlying the coal deposit; and

variations in rock and other natural materials and variations in geologic conditions.

ICG maintains insurance policies that provide limited coverage for some of these risks, although there can be no assurance that these risks would be fully covered by its insurance policies. Despite its efforts, significant mine accidents could occur and have a substantial impact.

Inability of contract miner or brokerage sources to fulfill the delivery terms of their contracts with ICG could reduce its profitability.

In conducting its mining operations, ICG utilizes third-party sources of coal production, including contract miners and brokerage sources, to fulfill deliveries under its coal supply agreements. ICG s profitability or exposure to loss on transactions or relationships such as these is dependent upon the reliability (including financial viability) and price of the third-party supply, its obligation to supply coal to customers in the event that adverse geologic mining conditions restrict deliveries from its suppliers, its willingness to participate in temporary cost increases experienced by its third-party coal suppliers, its ability to pass on temporary cost increases to its customers, the ability to substitute, when economical, third-party coal sources with internal production or coal purchased in the market and other factors. Brokerage sources and contract miners may experience adverse geologic mining and/or financial difficulties that make their delivery of coal to ICG at the contractual price difficult or uncertain, which could temporarily impair its ability to fill ICG s customers orders or require ICG to pay higher prices in order to obtain the required coal from other sources. If ICG has difficulty with its third-party sources of coal, ICG s profitability could decrease.

ICG may be unable to generate sufficient taxable income from future operations to fully utilize its significant tax net operating loss carryforwards or maintain its deferred tax assets.

As a result of ICG s acquisition of Anker and of historical financial results, ICG has recorded deferred tax assets. If ICG fails to generate profits in the foreseeable future, its deferred tax assets may not be fully utilized. ICG evaluates its ability to utilize its net operating loss (NOL) and tax credit carryforwards each period and, in compliance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes (ASC 740), record any resulting adjustments that may be required to deferred income tax expense. In addition, ICG will reduce the deferred income tax asset for the benefits of NOL and tax credit carryforwards used in future periods and will recognize and record federal and state income tax expense at statutory rates in future periods. If, in the future, ICG determines that it is more likely than not that it will not realize all or a portion of the deferred tax assets, ICG will record a valuation allowance against deferred tax assets which would result in a charge to income tax expense.

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

Federal and state laws require ICG to obtain surety bonds to secure payment of certain long-term obligations, such as mine closure or reclamation costs and federal and state workers compensation costs. Certain business transactions, such as coal leases and other obligations, may also require bonding. 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. ICG s failure to maintain, or its inability to acquire, surety bonds that are required by state and federal law would affect its ability to secure reclamation and coal lease obligations, which could adversely affect its ability to mine or lease coal. That failure could result from a variety of factors including, without limitation:

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

restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of ICG s amended and restated credit facility; and

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 ICG s ability to obtain or renew surety bonds.

At December 31, 2010, ICG had $86.3 million of letters of credit in place, of which $65.8 million serve as collateral for reclamation surety bonds and $20.5 million secured miscellaneous obligations. ICG s ABL loan facility provides for a revolving credit facility of $125.0 million, all of which may be used for letters of credit. If ICG does not maintain sufficient borrowing capacity under its ABL loan facility for additional letters of credit, it may be unable to obtain or renew surety bonds required for its mining operations.

ICG s business requires continued capital investment, which it may be unable to provide.

ICG s business strategy requires continued capital investment for, among other purposes, managing acquired assets, acquiring new equipment, maintaining the condition of its existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under its credit facilities are not sufficient to fund capital requirements, ICG 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 ICG s ability to withstand competitive pressures and render it more vulnerable to economic downturns. If ICG fails to generate sufficient earnings or to obtain sufficient additional capital in the future or fail to manage its capital investments effectively, it could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance its indebtedness.

In addition, the ABL loan facility contains covenants that, in the event ICG s liquidity falls below a specified amount, limits the amount of capital expenditures and requires ICG to maintain a minimum ratio of EBITDA to fixed charges.

The ABL loan facility also contains customary events of default, including, but not limited to, failure to pay principal or interest, breach of covenants or representations and warranties, cross-default to other indebtedness, judgment default and insolvency. If an event of default occurs under the ABL loan facility, the lenders under the ABL loan facility will be entitled to take various actions, including demanding payment for all amounts outstanding thereunder and foreclosing on any collateral. If the lenders were to do so, ICG s other debt obligations including the senior notes and the convertible notes, would also have the right to accelerate those obligations which it would be unable to satisfy.

