PEABODY AMERICA INC
Form 424B5
August 13, 2010

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-161179

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
6.500% Senior Notes due 2020	$650,000,000	$46,345

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

(2) Pursuant to Rule 457(p) under the Securities Act of 1933, as amended, the Registrants have carried forward to their Registration Statement on Form S-3 (No. 333-161179) registration fees of $178,422.50 that had been paid with respect to unsold debt securities that were previously registered pursuant to a Registration Statement on Form S-3 (No. 333-124749) filed by the Registrants on May 9, 2005. Such registration fees of $178,422.50 are being applied to offset the $46,345 registration fee payable with respect to the Registrant s $650,000,000 6.500% Notes Due 2020 offered and sold by the Registrants pursuant to their Registration Statement on Form S-3 (No. 133-161179). This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the Registrants Statement on Form S-3 (File No. 333-161179).

PROSPECTUS SUPPLEMENT
(To Prospectus dated August 7, 2009)

$650,000,000

Peabody Energy Corporation
61/2% Senior Notes due 2020

We are offering $650 million aggregate principal amount of 6.500% Senior Notes due 2020. We will pay interest on the notes on March 15 and September 15 of each year, beginning March 15, 2011. The notes will mature on September 15, 2020. We may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount of the notes being redeemed plus a make-whole premium and accrued and unpaid interest to the redemption date. If a change of control triggering event as described in this prospectus supplement under the heading Description of the Notes Repurchase at the Option of Holders Upon Change of Control Triggering Event occurs, we may be required to offer to purchase the notes from the holders.

The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness. The notes will be issued only in registered form in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

For a more detailed description of the notes, see Description of the Notes beginning on page S-25.

Investing in the notes involves risks. See Risk Factors beginning on page S-10.

	Per Note	Total
Public offering price (1)	100.00%	$650,000,000
Underwriting discount	1.25%	$8,125,000
Proceeds, before expenses, to us	98.75%	$641,875,000

(1) Plus accrued interest, from August 25, 2010, if settlement occurs after that date.

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 notes to purchasers on August 25, 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley** **HSBC**
Citi **RBS**

Senior Co-Managers

BNP PARIBAS **Credit Agricole CIB** **PNC Capital Markets LLC**
SOCIETE GENERALE **Wells Fargo Securities**

Co-Managers

Barclays Capital **BBVA Securities** **BMO Capital Markets**
Mitsubishi UFJ Securities **Santander** **Standard Chartered Bank**
Daiwa Capital Markets **US Bancorp**

The date of this prospectus supplement is August 11, 2010

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Prospectus Supplement

Prospectus

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may 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 in this prospectus supplement.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, any free writing prospectus prepared by us and the accompanying prospectus. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the notes, and seeking offers to buy the notes, only in jurisdictions where offers and sales are permitted. You should not assume that the information we have included in this prospectus supplement, any free writing prospectus prepared by us or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement, any free writing prospectus prepared by us or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary does not contain all of the information that you should consider before investing in the notes. You should read this entire prospectus supplement, any free writing prospectus prepared by us and the accompanying prospectus carefully, including the matters discussed under the caption Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and the detailed information and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. When used in this prospectus supplement and the accompanying prospectus, the terms we, our, and us, except as otherwise indicated or as the context otherwise indicates, refer to Peabody Energy Corporation and its subsidiaries.

Peabody Energy Corporation

We are the world s largest private sector coal company, with majority interests in 28 coal mining operations in the United States (U.S.) and Australia, as of December 31, 2009. In 2009, we produced 210.0 million tons of coal and sold 243.6 million tons of coal. For 2009, our U.S. sales represented 19% of total U.S. coal consumption and were approximately 50% greater than the sales of our next closest U.S. competitor.

