International Coal Group, Inc.
Form 424B5
March 08, 2010
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-163813

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

SUBJECT TO COMPLETION, DATED MARCH 8, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated March 8, 2010)

21,200,000 SHARES

Common Stock

We are offering 21,200,000 shares of our common stock, par value $0.01 per share, or the Common Stock.

Our Common Stock is listed on the New York Stock Exchange under the symbol ICO. The last reported sale price of our Common Stock on March 5, 2010 was $4.73 per share.

Concurrently with this offering, we are offering $75.0 million aggregate principal amount of our % Convertible Senior Notes due 2017, or Convertible Notes (or a total of $86.25 million aggregate principal amount of Convertible Notes if the underwriters in such offering exercise their over-allotment option in full), and $200.0 million aggregate principal amount of our % Senior Secured Second-Priority Notes due 2018, or Senior Notes, which we refer to as the Concurrent Offerings. The Convertible Notes and Senior Notes are each being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the Concurrent Offerings is contingent upon the completion of this offering or the other Concurrent Offering, and this offering is not contingent upon the completion of either of the Concurrent Offerings. See Concurrent Offerings.

Investing in our Common Stock involves significant risks. See Risk Factors beginning on page S-9 of this prospectus supplement to read about factors you should consider before you make your investment decision.

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

The underwriters also may purchase up to an additional 3,180,000 shares of our Common Stock at the public offering price, less the underwriting discounts and commissions, within 30 days of the date of this prospectus supplement to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock on or about , 2010.

Joint Book-Running Managers

UBS Investment Bank	**Morgan Stanley**

The date of this prospectus supplement is , 2010.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus filed by us with the Securities and Exchange Commission, or SEC. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any date other than their respective dates.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. However, if any statement in either of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference the statement in the document having the later date modifies or supersedes the earlier statement.

You should read both this prospectus supplement and the accompanying prospectus together with the additional information described in this prospectus supplement under Incorporation By Reference; Where You Can Find More Information.

As used in this prospectus supplement, the terms we, us, our, ICG, ICG, LLC, International Coal and the Company refer to Internation
Group, Inc. and its subsidiaries on a consolidated basis, unless the context indicates another meaning.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this prospectus supplement and the accompanying prospectus that are not historical facts are forward-looking statements within the safe harbor provision of the Private Securities Litigation Reform Act of 1995 and may involve a number of risks and uncertainties. We have used the words anticipate, believe, could, estimate, expect, intend, may, plan, predict, project and similar terms and phrases, i
to assumptions, to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to various risks, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- our ability to successfully refinance our outstanding indebtedness and reduce our leverage through this offering and through the other transactions described under Concurrent Offerings and Concurrent Tender Offers and Consent Solicitation ;
- market demand for coal, electricity and steel;
- availability of qualified workers;
- future economic or capital market conditions;
- weather conditions or catastrophic weather-related damage;
- our production capabilities;
- consummation of financing, acquisition or disposition transactions and the effect thereof on our business;

a significant number of conversions of our Existing Convertible Notes (as defined below) prior to maturity;

our plans and objectives for future operations and expansion or consolidation;

Table of Contents

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

availability and costs of key supplies or commodities such as diesel fuel, steel, explosives and tires;

availability and costs of capital equipment;

prices of fuels which compete with or impact coal usage, such as oil and natural gas;

timing of reductions or increases in customer coal inventories;

long-term coal supply arrangements;

reductions and/or deferrals of purchases by major customers;

risks in or related to coal mining operations, including risks related to third-party suppliers and carriers operating at our mines or complexes;

unexpected maintenance and equipment failure;

environmental, safety and other laws and regulations, including those directly affecting our coal mining and production, and those affecting our customers coal usage;

ability to obtain and maintain all necessary governmental permits and authorizations;

competition among coal and other energy producers in the United States and internationally;

railroad, barge, trucking and other transportation availability, performance and costs;

employee benefits costs and labor relations issues;

replacement of our reserves;

our assumptions concerning economically recoverable coal reserve estimates;

availability and costs of credit, surety bonds and letters of credit;

- title defects or loss of leasehold interests in our properties which could result in unanticipated costs or inability to mine these properties;

- future legislation and changes in regulations or governmental policies or changes in interpretations or enforcement thereof, including with respect to safety enhancements and environmental initiatives relating to global warming or climate change;

- impairment of the value of our long-lived and deferred tax assets;

- our liquidity, including our ability to adhere to financial covenants related to our borrowing arrangements;

- adequacy and sufficiency of our internal controls; and

- legal and administrative proceedings, settlements, investigations and claims and the availability of related insurance coverage.