Increased consolidation and competition in the U.S. coal industry may adversely affect its 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 2009, however, the top ten coal producers share had increased to approximately 67% of total domestic coal production. Consequently, many of its competitors in the domestic coal industry are major coal producers who have significantly greater financial resources than ICG. The intense competition among coal producers may impact ICG s ability to retain or attract customers and may therefore adversely affect its future revenues and profitability.

The demand for U.S. coal exports is dependent upon a number of factors outside of ICG s 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 and any other pressures placed on companies that are connected to the emission of greenhouse gases. 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.

ICG s ability to collect payments from its customers could be impaired if their creditworthiness deteriorates.

ICG s ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. Its customer base is changing with an increasing focus on metallurgical sales to domestic and export steel customers. Despite the recent improvement in steel output, the steel industry experienced a dramatic downturn in late 2008 that continued for most of 2009, with most of the industry experiencing steep losses. If the current recovery does not continue, ICG s ability to collect from some of its customers could be impaired.

Continued deregulation by its utility customers that sell their power plants to their non-regulated affiliates or third parties that may be less creditworthy, thereby increasing the risk ICG bears on payment default. These new power plant owners may have credit ratings that are below investment grade. Further, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk ICG bears on payment default.

In the current economic climate certain of ICG s customers and their customers may be affected by cash flow problems, which can increase the time it takes to collect accounts receivable.

Defects in title or loss of any leasehold interests in its properties could limit ICG s ability to conduct mining operations on these properties or result in significant unanticipated costs.

ICG conducted a significant part of its mining operations on properties that it leases. A title defect or the loss of any lease upon expiration of its term, upon a default or otherwise, could adversely affect its ability to mine the associated reserves and/or process the coal that it mines. Title to most of ICG s owned or leased properties and mineral rights is not usually verified until it makes a commitment to develop a property, which may not occur until after it has obtained necessary permits and completed exploration of the property. In some cases, ICG relies on title information or representations and warranties provided by its lessors or grantors. ICG s right to mine some of its 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 its title or leasehold interests could delay the exploration and development of the property and could ultimately result in the loss of some or all of its interest in the property. Mining operations from time to time may rely on an expired lease that ICG is unable to renew. From time to time ICG also may be in default with respect to leases for properties on which it has mining operations. In such events, ICG may have to close down or significantly alter the sequence of such mining operations which may adversely affect its future coal production and future revenues. If ICG mines on property that it does not own or lease, it could incur liability for such mining. Also, in any such case, the investigation and resolution of title issues would divert management s time from ICG s business and its results of operations could be adversely affected. Additionally, if ICG loses any leasehold interests relating to any of its preparation plants, ICG may need to find an alternative location to process its coal and load it for delivery to customers, which could result in significant unanticipated costs.

In order to obtain leases or mining contracts to conduct its mining operations on property where these defects exist, ICG may in the future have to incur unanticipated costs. In addition, ICG may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves, or maintain its leasehold interests in properties where ICG has 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.

ICG s work force could become unionized in the future, which could adversely affect the stability of its production and reduce its profitability.

All of ICG s coal production is from mines operated by union-free employees. However, its 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 its current compensation arrangements with its employees, any unionization of its subsidiaries employees could adversely affect the stability of its production and reduce its profitability.

If the coal industry experiences overcapacity in the future, ICG s profitability could be impaired.

During the mid-1970s and early 1980s, a growing coal market and increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in production capacity in excess of market demand throughout the industry. Similarly, increases in future coal prices could encourage the development of expanded capacity by new or existing coal producers.

ICG is subject to various legal and governmental proceedings which may have a material adverse effect on its business.

ICG is party to a number of legal proceedings incidental to normal business activities, including several complaints related to an accident at its Sago mine in January 2006, a breach of contract complaint by one of its customers related to the idling of its Sycamore No. 2 mine and a class action lawsuit that alleges that the registration statements filed in connection with its initial public offering contained false and misleading statements, and that investors relied upon those securities filings and suffered damages as a result. Some actions brought against ICG from time to time may have merit and, in addition, there may be claims asserted against ICG that are not covered, in whole or in part, by its insurance policies. There is always the potential that an individual matter or the aggregation of many matters could have an adverse effect on its financial condition, results of operations or cash flows. See note 16 to ICG s audited consolidated financial statements for the year ended December 31, 2010 and note 13 to ICG s unaudited consolidated financial statements for the three month period ended March 31, 2011, included and incorporated by reference in this prospectus supplement for additional information.

