SunCoke Energy, Inc.
Form S-1
March 23, 2011
Table of Contents

As filed with the Securities and Exchange Commission on March 23, 2011

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SUNCOKE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**3312**	**90-0640593**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

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(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨		Accelerated filer ¨
Non-accelerated filer x	(Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(2)**
Common Stock, par value $0.01 per share	$100,000,000	$11,610.00

(1) Includes shares of common stock that the initial debt exchange parties have an option to purchase. See Underwriting.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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

Table of Contents

The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 23, 2011

Shares

SunCoke Energy, Inc.

Common Stock

This is an initial public offering of our common stock. Sunoco, Inc., in its capacity as selling stockholder for federal securities law purposes, is offering shares of our common stock if and to the extent the initial debt exchange parties acquire such shares from Sunoco, Inc. prior to the completion of the offering in exchange for Sunoco, Inc. indebtedness held by the initial debt exchange parties as described in Underwriting. Under the federal securities laws, Sunoco, Inc. is the selling stockholder of these shares. However, the initial debt exchange parties, and not Sunoco, Inc., will receive the cash proceeds from the offering. The initial debt exchange parties are also underwriters in this offering. We will not receive any proceeds from the sale of shares of our common stock in the offering.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between $ and $ per share. We intend to apply to list our common stock on the New York Stock Exchange under the symbol SXC.

The underwriters have an option to acquire a maximum of additional shares from the selling stockholder as described in Underwriting to cover over-allotments of shares. We will not receive any of the proceeds from the shares of common stock sold pursuant to the over-allotment option.

Investing in our common stock involves risks. See Risk Factors on page 14.

	Price to Public	**Underwriting Discounts and Commissions**	**Proceeds**
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2011.

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

Credit Suisse

The date of this prospectus is , 2011.

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus, or any free writing prospectus prepared by or on behalf of us, or to which we have referred you. None of Sunoco, Inc., SunCoke Energy, Inc., the initial debt exchange parties or the underwriters has authorized anyone to provide you with information different from, or inconsistent with, the information contained in this prospectus. None of Sunoco, Inc., SunCoke Energy, Inc., the initial debt exchange parties or the underwriters is making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Dealer Prospectus Delivery Obligation

Until , 2011 (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Table of Contents

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and non-U.S. market share is based on information from governmental and intergovernmental entities, independent industry organizations and consultancies such as CRU International, Ltd., the World Coal Association, the World Steel Association, the American Coke and Coal Chemicals Institute, the International Energy Agency and Steel Business Briefing and other third-party sources (including industry publications, surveys and forecasts), and management estimates.

Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and organizations and third-party sources, as well as data from our internal research, and are based on assumptions made by us based on such data and our knowledge of such industry and markets, which we believe to be reasonable. Our internal research has not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Table of Contents

