

Arch Coal Announces Required Offer to Repurchase 9.00% Convertible Senior Notes Due 2012 of its Subsidiary International Coal Group

ST. LOUIS, July 13, 2011 /[PRNewswire](#)/ -- Arch Coal, Inc. (NYSE: ACI) ("Arch") announced today that, pursuant to the terms and conditions of the Indenture (as amended and supplemented, the "Indenture") governing the 9.00% Convertible Senior Notes due 2012 (CUSIP: 45928H AD8) (the "Notes") of International Coal Group, Inc. ("ICG"), a wholly owned subsidiary of Arch, ICG will offer to repurchase the Notes, subject to the terms and conditions of ICG's Notice of Fundamental Change and Offer to Repurchase, dated June 13, 2011 (as amended and supplemented from time to time, the "Offer to Repurchase"), the Indenture and the Notes (the "Offer").

Pursuant to the Indenture, as a result of the occurrence of a "Fundamental Change" (as described below), each holder has the right to require ICG to repurchase its Notes, as follows:

ICG shall pay a repurchase price (the "Repurchase Price") in cash equal to 100% of the principal amount of the Notes (or portions thereof) being repurchased, plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change Repurchase Date. The "Fundamental Change Repurchase Date" is scheduled for Wednesday, August 17, 2011.

A Fundamental Change under the Indenture occurred on June 14, 2011, when Atlas Acquisition Corp. ("Purchaser"), a wholly owned subsidiary of Arch, accepted and paid for the shares of ICG's common stock, par value \$0.01 per share (the "Common Stock"), tendered in the tender offer (the "Equity Tender Offer") conducted pursuant to the terms and conditions of the Agreement and Plan of Merger, dated as of May 2, 2011, by and among Arch, the Purchaser and ICG, at a price of \$14.60 per share, net to the seller in cash (without interest and subject to any withholding taxes). On June 15, 2011, the Purchaser merged with and into ICG (the "Merger"), with ICG surviving the Merger and becoming a wholly owned subsidiary of Arch.

Holders must exercise their right to elect repurchase at or prior to 5:00 p.m., New York City time, on Friday, August 12, 2011, which is the third business day immediately preceding the Fundamental Change Repurchase Date (the "Expiration Time").

A form of Purchase Notice is attached as an exhibit to the Offer to Repurchase. As described in the Offer to Repurchase, all Notes tendered pursuant to the Offer must be delivered through the transmittal procedures of The Depository Trust Company ("DTC"), as set forth in the Offer to Repurchase, no later than the Expiration Time. Holders who tender through DTC need not submit a physical Purchase Notice to the Paying Agent if such holders comply with the transmittal procedures of DTC.

The name and address of the Paying Agent are as follows:

The Bank of New York Mellon Trust Company, N.A.
111 Sanders Creek Corporate Center (Bldg.)
East Syracuse, New York 13057
Attention: Global Corporate Trust
Facsimile: (315) 414-3391
General Bondholder Inquiry Number: (800) 254-2826

The name and address of the Conversion Agent are as follows:

The Bank of New York Mellon Trust Company, N.A.
2 North LaSalle Street
Chicago, Illinois 60602
Attention: Corporate Trust Administration
Facsimile: (312) 827-8542
General Bondholder Inquiry Number: (800) 254-2826

Notes must be surrendered to the Paying Agent to collect the Repurchase Price.

All Notes tendered in the Offer, which were delivered through the transmittal procedures of DTC, may be withdrawn only through the procedures of DTC at or prior to the Expiration Time. If a holder has submitted a Purchase Notice, withdrawal of the Purchase Notice may be made in writing in accordance with the Indenture at any time prior to the Expiration Time. If tendered Notes are properly withdrawn, ICG shall not be obligated to repurchase such Notes.

The amount of interest accrued and unpaid per \$1,000 principal amount of Notes from August 1, 2011, the last interest payment date prior to the Fundamental Change Repurchase Date, to, but excluding, the Fundamental Change Repurchase Date is expected to be approximately \$4.00.

The CUSIP number of the Notes is 45928H AD8.

As previously announced, because of the occurrence of the Fundamental Change and the Make-Whole Fundamental Change described below, the Notes may be converted into cash based on the make-whole conversion value set forth below through August 17, 2011. Notes that have been tendered in the Offer may be converted until 5:00 p.m., New York City time, on Wednesday, August 17, 2011, but only if the Notes are validly withdrawn in accordance with the terms of the Offer.