Although ICG strives to maintain compliance with all applicable laws at all times, from time to time it receives citations, orders and notices of violation from applicable governmental authorities, particularly those governing health, safety and the environment. When this occurs, ICG attempts to abate immediately the condition cited, whether or not it agrees as to whether it constitutes a violation. When ICG receive citations, orders or notices of violation, it either pays the assessed penalties, or if ICG disputes the fact of such alleged violation or the amount of the penalty relative to such violation, ICG contests such matter. While such matters typically would not be expected to have a material adverse effect, they could in the future have a material adverse effect on its business. None of ICG s mines has ever received a notice of a potential pattern of violations. If one or more of ICG s operations, however, were placed on a pattern of violations by the regulatory authorities, such designation and the enhanced enforcement regime that such designation entails, could have a material adverse effect on its business.

Risks to ICG Relating to Governmental Regulation

Extensive government regulations impose significant costs on ICG s mining operations, and future regulations could increase those costs or limit its 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:

limitations on land use;

employee health and safety;

mandated benefits for retired coal miners;

mine permitting and licensing requirements;

reclamation and restoration of mining properties after mining is completed;

air quality standards;

water pollution;

- construction and permitting of facilities required for mining operations, including valley fills and other structures, including those constructed in natural water courses and wetlands;
- protection of human health, plant life and wildlife;
- discharge of materials into the environment;
- surface subsidence from underground mining; and
- effects of mining on groundwater quality and availability.

In particular, federal and state statutes require ICG to restore mine property in accordance with specific standards and an approved reclamation plan, and require that ICG obtain and periodically renew permits for mining operations. If ICG does not make adequate provisions for all expected reclamation and other costs associated with mine closures, it could harm ICG s future operating results.

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 new regulations or orders may materially adversely affect ICG s mining operations or cost structure, any of which could harm its 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 ICG could no longer pass it on to the purchaser of its coal under many of its long-term sales contracts, it could increase operating costs and harm ICG s results. Recently, there has been a renewed focus on rates of black lung disease among coal workers. As a result, there may be greater federal scrutiny of the industry that could lead to new and more costly regulation which may increase ICG s cost of contributions to the trust fund.

The costs, liabilities and requirements associated with existing and future 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 ICG s operations. ICG may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from its operations. ICG must compensate employees for work-related injuries. If ICG does not make adequate provisions for its workers compensation liabilities, it could harm its future operating results. If ICG is pursued for these sanctions, costs and liabilities, its mining operations and, as a result, its profitability could be adversely affected.

The possibility exists that new legislation and/or regulations and orders may be adopted that may materially adversely affect ICG s mining operations, its cost structure and/or its 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 ICG or its 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 ICG s financial condition and results of operations.

Restrictions on the disposal of mining spoil material could significantly increase ICG s operating costs, discourage customers from purchasing its coal and materially harm its financial condition and operating results.

Mining in the mountainous terrain of Appalachia typically requires the use of valley fills for the disposal of excess spoil (rock and soil material) generated by construction and mining activities. In ICG s surface mining operations, it selects the mining method that allows it to recover more tons of coal per acre and facilitates the permitting of larger projects, which enables mining to continue over a longer period of time. All methods of surface mining in Appalachia depend on valley fills to dispose of excess mining spoil material. Construction of roads, underground mine portal sites, coal processing and handling facilities and coal refuse embankments or impoundments related to both surface and underground mining also require the development of valley fills. ICG obtains permits to construct and operate valley fills and surface impoundments from the ACOE under the auspices of Section 404 of the federal Clean Water Act (the CWA). Regulations that govern the issuance of such permits are under agency review and may become more stringent in the future. Lawsuits challenging the ACOE s authority to authorize surface mining activities under comprehensive individual permits have been instituted by environmental groups, which also advocate for changes in federal and state laws that would prevent or further restrict the issuance of such permits.