We conduct business through four principal segments: Western U.S. Mining, Midwestern U.S. Mining, Australian Mining, and Trading and Brokerage. The principal business of the Western and Midwestern U.S. Mining segments is the mining, preparation and sale of thermal coal, sold primarily to electric utilities. Our Western U.S. Mining operations consist of our Powder River Basin, Southwest and Colorado operations. Our Midwestern U.S. Mining operations consist of our Illinois and Indiana operations. The business of our Australian Mining segment consists of the mining, preparation and sale of various qualities of low-sulfur, high Btu coal (metallurgical coal) as well as thermal coal primarily sold to an international customer base with a portion sold to Australian steel producers and power generators. Metallurgical coal is produced primarily from five of our Australian mines.

We typically sell coal to utility customers under long-term contracts (those with terms longer than one year). During 2009, approximately 93% of our worldwide sales (by volume) were under long-term contracts. For the year ended December 31, 2009, 81% of our total sales (by volume) were to U.S. electricity generators, 17% were to customers outside the U.S. and 2% were to the U.S. industrial sector.

Our Trading and Brokerage segment s principal business is the brokering of coal sales of other producers both as principal and agent, and the trading of coal, freight and freight-related contracts. We also provide transportation-related services in support of our coal trading strategy, as well as hedging activities in support of our mining operations.

Our fifth segment, Corporate and Other, includes mining and export/transportation joint ventures, energy-related commercial activities, as well as the management of our vast coal reserve and real estate holdings.

We continue to pursue development of coal-fueled generating and Btu Conversion projects in areas of the U.S. where the demand for energy is strong and where there is access to land, water, transmission lines and low-cost coal. Coal-fueled generating projects may involve mine-mouth generating plants using our surface lands and coal reserves. Our ultimate role in these projects could take numerous forms, including, but not limited to, being an equity partner, a contract miner or coal sales. Currently, we own 5.06% of the 1,600-megawatt Prairie State Energy Campus that is under construction in Washington County, Illinois.

We are determining how to best participate in Btu Conversion technologies to economically convert our coal resources to natural gas and transportation fuels through the Kentucky NewGas and GreatPoint

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Energy projects in the U.S. We are also advancing the development of clean coal technologies, including carbon capture and storage, through a number of initiatives that include the FutureGen Alliance and university research programs in the U.S., GreenGen in China and COAL21 Fund in Australia.

Competitive Strengths

We believe our strengths will enable us to continue to grow and increase financial value.

We are the world s largest private-sector coal company.

We have a large portfolio of long-term coal supply agreements that is complemented by available production in attractive markets for sale at market prices.

We are one of the safest and most productive producers of coal in the U.S.

We serve a broad range of high-quality customers from our mining operations in the U.S. and Australia.

We have received numerous awards for our reclamation excellence.

Our management team has a proven record of success.

Risk Factors

While we strive to maintain these strengths, our industry and company are subject to risks that could adversely affect our business. For example, we cannot assure you that in the future we will be able to sell coal as profitably as at present. Supply chain, transportation and geology are uncertain. Additionally, our company and our customers are subject to extensive governmental regulations that create significant costs and restrictions and that could become more onerous in the future. For a more complete discussion of the risks related to our company, you should read the information presented under the heading Risk Factors in this prospectus supplement and in our periodic reports.

Business Strategy

We utilize four core business strategies to create value:

Executing the Basics Safe, low-cost operations provide us the foundation to grow and create value. 2009 was the safest year in our 126-year history, as we improved our global safety rate by 21%. Since January 2009, we have been recognized with more than 30 awards for safety and environmental stewardship.

Capitalizing on Organic Growth Opportunities We control the most proven and probable coal reserves of any private-sector coal company in the world, which enables low-cost development to serve growing customer demand. Over the past five years, we have commissioned three major mines in Australia and two major mines in the U.S.

Expanding in High Growth Global Markets The International Energy Agency (IEA) projects global coal demand to grow more than 3 billion tonnes between 2007 and 2030, with more than 90% of the demand coming from Asia. In 2009, we sold coal to customers in 23 countries. We have trading operations offices in the U.S., Australia, England and Singapore, and we also have development offices in Indonesia, China and Mongolia. In 2010, we expect to increase our Australian metallurgical and thermal exports to serve high-growth markets in Asia; expand

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business development and trading activities in Australia and in the Asia-Pacific region; and invest in long-term growth projects while targeting value-added acquisitions and joint ventures.