Prior to the consummation of the Equity Tender Offer, as described above, the conversion rate for the Notes was approximately 163.8136 shares of Common Stock per \$1,000 principal amount of Notes.

On June 15, 2011, the effective date of the Merger, ICG, certain of ICG's subsidiaries and the trustee for the Notes entered into a supplemental indenture to amend the Indenture to fix the conversion value for the Notes.

As set forth in the supplemental indenture, the conversion value for Notes that are converted at any time after June 15, 2011 is fixed at the right to receive \$14.60 per share, net to the seller in cash, without interest and subject to any withholding taxes (the "Merger Consideration"), for each share of Common Stock into which the holder is entitled to convert such Notes (after giving effect, if applicable, to any additional shares of Common Stock that such holder would have been entitled to receive if the holder converts Notes during the Make-Whole Conversion Period described below), and upon conversion of the Notes by a holder, ICG shall pay to such holder cash in an amount equal to the amount such holder would have received as Merger Consideration had such holder converted Notes at the conversion rate in effect immediately prior to the Merger (after giving effect, if applicable, to any additional shares of Common Stock that such holder would have been entitled to receive if the holder converts Notes during the Make-Whole Conversion Period described below).

Upon the consummation of the Equity Tender Offer, a Make-Whole Fundamental Change occurred and the conversion rate applicable to the Notes that are surrendered for conversion during the period (the "Make-Whole Conversion Period") through, and including, the Fundamental Change Repurchase Date of August 17, 2011, has been increased, pursuant to the Indenture, by 0.0723 shares of Common Stock per \$1,000 principal amount of Notes (the "Make-Whole Applicable Increase").

Accordingly, pursuant to the Indenture, upon surrender of Notes for conversion in connection with the Make-Whole Fundamental Change resulting from the consummation of the Equity Tender Offer, ICG's conversion obligation during such Make-Whole Conversion Period will be calculated based solely on the Merger Consideration and will be an amount in cash equal to, per \$1,000 principal amount of converted Notes, the applicable conversion rate of 163.8859 shares of Common Stock per \$1,000 principal amount of Notes (which includes the Make-Whole Applicable Increase), multiplied by the Merger Consideration.

Based on the above, holders of Notes surrendered for conversion during the Make-Whole Conversion Period ending on August 17, 2011 will be entitled to receive, at settlement, \$2,392.73414 in cash for each \$1,000 principal amount of Notes surrendered for conversion.

In connection with the consummation of the Equity Tender Offer, only holders who convert their Notes during the Make-Whole Conversion Period ending on August 17, 2011 shall be entitled to receive the Make-Whole Applicable Increase.

In accordance with Indenture, holders of Notes surrendered for conversion as and when permitted by the Indenture after the expiration of the Make-Whole Conversion Period on August 17, 2011 will be entitled to receive, at settlement, \$2,391.67856 in cash for each \$1,000 principal amount of Notes surrendered for conversion, subject to adjustment as provided in the Indenture. This amount is based on a conversion rate of 163.8136 shares of Common Stock per \$1,000 principal amount of Notes multiplied by the Merger Consideration and does not reflect the Make-Whole Applicable Increase payable to holders who convert their Notes during such Make-Whole Conversion Period.

In contrast, for Notes that you tender pursuant to the Offer, ICG estimates that the amount you will be entitled to receive, including accrued and unpaid interest to, but excluding, the Fundamental Change Repurchase Date, will be approximately \$1,004.00 per \$1,000 principal amount of Notes, based on a Fundamental Change Repurchase Date of August 17, 2011.

About Arch Coal

U.S.-based Arch Coal is a top five global coal producer and marketer, with 179 million tons of coal sold pro forma in 2010. Arch is the most diversified American coal company, with 24 mining complexes across every

major U.S. coal supply basin. Arch's core business is supplying cleaner-burning, low-sulfur thermal and metallurgical coal to power generators and steel manufacturers on four continents.

Forward-Looking Statements: This press release contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, you should see the risk factors described from time to time in the reports we file with the Securities and Exchange Commission.

SOURCE Arch Coal, Inc.

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<https://investor.archrsc.com/2011-07-13-Arch-Coal-Announces-Required-Offer-to-Repurchase-9-00-Convertible-Senior-Notes-Due-2012-of-its-Subsidiary-International-Coal-Group>