Litigation of this type, which is designed to prevent or delay the issuance of permits needed for mining or to make permitting or regulatory standards more stringent, whether brought directly against ICG or against governmental agencies that establish environmental standards and issue permits, could greatly lengthen the time needed to permit the mining of reserves, significantly increase ICG s operating costs, make it more difficult to economically recover a significant portion of its reserves and lead to a material adverse effect on its financial condition and results of operation. ICG may not be able to increase the price of its coal to cover higher production costs without reducing customer demand for its coal.

New government regulations as a result of recent mining accidents could continue increasing ICG s costs.

Both the federal and state governments impose stringent health and safety standards on the mining industry. Regulations are comprehensive and affect nearly every aspect of mining operations, including training of mine personnel, mining procedures, blasting, the equipment used in mining operations and other matters. As a result of past mining accidents, including the explosion at ICG s Sago mine in January 2006, additional federal and state health and safety regulations have been adopted that have increased operating costs and affect its mining operations. State and federal legislation has been adopted that, among other things, requires additional oxygen supplies, communication and tracking devices, refuge chambers, stronger seal construction and monitoring standards and mine rescue teams. As a result of the April 5, 2010 explosion that caused fatal injuries to 29 workers at a competitor s mine, both the federal government and the state of West Virginia have announced that they are considering additional changes to mine safety rules and regulations which may require changes to ICG s mining practices that could further increase its capital and operating costs and decrease its productivity, which would adversely affect its results of operations. ICG expects that increased efforts to expand investigations and types of violations, as well as increased penalties for non-compliance will increase its costs related to worker health and safety. Additionally, it could be subject to civil penalties and other penalties if it violates mining regulations.

Mining in Northern and Central Appalachia is more complex and involves more regulatory constraints than mining in the other areas, which could affect productivity 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 in northeastern Wyoming and southeastern Montana, permitting, licensing and other environmental and regulatory requirements are more dynamic and thus 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, ICG s mines in Northern and Central Appalachia.

ICG must obtain governmental permits and approvals for mining operations, which can be a costly and time-consuming process, can result in restrictions on its operations and is subject to litigation that may delay or prevent it from obtaining necessary permits.

ICG s operations are principally regulated under surface mining permits issued pursuant to the Surface Mining Control and Reclamation Act and state counterpart laws. Such permits, which are issued for terms of five years with the right of successive renewal, grant approval for surface mining or the surface effects of underground mining. Separately, the CWA requires permits for operations that discharge water or place fill material into waters of the

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United States. Water discharges are authorized under CWA Section 402 permits typically issued by state regulatory agencies under EPA oversight while valley fills, refuse impoundments and other types of disturbances in streams are authorized under CWA Section 404 permits issued by the ACOE. The EPA has the authority, which it has rarely exercised until recently, to object to permits issued by the ACOE. While the ACOE is authorized to issue permits even when the EPA has objections, the EPA does have the ability to override the ACOE decision and veto the permits.

A Memorandum of Understanding executed on June 11, 2009 between the EPA, the ACOE and the Department of the Interior provided a blueprint for proposed changes to the regulation of coal mining activities in the Appalachian region of Kentucky, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia. The Department of Interior s Office of Surface Mining Reclamation and Enforcement (OSMRE) stated that it intended to revise certain rules to afford greater protections to streams and to revisit its regulation of surface mine restoration. The EPA announced an enhanced coordination procedure for the review of all pending CWA Section 404 permit applications for mining in Appalachia.

In September 2009, the EPA announced 79 pending CWA Section 404 permit applications for Appalachian coal mining warranted further review because of continuing concerns about water quality and/or regulatory compliance issues. The list included four of ICG s permit applications. Three of its four permit applications were withdrawn following its evaluation of other spoil disposal options, which are less economical than the proposed projects. ICG s application for a coarse refuse fill at its Knott County mine remains pending. While the EPA has stated that its identification of these 79 permits does not constitute a determination that the mining involved cannot be permitted under the CWA and does not constitute a final recommendation from the EPA to the ACOE on these projects, it is unclear how long the further review will take for its permits or what the final outcome will be. Excessive delays in permitting may require adjustments of ICG s production budget and mining plans.