You should keep in mind that any forward-looking statements made by us in this prospectus supplement or elsewhere speak only as of the date on which the statements were made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us or our anticipated results. In light of these risks and uncertainties, you should keep in mind that any of these forward-looking statements might not occur. When considering these forward-looking statements, you should keep in mind the cautionary statements in this prospectus supplement and in our other SEC filings, including the more detailed discussion of these factors, as well as other factors that could affect our results, contained under Risk Factors elsewhere in this prospectus supplement.

Table of Contents

SUMMARY

This summary highlights selected information about us and this offering. This summary is not complete and may not contain all of the information that is important to you. We encourage you to read this prospectus supplement and the accompanying prospectus, including any information incorporated by reference into this prospectus supplement and the accompanying prospectus, in their entirety.

Our Company

We are a leading coal mining company in Northern and Central Appalachia producing a broad range of mid- to high-Btu, low- to medium-sulfur, steam and metallurgical coal. We operate 12 mining complexes in West Virginia, Kentucky, Virginia and Maryland; we also operate an additional mining complex in the Illinois Basin producing mid- to high-sulfur steam coal. We market our coal to a diverse customer base of largely investment grade electric utilities, as well as domestic and international industrial customers. The quality of our coal and the availability of multiple transportation options, including rail, truck and barge, throughout the Appalachian region, enable us to participate in both the domestic and international coal markets.

As of December 31, 2009, management estimates that we own or control approximately 325 million tons of metallurgical coal reserves and approximately 765 million tons of steam coal reserves. Management s estimates were developed considering an initial evaluation, as well as subsequent acquisitions, dispositions, depleted reserves, changes in available geological or mining data and other factors. Of our 1.1 billion tons of total coal reserves, we own 724 million tons and lease 366 million tons from third-party mineral holders. We also own or control approximately 431 million tons of non-reserve coal deposits. We have approximately 2,600 employees; all of our mining complexes are union free.

For the year ended December 31, 2009, we sold 16.8 million tons of coal, of which approximately 16.0 million tons were produced and approximately 0.8 million tons were purchased through brokered coal contracts (coal purchased from third parties for resale). Of the tons sold, 15.8 million tons were steam coal and 1.0 million tons were metallurgical coal. Our steam coal sales volume in 2009 consisted of mid- to high-quality, high Btu (greater than 12,000 Btu/lb.), low- to medium-sulfur (1.5% or less) coal, which typically sells at a premium to lower quality, steam coal. In response to weakened demand for coal in 2009 due to the overall economic environment, we idled significant production capacity. As market conditions improve, we believe we are advantageously positioned to increase our production level relatively quickly to 20 million tons. Our three largest customers for the year ended December 31, 2009 were Progress Energy, Georgia Power and Santee Cooper; we derived approximately 36% of our revenues from sales to our five largest customers. No single customer accounted for more than 10% of our revenues in 2009.

During 2009, we generated coal revenues of $1.0 billion, Adjusted EBITDA of $201.7 million and net income of $21.5 million. We define and reconcile Adjusted EBITDA and explain its importance in footnote 1 under Summary Historical Consolidated Financial and Operating Data.

Our Competitive Strengths

Developed but idled capacity to increase production levels quickly if market conditions warrant. Over the last five years, we have invested over $350.0 million to increase our total production infrastructure capacity by over five million tons. While our 2009 production was scaled down to 16.3 million tons due to reduced demand, we believe that our existing infrastructure base supports a production level of up to 20 million tons and we could reach this production level with modest equipment investment in a relatively short time frame. We would not undertake reactivation of such idled capacity to significantly increase our current production unless market conditions warrant it and it would provide acceptable margins.