Participating in New Generation and Btu Conversion Projects We are a global leader in clean-coal solutions and are participating in more than a dozen projects and partnerships to achieve near-zero emissions with carbon management. Additionally, we are pursuing Btu Conversion opportunities that transform coal s energy into substitute natural gas and transportation fuels.

Coal Market Outlook

Global economies continue to show signs of improvement. The Asia-Pacific markets are expected to continue to outpace the U.S. and European markets in economic growth and therefore in steel production and electricity generation. China s gross domestic product (GDP) grew at an annual rate of 10.3% during the second quarter of 2010. India s GDP grew at an annual pace of 8.6% during the first quarter of 2010. According to the World Steel Association, annualized June year-to-date steel production indicates that global steel production is on pace to exceed 2009 levels by 16% and 2008 levels by 6%. Industry reports forecast that, globally, more than 85 gigawatts of new coal-fueled generation are under construction and expected to come on line during 2010, more than 75% of which are in China and India. New global coal-fueled generation for 2010 is estimated to require approximately 375 million tons of coal annually. Leading industry analysts estimate global seaborne coal demand will increase 15% in 2010, driven by the strong growth in the Pacific markets that more than offsets continued sluggishness in the Atlantic market from high stockpiles and low natural gas prices.

U.S. markets also continue to recover from the recession, with the Energy Information Administration (EIA) forecasting coal-based electricity generation to be up 4.6% for 2010. Genscape, Inc. estimates that U.S. coal stockpiles at electric utilities are declining, with a nearly 15 million ton draw over the five-week period ended July 17, 2010, more than double the comparable five-year historical decline. According to third-party industry reports, an estimated 40 million tons of annual coal consumption by U.S. generators was lost to natural gas generation in 2009 due to low natural gas prices. In 2010, approximately half of that volume is expected to return to coal consumption. The EIA estimates 2010 coal consumption will be more than 40 million tons above 2009 s level, led by increased electric power sector needs. Higher demand combined with the EIA s estimates for slightly lower 2010 coal production is expected to lead to a decrease in customer inventories in 2010.

Our long-term global outlook remains positive. According to the BP Statistical Review of World Energy, coal has been the fastest-growing fuel in the world for the past decade.

The IEA s World Energy Outlook estimates world primary energy demand will grow 40% between 2007 and 2030, with demand for coal rising 53%. China and India alone account for more than half of the expected incremental energy demand.

Coal is expected to retain its strong presence as a fuel for the power sector worldwide, with its share of the power generation mix projected by the IEA to rise from 41% in 2007 to 44% in 2030. Currently, we estimate more than 300 gigawatts of coal-fueled electricity generating plants are under construction around the world, representing more than a billion tons of annual coal demand expected to come online in the next several years. While some planned U.S. coal-based plants have been cancelled in recent years, 13 gigawatts of new coal-based generating capacity have been completed in 2010 or are under construction, representing approximately 50 million tons of annual coal demand once they become operational.

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The Offering

Issuer

Peabody Energy Corporation

Notes Offered

$650,000,000 in aggregate principal amount of 6.500% Senior Notes due 2020

Maturity

The notes will mature on September 15, 2020.

Interest Payment Dates

March 15 and September 15 of each year, commencing on March 15, 2011.

Guarantees

Subject to certain exceptions, our obligations under the notes will be jointly and severally guaranteed on a senior unsecured basis by all our existing domestic subsidiaries. In addition, any domestic subsidiary that executes a guarantee under our senior unsecured credit facility will be required to guarantee the notes. See Description of the Notes The Subsidiary Guarantees.

As of June 30, 2010, on an as adjusted basis after giving effect to this offering and the use of proceeds therefrom, we would have had approximately $2.8 billion of indebtedness outstanding on a consolidated basis. For the fiscal year ended December 31, 2009, the entities that will guarantee the notes as of the issue date generated approximately 67% and 70% of our revenues and Adjusted EBITDA, respectively.