On April 1, 2010, the EPA released a guidance document entitled Improving EPA Review of Appalachian Surface Coal Mining Operations under the Clean Water Act, National Environmental Policy Act, and the Environmental Justice Executive Order. This guidance, if applied by states within this six-state region (KY, OH, PA, TN, VA and WV), will result in the imposition of exceedingly stringent water quality-based limitations in CWA Section 402 wastewater discharge permits and CWA Section 404 dredge and fill permits. Specifically, a maximum conductivity limitation of 500 microSiemens per centimeter is not considered attainable for water discharges from most mining operations, including underground mines. This guidance may cause delays in ICG s ability to obtain permits, may increase its operating and capital costs to comply with permits or may prevent its ability to obtain permits that will allow it to conduct certain operations. The issuance of this guidance is being appealed by the National Mining Association, Kentucky Coal Association, the State of West Virginia and the Commonwealth of Kentucky.

Additionally, certain operations (particularly preparation plants) have permits issued pursuant to the Clean Air Act and state counterpart laws allowing and controlling the discharge of air pollutants. Regulatory authorities exercise considerable discretion in the timing of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations could result in the suspension, denial or revocation of required permits, which could have a material adverse impact on ICG s financial condition, results of operations or cash flows.

The Mine Safety and Health Administration or other federal or state regulatory agencies may order certain of icg s mines to be temporarily or permanently closed, which could adversely affect its ability to meet customers demands.

The Mine Safety and Health Administration (MSHA) or other federal or state regulatory agencies may order certain of ICG s mines to be temporarily or permanently closed. Its customers may challenge its issuance of force majeure notices in connection with such closures. If these challenges are successful, ICG may have to purchase coal from third-party sources to satisfy those challenges, incur capital expenditures to re-open the mines and negotiate settlements with the customers, which may include price reductions, the reduction of commitments or the extension of time for delivery, terminate customers contracts or face claims initiated by its customers against ICG. The resolution of these challenges could have an adverse impact on its financial position, results of operations or cash flows.

Federal or state legislation that restricts disposal of mining spoil material or coal refuse material could eliminate certain mining methods, significantly increase ICG s operating costs and materially harm its financial condition and operating results.

The U.S. Congress and state legislatures have in the past and are currently considering proposals that would effectively prohibit the placement of materials generated by coal mining into waters of the United States, which practice is essential to surface mining in central Appalachia. A prohibition against excess spoil placement in streams would essentially eliminate surface mining in steep terrain, thus rendering much of ICG s coal reserves unmineable. Restrictions on the placement of coal refuse material in streams or in abandoned underground coal mines could limit the life of existing coal processing operations, potentially block new coal preparation plants and at minimum significantly increase ICG s operating costs. Public concerns regarding the environmental, health and aesthetic impacts of surface mining could, independent of regulation, affect ICG s reputation and reduce demand for its coal.

Promulgation of a federal stream protection plan regulation that would restrict disposal of mining spoil material or place stringent restrictions on mining in, near or beneath streams could eliminate certain mining methods, significantly increase ICG s operating costs and materially harm its financial condition and operating results.

The OSMRE published an Advance Notice of Proposed Rulemaking (ANPRM) in November 2009 regarding the alternatives under consideration for revision of its 2008 Stream Buffer Zone Rule which solicits public comment on changes to mining regulatory programs that are more restrictive than indicated by the ANPRM. The OSMRE, after receiving over 30,000 comments during a brief public comment period, decided to expand its formal rulemaking to encompass issues beyond the Stream Buffer Zone Rule. The OSMRE, in April and June 2010, published Notices of Intent to conduct an Environmental Impact Statement for a Stream Protection Rule, which would replace the Stream Buffer Zone Rule. The notice included a list of concepts under consideration for the proposed rule, such as requirements for coal mining companies to gather more specific baseline data on a proposed mine site s hydrology, geology and aquatic biology; a proposal to establish a definition of the term material damage to the hydrologic balance of watersheds outside the permit area; revising regulations for mining activities in, near or beneath streams; and development of revised and expanded requirements for mine operators seeking a variance from the requirement that mined areas be reclaimed to their approximate original contour. A proposed revised rule has not yet been released for public review and comment. However, internal draft OSMRE documents indicate that consideration has been given to proposing a rule that is much broader in scope than the Stream Buffer Zone Rule, which would prohibit widely accepted mining techniques and destroy tens of thousands of coal mining and related jobs nationwide. If any of these or other more restrictive stream protection alternatives are adopted, such added requirements could impact coal mining operations, particularly in Appalachia, by reducing locations where coal mining operations can be conducted. Such measures could impact the cost and productivity of mining and may affect the economic viability of mining certain reserves. Certain of the proposed alternatives would effectively prohibit the placement of materials generated by coal mining into intermittent or perennial streams, which practice is essential to surface mining in central Appalachia. A prohibition against excess spoil placement in such streams would essentially eliminate surface mining in steep terrain, thus rendering much of ICG s coal reserves unmineable. A prohibition on impacts to streams due to mining in, near or beneath such streams would adversely affect certain mining methods, including longwall mining. The OSMRE had announced that it intended to release a proposed revised rule for public review and comment in early 2011, but the OSMRE s decision in March 2011 to terminate the contractor that had been retained to conduct the environmental impact study is expected to delay the proposed rulemaking.