Table of Contents

Large base of owned reserves providing significant production flexibility and internal development opportunities. As of December 31, 2009, we controlled approximately 1.1 billion tons of coal reserves comprised of 724 million tons of owned reserves and an additional 366 million tons of reserves under long-term leases. We also own or control approximately 431 million tons of non-reserve coal deposits. We believe our undeveloped reserves and non-reserve coal deposits give us the flexibility to grow even without pursuing acquisition opportunities that might be available to us. Further, we believe our high proportion of owned reserves provides a competitive cost advantage because production from owned reserves does not require a royalty payment to third parties.

Diversity of production, reserves and non-reserve coal deposits. Our production, reserves and non-reserve coal deposits are located in three of the four major coal regions in the United States and provide important geographical diversity in terms of markets, transportation and labor. We also operate 13 mining complexes, giving us substantial operational flexibility and making us less reliant on any single mine for a significant portion of our total production. We believe the diversity of our operations and reserves 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 and to reduce transportation costs.

Minimal level 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, 2009, we had total legacy liabilities of only $143.0 million (including accrued workers compensation liabilities, liabilities under the Coal Industry Retiree Health Benefit Act of 1992, post-retirement employee obligations, black lung liabilities and reclamation liabilities). Approximately 53% of our total legacy liabilities relates to reclamation liabilities, which we consider a normal-course-of-business liability. In addition, our entire workforce is union free, which minimizes employee-related liabilities commonly associated with union-represented mines.

Skilled management team. The members of our senior management team have, on average, 25 years of industry experience in a variety of mining methods, including longwall mining. We have substantial Appalachian mining experience with a history of increasing productivity, reducing costs, enhancing work safety practices, and maintaining strong customer relationships. In addition, the majority of our senior management team has extensive mine development and expansion experience.

Our Strategy

Continued focus on increasing the percentage of production from underground operations. In 2004, 36% of our production was from underground mining. By 2009, we had increased our proportion of underground mining to 47% of total production. Over the next several years, we intend to focus on selectively shifting more of our production to underground mining, which we believe is more favorably positioned in the current regulatory environment. In Appalachia, underground mining permits typically encounter fewer regulatory hurdles and third party activist challenges, and are therefore less subject to developmental risk than surface mining permits. One key component in this strategy is developing our Tygart #1 mine complex, which we expect to produce 3.5 million tons per year at full output through underground mining.

Pursue selected internal growth projects, including our flagship Tygart property. Our Tygart property is a large undeveloped reserve in Northern Appalachia which contains approximately 186 million tons of high Btu, low- to medium-sulfur steam and metallurgical quality coal. The first mining development planned for the Tygart property is the Tygart #1 Mine complex, which is an underground mining operation in the northeastern corner that is designed to extract approximately 38 million tons using longwall mining and room-and-pillar operations. The Tygart #1 mine is currently scheduled to begin development production in late 2012 and is expected to produce up to 3.5 million tons per year of high quality coal (split approximately 50% steam and 50% metallurgical) at full capacity. We believe that at full production Tygart will be one of our highest margin operations due to its low cost structure and high quality coal. One near-term project we are currently developing is a new low volatile metallurgical coal mine at our Vindex complex that is expected to produce approximately 200,000 annual tons, with initial production projected for the third quarter of 2010. In addition, we anticipate developing projects utilizing the substantial reserve position that we own in the Illinois Basin in order to capitalize on the expected increase in demand for high-sulfur coal to serve the scrubbed utility market and the coal-to-gas and coal-to-liquid conversion markets.

Continue to position our business to take advantage of favorable long-term trends for global coal consumption. We produce the majority of our coal in Northern and Central Appalachia, which is geographically well-positioned to serve a global customer base. We expect that international demand for our products will increase in the future, driven by favorable projected global growth trends and the high quality of our coal compared to other producing regions around the world. During periods of strong global demand for coal and limited supply, the Eastern United States has increased its exports significantly to serve a global customer base. For example, the U.S. Energy Information Administration, or EIA, reported that export demand for steam and metallurgical coal increased 44% and 32% from 2007 to 2008, respectively. We believe that the high quality of our coal makes it attractive to customers around the world and that shifting supply trends will provide a unique opportunity for Appalachian producers to increasingly service a global customer base. In 2010, we expect that our sales of metallurgical coal will double to approximately 2.4 million tons, allowing us to take advantage of this market which has shown encouraging signs of strength recently.