Rankings

The notes and subsidiary guarantees are senior obligations of ours and our subsidiary guarantors. Accordingly, the notes will rank:

senior in right of payment to any of our subordinated indebtedness, including $732.5 million principal amount of our convertible junior subordinated debentures due December 2066, $15.0 million principal amount of our 6.34% Series B Bonds due December 2014 and $33.0 million principal amount of our 6.84% Series C Bonds due December 2016;

pari passu in right of payment with any of our senior indebtedness, including $650.0 million principal amount of our 67/8% Senior Notes due 2013, $218.1 million principal amount of our 57/8% Senior Notes due 2016, $650.0 million principal amount of our 73/8% Senior Notes due 2016, $247.2 million principal amount (net of unamortized debt discount) of our 77/8% Senior Notes due 2026 and $500.0 million of borrowings outstanding under our term loan facility;

effectively junior in right of payment to our future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and

	effectively junior to all the indebtedness and other liabilities of our subsidiaries that do not guarantee the notes.
	All of the foregoing outstanding amounts are as of June 30, 2010. As of June 30, 2010, on as adjusted basis after giving effect to this offering and the use of proceeds therefrom, we would have had approximately $2.8 billion of indebtedness outstanding on a consolidated basis and our non-guarantor subsidiaries would have had $223.2 million of indebtedness and other noncurrent liabilities.
Optional Redemption	We may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount of the notes being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to the redemption date. See Description of the Notes Optional Redemption.
Change of Control	If we experience specific kinds of changes in control and the credit rating assigned to the notes declines below specified levels within 90 days of that time, we must offer to repurchase the notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.
Covenants	We will issue the notes under an indenture among us, the guarantors and the trustee. The indenture will (among other things) limit our ability and that of our restricted subsidiaries to: create liens; and enter into sale and lease-back transactions. Each of the covenants is subject to a number of important exceptions and qualifications. See Description of the Notes Certain Covenants.
Use of Proceeds	We will receive approximately $641.9 million in net proceeds from this offering, before our expenses. On August 11, 2010, we commenced a tender offer for any and all of our $650.0 million aggregate principal amount of outstanding 67/8% Senior Notes due 2013 (the 2013 Notes). We intend to call for redemption all 2013 Notes that are not tendered in the tender offer. We plan to use the net proceeds from the sale of the notes, in addition to cash on hand, to purchase the 2013 Notes, and to pay related fees and expenses. Any proceeds from this offering not used to purchase 2013 Notes will be used to redeem all 2013 Notes that are not tendered in the tender offer. See Use of Proceeds and Debt Tender Offer.

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Summary Historical Financial Data

We have derived the summary historical financial data as of and for the years ended December 31, 2009, 2008 and 2007 from our audited financial statements. We have derived the summary historical financial data for the six months ended and as of June 30, 2010 and 2009 from our unaudited interim financial statements. In the opinion of our management, the unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of this information. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the entire year. You should read the following table in conjunction with the financial statements, the related notes to those financial statements, and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2009 and in our Form 10-Q for the six months ended June 30, 2010, which are incorporated by reference in this prospectus supplement.

The following table includes references to, and analysis of, our Adjusted EBITDA. We define Adjusted EBITDA as income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense and depreciation, depletion and amortization. Adjusted EBITDA is used by management to measure our segments operating performance, and management also believes it is a useful indicator of our ability to meet debt service and capital expenditure requirements. Because Adjusted EBITDA is not calculated identically by all companies, our calculation may not be comparable to similarly titled measures of other companies. Adjusted EBITDA is reconciled to its most comparable measure, under U.S. generally accepted accounting principles (GAAP). See footnote 1 to the table below.

The summary financial data for all periods presented reflect results of operations from subsidiaries spun off as Patriot Coal Corporation as discontinued operations. We also have classified as discontinued operations those operations recently divested, as well as certain non-strategic mining assets held for sale where we have committed to the divestiture of such assets.