ICG may be unable to obtain and renew permits necessary for its operations, which would reduce its 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 or become more stringent, making ICG s ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. The public has certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Furthermore, in the current regulatory environment, with enhanced scrutiny by regulators, increased opposition by environmental groups and others and potential resultant delays and permit application denials, ICG now anticipates that mining permit approvals will take even longer than previously experienced, and some permits may not be issued at all. Accordingly, the permits ICG needs may not be issued, maintained or renewed, may not be issued or renewed in a timely fashion and may involve requirements that restrict ICG s ability to conduct its mining operations. An inability to conduct its mining operations pursuant to applicable permits would reduce its production, cash flows and profitability.

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

The SMCRA establishes operational, reclamation and closure standards for all aspects of surface mining, as well as the surface effects of deep mining. Estimates of ICG s total reclamation and mine closure liabilities are based upon permit requirements, engineering studies and its engineering expertise related to these requirements. The estimate of ultimate reclamation liability is updated annually by an independent engineering consulting firm and reviewed periodically by ICG s management and engineers. The estimated liability can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. Asset retirement obligations are 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, ICG 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 ICG. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from its assumptions.

ICG s operations may substantially impact the environment or cause exposure to hazardous materials, and its properties may have significant environmental contamination, any of which could result in material liabilities to it.

ICG uses, and in the past has used, hazardous materials and generates, and in the past has generated, hazardous wastes. In addition, many of the locations that ICG owns or operates were used for coal mining and/or involved hazardous materials usage either before or after it was involved with those locations. ICG may be subject to claims under federal and state statutes and/or common law doctrines for personal injury, property damages, 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 it owns or operates currently, as well as at sites that it or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. ICG s liability for such claims may be joint and several, so that it may be held responsible for more than its share of the remediation costs or other damages, or even for the entire share. ICG has from time to time been subject to claims arising out of contamination at its own and other facilities and may incur such liabilities in the future.

ICG uses, and in the past has used, alkaline coal combustion byproducts (CCBs) during the reclamation process at certain of its mines to aid in preventing the formation of acid mine drainage and it has agreed to dispose of CCBs in some instances. Use of CCBs on a mined area is subject to regulatory approval and is allowed only after it is proved to be of beneficial use. The EPA has issued a proposed regulation discussing potential regulatory options for CCBs generated by electricity generators under the Resource Conservation and Recovery Act, one of which is the regulation of CCBs as hazardous or special waste and the other as non-hazardous waste. This proposed rule contains an exemption, the scope of which is not completely clear, for the use of CCBs as minefills at coal mines, and the EPA has stated that it will defer to the OSMRE to undertake regulatory action. If in the future CCBs were to be classified as a hazardous or special waste or if more stringent disposal requirements were to be otherwise established for these wastes, ICG may be required to cease using or disposing of CCBs at certain of its mines and

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find a replacement alkaline material for this purpose, which may add to the cost of mine reclamation or decrease its revenue generated from disposal contracts with certain of its customers.

ICG maintains extensive coal slurry impoundments at a number of its mines. Such impoundments are subject to stringent 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 ICG s impoundments overlie mined-out areas, which can pose a heightened risk of failure and of damages arising out of failure, unless preventive measures are implemented in a timely manner. ICG has commenced such measures to modify its 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 has been incorporated into the construction sequence of the impoundment and thus will take several years to complete. If one of its impoundments were to fail, ICG 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 ICG s operations may have on the environment, as well as exposures to hazardous substances or wastes associated with its operations and environmental conditions at its properties, could result in costs and liabilities that would materially and adversely affect it.

Extensive environmental regulations affect ICG s customers and could reduce the demand for coal as a fuel source and cause its 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 ICG s 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.