Maintain our strong relationships with high credit quality customers. Since our formation in 2004, we have significantly strengthened our customer relationships through attentive customer service and timely delivery of our coal products. We have built strong relationships with a broad group of customers, including large, geographically diverse utilities that are primarily of investment-grade credit quality. We will continue focusing our customer service efforts which we expect to position us to secure favorable contracts for our expected production increases in the future.

Outlook

The Company is confirming that Adjusted EBITDA is expected to be in the range of $170.0 million to $200.0 million in 2010. In addition, the Company expects that Adjusted EBITDA for the first quarter of 2010 will be in the range of $36.0 million to $42.0 million. First quarter earnings will be impacted by certain nonrecurring expenses related to the private exchanges of our Existing Convertible Notes in January 2010 and extinguishment of debt as a result of the Concurrent Tender Offers. See Concurrent Tender Offers and Consent Solicitation. Consistent with our past practice, we do not currently intend to provide quarterly guidance in the future.

New ABL Loan Facility

On February 22, 2010, we entered into a new asset-based loan facility, or ABL Loan Facility, which refinanced our prior senior secured credit facility. The ABL Loan Facility is a $125.0 million senior secured facility with a four year term available for loans and the issuance of letters of credit. Subject to certain conditions, at any time prior to maturity, we will be able to elect to increase the size of the ABL Loan Facility up to a maximum of $200.0 million. Availability under the ABL Loan Facility is calculated using a borrowing base test. The ABL Loan Facility is guaranteed by all of our current and future wholly-owned subsidiaries and secured by a first priority security interest on all of our and each of our guarantors existing and after-acquired real and personal property, including all outstanding equity interests of our wholly-owned subsidiaries. See ABL Loan Facility.

Table of Contents

Concurrent Offerings

The Concurrent Offerings consist of:

- $75.0 million aggregate principal amount of Convertible Notes (or a total of $86.25 million aggregate principal amount of Convertible Notes if the underwriters in such offering exercise their over-allotment option in full); and

- $200.0 million aggregate principal amount of Senior Notes.

The Convertible Notes and the Senior Notes are each being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the Concurrent Offerings is contingent upon the completion of this offering or the other Concurrent Offering, and this offering is not contingent upon the completion of either of the Concurrent Offerings. We cannot assure you that we will complete the Concurrent Offerings. See Concurrent Offerings.

Concurrent Tender Offers and Consent Solicitation

Concurrently with this offering, we commenced an offer to purchase our 9.00% Convertible Senior Notes due 2012, or Existing Convertible Notes, and an offer to purchase and consent solicitation related to our 10.25% Senior Notes due 2014, or Existing Senior Notes. We refer to both tender offers together as the Tender Offers. See Concurrent Tender Offers and Consent Solicitation. We intend to use the net proceeds of this offering and the Convertible Notes offering, together with cash on hand, if necessary, to fund the purchase of the Existing Convertible Notes and for general corporate purposes. See Use of Proceeds.

Our Corporate Information

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 300 Corporate Centre Drive, Scott Depot, West Virginia 25560. Our telephone number is (304) 760-2400. Our website is www.intlcoal.com. Information contained in our website is not incorporated by reference into and does not constitute part of this prospectus supplement or the accompanying prospectus.