	Year Ended December 31,			(Unaudited) Six Months Ended June 30,	
	2007	2008	2009	2009	2010
	(In millions, except ratios)				
Results of Operations Data:					
Total revenues	$ 4,523.8	$ 6,561.0	$ 6,012.4	$ 2,791.2	$ 3,177.0
Costs and expenses	3,924.1	5,164.7	5,167.6	2,356.1	2,610.4
Operating profit	599.7	1,396.3	844.8	435.1	566.6
Interest expense	235.8	227.0	201.2	99.3	107.9
Interest income	(7.0)	(10.0)	(8.1)	(4.0)	(2.6)
Income from continuing operations before income taxes	370.9	1,179.3	651.7	339.8	461.3
Income tax provision (benefit)	(70.7)	191.4	193.8	108.6	109.5
Income from continuing operations, net of income taxes	441.6	987.9	457.9	231.2	351.8
	(180.1)	(28.8)	5.1	26.0	(0.9)

Income (loss) from discontinued operations, net of income taxes										
Net income	$	261.5	$	959.1	$	463.0	$	257.2	$	350.9

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	Year Ended December 31,			(Unaudited) Six Months Ended June 30,	
	2007	2008	2009	2009	2010
	(In millions, except ratios)				
Other Data:					
Tons sold (unaudited)	235.5	255.0	243.6	118.9	118.0
Net cash provided by (used in) continuing operations:					
Operating activities	$ 460.7	$ 1,409.8	$ 1,053.5	$ 226.4	$ 466.3
Investing activities	(538.9)	(419.3)	(408.2)	(208.0)	(233.7)
Financing activities	41.7	(487.0)	(102.3)	(26.9)	(54.5)
Adjusted EBITDA (1)	$ 969.7	$ 1,846.9	$ 1,290.1	$ 651.6	$ 797.6
Ratio of earnings to fixed charges (unaudited) (2)	2.37	5.41	3.69	3.85	4.44
Balance Sheet Data (at period end):					
Total assets	$ 9,082.3	$ 9,695.6	$ 9,955.3	$ 9,623.1	$ 10,097.8
Total long-term debt (including capital leases)	2,909.0	2,793.6	2,752.3	2,782.6	2,762.8
Total stockholders equity	2,735.3	3,119.5	3,755.9	3,597.4	3,970.2

(1) Adjusted EBITDA is defined as income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense and depreciation, depletion and amortization. Adjusted EBITDA is used by management to measure our segments operating performance, and management also believes it is a useful indicator of our ability to meet debt service and capital expenditure requirements. We believe that the amounts shown for Adjusted EBITDA as presented in this prospectus supplement are not materially different from the amounts calculated under the definition of Consolidated Cash Flow used in the indentures for our existing senior notes and in calculating Consolidated EBITDA under our senior unsecured credit facility, such measures being necessary to calculate our Fixed Charge Coverage Ratio and Consolidated Leverage Ratio. In order to incur debt under our existing indentures, the Fixed Charge Coverage Ratio must be at least 2.0 to 1.0, and under the senior unsecured credit facility we must maintain a Consolidated Leverage Ratio as of the end of any fiscal quarter for the period of four consecutive fiscal quarters ending on such date of not greater than 4.00 to 1.00. Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to operating income, net income or cash flows from operating activities as determined in accordance with GAAP as a measure of profitability or liquidity. Because Adjusted EBITDA is not calculated identically by all companies, our calculation may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA is calculated as follows:

	(Audited) Year Ended December 31,			(Unaudited) Six Months Ended June 30,	
	2007	2008	2009	2009	2010
			(In millions)		
Income from continuing operations, net of income taxes	$ 441.6	$ 987.9	$ 457.9	$ 231.2	$ 351.8
Income tax provision (benefit)	(70.7)	191.4	193.8	108.6	109.5
Depreciation, depletion and amortization	346.3	402.4	405.2	197.5	210.6
Asset retirement obligation expense	23.7	48.2			