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 ICG s revenues and harm its business, financial condition and results of operations. The price of lower 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 ICG s revenues and harm its results. In addition, regulatory initiatives including the sulfur dioxide and nitrogen oxide rules, new ozone and particulate matter standards, regional haze regulations, new source review, new source performance standards, 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 ICG s utility customers and substantially reduce its sales.

Various new and proposed laws and regulations may require further significant reductions in emissions from coal-fired utilities. More stringent emissions standards may require many coal-fired sources to install additional pollution control equipment, such as wet scrubbers. Increasingly, the EPA has been undertaking multi-pollutant rulemakings to reduce emissions from coal-fired utilities. The EPA has issued a proposed rule to regulate the disposal of CCBs under the Resource Conservation and Recovery Act. 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 ICG s 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 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.

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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.

New and pending laws regulating the environmental effects of emissions of greenhouse gases could impose significant additional costs to doing business for the coal industry and/or a shift in consumption to non-fossil fuels.

Greenhouse gas emissions have increasingly become the subject of a large amount of international, national, regional, state and local attention. Future regulation of greenhouse gas could occur pursuant to future U.S. treaty obligations, statutory or regulatory changes under the Clean Air Act or new climate change legislation. Increased efforts to control greenhouse gas emissions could result in reduced demand for coal if electric power generators switch to lower carbon sources of fuel.

Coal-fired power plants can generate large amounts of greenhouse gas emissions, and, as a result, have become subject to challenge, including the opposition to any new coal-fired power plants or capacity expansions of existing plants, by environmental groups seeking to curb the environmental effects of emissions of greenhouse gases. Various legislation has been and may continue to be introduced in Congress which reflects a wide variety of strategies for reducing greenhouse gas emissions in the United States. These strategies include mandating decreases in greenhouse gas emissions from coal-fired power plants, instituting a tax on greenhouse gas emissions, banning the construction of new coal-fired power plants that are not equipped with technology to capture and sequester carbon dioxide, encouraging the growth of renewable energy sources (such as wind or solar power) or nuclear for electricity production, and financing the development of advanced coal burning plants which have greatly reduced greenhouse gas emissions. Most states in the United States have taken steps to regulate greenhouse gas emissions. Under the Clean Air Act, the EPA has published its finding that greenhouse gases pose a threat to public health and declared that six greenhouse gases constitute air pollutants. The EPA has adopted regulations that would impact new or modified major stationary sources of greenhouse gas emissions, including coal-fired power plants, beginning January 2, 2011. Emissions of greenhouse gas emissions from coal mining have come under increased regulatory attention, as the EPA has extended its greenhouse gas emissions reporting rules to underground coal mines and has received a petition to adopt regulations to restrict greenhouse gas emissions, including methane, and other pollutants from surface, underground and abandoned coal mines.

These or additional state or federal laws or regulations regarding greenhouse gas emissions or other actions to limit greenhouse gas emissions could result in fuel switching, from coal to other fuel sources, by electric generators. Political and regulatory uncertainty over future emissions controls have been cited as major factors in decisions by power companies to postpone new coal-fired power plants. If measures such as these or other similar measures, like controls on methane emissions from coal mines, are ultimately imposed on the coal industry by federal or state governments or pursuant to international treaty, ICG s operating costs may be materially and adversely affected. Similarly, alternative fuels (non-fossil fuels) could become more attractive than coal in order to reduce greenhouse gas emissions, which could result in a reduction in the demand for coal and, therefore, ICG s revenues. Public concerns regarding climate change could, independent of regulatory developments, adversely affect ICG s reputation and reduce demand for its coal.

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USE OF PROCEEDS

Based on an assumed offering price of $29.60 per share, the last reported sales price of Arch Coal s common stock on the NYSE on May 27, 2011, we estimate that the net proceeds of the common stock offering, after deducting underwriters discounts and estimated fees and expenses, will be approximately $1,252.8 million (assuming no exercise by the underwriters of their over-allotment option). If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds of this offering will be approximately $1,440.8 million, after deducting underwriters discounts and estimated fees and expenses. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of New Senior Notes. We intend to use the net proceeds of this offering, our concurrent offering of New Senior Notes and borrowings under our amended and restated senior secured credit facility, to fund the transactions and to pay fees and expenses in connection with the transactions.

The following table illustrates the estimated sources of funds and uses of funds relating to the transactions, as if the transactions were completed on March 31, 2011. The actual amounts may differ at the time of the consummation of the transactions.