Table of Contents

The Offering

Common stock offered by us	21,200,000 shares.
Over-allotment option	3,180,000 shares.
Common stock to be outstanding after this offering (1)	200,548,784 shares (or 203,728,784 shares, if the underwriters exercise their over-allotment option in full).
Use of proceeds	We intend to use the net proceeds of this offering and the Convertible Notes offering, together with cash on hand, if necessary, to fund the purchase of the Existing Convertible Notes and for general corporate purposes. See Use of Proceeds.
New York Stock Exchange symbol	ICO.
Risk factors	Before deciding whether to invest in our Common Stock, you should carefully consider the risks described under Risk Factors beginning on page S-9 of this prospectus supplement, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the notes thereto.
Concurrent offerings	The Concurrent Offerings consist of $75.0 million aggregate principal amount of our Convertible Notes (or a total of $86.25 million aggregate principal amount of Convertible Notes if the underwriters in such offering exercise their over-allotment option in full) and $200.0 million aggregate principal amount of our Senior Notes. The Convertible Notes and Senior Notes are each being offered by means of a separate prospectus supplement and not by means of this prospectus supplement. Neither of the Concurrent Offerings is contingent upon the completion of this offering or the other Concurrent Offering, and this offering is not contingent upon the completion of either of the Concurrent Offerings. See Concurrent Offerings.

(1) The number of shares to be outstanding after this offering is based on 179,348,784 shares outstanding as of February 28, 2010. The number of shares of Common Stock to be outstanding after this offering includes 6,198,668 shares issued in January 2010 in private exchanges for our Existing Convertible Notes but excludes, as of December 31, 2009: (i) 5,034,610 shares of Common Stock issuable upon the exercise of stock options with a weighted-average exercise price of $5.00; (ii) 1,148,479 shares of nonvested restricted stock; (iii) 230,265 restricted share units issued to directors to be converted to Common Stock upon separation of service; and (iv) shares of Common Stock that may be issued upon conversion of the Convertible Notes and Existing Convertible Notes.

Table of Contents

Summary Historical Consolidated Financial and Operating Data

The following table presents summary historical consolidated financial and operating data for the most recent three years. The summary historical consolidated financial data as of, and for the years ended, December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements. Our audited consolidated financial statements are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on January 29, 2010 and incorporated by reference into this prospectus supplement. Our summary historical consolidated financial and operating data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and incorporated by reference into this prospectus supplement.

The results of operations for the historical periods included in the following table are not necessarily indicative of the results to be expected for future periods. In addition, see Risk Factors for a discussion of risk factors that could impact our future financial condition and results of operations.

	Year ended December 31, 2009	2008	2007
	(in thousands, except share and per ton data)		
Statement of Operations Data:			
Revenues:			
Coal sales revenues	$ 1,006,606	$ 998,245	$ 770,663
Freight and handling revenues	26,279	45,231	29,594
Other revenues	92,464	53,260	48,898
Total revenues	1,125,349	1,096,736	849,155
Cost and Expenses:			
Cost of coal sales	832,214	882,983	732,112
Freight and handling costs	26,279	45,231	29,594
Cost of other revenues	36,089	35,672	34,046
Depreciation, depletion and amortization	106,084	96,047	86,517
Selling, general and administrative	32,749	38,147	33,325
Gain on sale of assets	(3,659)	(32,518)	(38,656)
Impairment losses		37,428	170,402
Total costs and expenses	1,029,756	1,102,990	1,047,340
Income (loss) from operations	95,593	(6,254)	(198,185)
Interest and Other Income (Expense):			
Loss on extinguishment of debt	(13,293)		
Interest expense net	(53,044)	(43,643)	(35,989)
Other, net			319
Total interest and other income (expense)	(66,337)	(43,643)	(35,670)
Income (loss) before income taxes	29,256	(49,897)	(233,855)
Income tax benefit (expense)	(7,732)	23,670	85,944
Net income (loss)	21,524	(26,227)	(147,911)
Net (income) loss attributable to noncontrolling interest	(66)		349
Net income (loss) attributable to International Coal Group, Inc.	$ 21,458	$ (26,227)	$ (147,562)

S-6

Table of Contents

	Year ended December 31, 2009	2008	2007
	(in thousands, except share and per ton data)		
Earnings Per Share:			
Basic	$ 0.14	$ (0.17)	$ (0.97)
Diluted	$ 0.14	$ (0.17)	$ (0.97)
Weighted-Average Common Shares Outstanding:			
Basic	153,630,446	152,632,586	152,304,461
Diluted	155,386,263	152,632,586	152,304,461
Balance Sheet Data (at period end):			
Cash and cash equivalents	$ 92,641	$ 63,930	$ 107,150
Total assets	1,367,960	1,350,647	1,303,363