GLOSSARY OF SELECTED TERMS

Term	Definition
Appalachian Region	Coal producing area in Alabama, eastern Kentucky, Maryland, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia. The Appalachian Region is divided into the northern, central and southern Appalachian regions.
Ash	Inorganic material consisting of iron, alumina, sodium and other incombustible matter that are contained in coal. Ash increases the weight of coal, adds to the cost of handling, and its composition may affect the coal s burning characteristics.
Asset Utilization	For our cokemaking operations, a measure of production efficiency calculated by dividing coke production for the period by the theoretical design cokemaking capacity applicable to the period, subject to certain operational and environmental limitations.
Basic Oxygen Furnace, or BOF	A steelmaking furnace in which molten pig iron and steel scrap are converted into steel.
Battery	A connected bank of cokemaking ovens. A cokemaking facility may consist of one or more coke oven batteries.
Best Available Control Technology, or BACT	An air permitting requirement mandated by the United States Clean Air Act that is generally determined on a case-by-case basis by state or local permitting agencies and is based on a review of all available pollution control systems and considers economic feasibility. To receive a permit for construction in areas meeting national ambient air quality standards, or attainment areas (as designated by the U.S. Environmental Protection Agency), all major new or modified facilities must meet this requirement.
Bituminous coal	Coal that generally contains 45 to 86 percent carbon, including metallurgical coals used to make coke and certain steam coals used as fuel in steam-electric power generation and for heat and power applications in manufacturing.
Blast Furnace	A cylindrical smelting furnace used in the extraction of iron from iron ore. The iron ore along with metallurgical coke and typically a limestone flux are charged in the top of the furnace. A blast of hot, compressed air is piped in at the bottom of the furnace to increase temperatures so that the iron ore is reduced to nearly-pure liquid iron. The molten iron, also known as hot metal, sinks to the bottom and is tapped off for further use in steelmaking.
British thermal unit, or Btu	A measure of the thermal energy required to raise the temperature of one pound of pure liquid water one degree Fahrenheit at the temperature at which water has its greatest density (39 degrees Fahrenheit).
By-product cokemaking	A cokemaking process in which coal is heated in a positive pressure environment in the absence of oxygen and the resulting usable by-product coal chemicals are repurposed into fuel and other products for integrated steel furnaces and for other uses. Also known as recovery cokemaking.

Table of Contents

Term	Definition
By-product coke oven	A coke oven which employs by-product cokemaking.
Capacity Utilization	For our cokemaking operations, a measure of production efficiency calculated by dividing coke production for the period by the cokemaking capacity applicable to the period.
Clean Air Act	The United States Clean Air Act, as amended.
Coal-to-coke yield	The amount of metallurgical coke produced from a given quantity of metallurgical coal, typically expressed as a percentage. The yield can vary according to the particular coal blend properties and the coking process; however, 1 ton of metallurgical coal typically yields approximately 0.7 tons of metallurgical coke, representing a 70 percent coal-to-coke yield.
Coal seam	Coal deposits occur in layers typically separated by layers of rock. Each layer of coal is called a seam. A seam can vary in thickness from inches to a hundred feet or more.
Coalbed methane	Methane gas formed during coal formation and stored within the coal seam.
Cogeneration facility	A power station that simultaneously generates both electricity and useful heat.
Coke, or Metallurgical Coke	A hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air. Coke is a principal raw material used in the manufacture of iron and steel.
Cokemaking capacity	The number of tons of blast furnace size coke that a cokemaking facility can produce on an annual basis under normal operating conditions. Small size coke production that is not blast furnace size is commonly referred to as nut coke, breeze or fines and is separated from the blast furnace size coke in screening facilities.
Cold strength	The ability of coke to withstand breakage at room temperature; reflects coke behavior outside the blast furnace and in the upper part of the blast furnace.
EIA	U.S. Energy Information Administration
Electric arc furnace, or EAF	A furnace that heats steel scrap, pig iron and direct reduced iron by means of an electric arc to produce liquid steel.
EPA	U.S. Environmental Protection Agency
Flue gas	Gas produced from the combustion of coal volatile matter that exits the coke oven through a system of flues, which are enclosed passageways for directing products of combustion to subsequent processing/cleaning and ultimately to the atmosphere.
Flue gas desulfurization	A process used to remove sulfur oxides from the combusted flue gases of a cokemaking facility before discharge to the atmosphere. Chemicals such as lime are used as the scrubbing media.

Term	Definition
Greenfield cokemaking facility	A cokemaking facility constructed at a site where no coke oven batteries previously existed.
Heaving and settling	Abnormal conditions caused by the movement of material underlying a coke battery s foundation. Heaving occurs when the material below the battery expands causing the ovens above to rise. Settling occurs when the material below the battery compacts causing the ovens above to sink. The combination can result in unleveled batteries and can cause damage to affected ovens.
Heat recovery cokemaking facility	Non-recovery cokemaking facilities that heat coal in a negative pressure environment and are designed to use the excess heat from combustion to produce steam and/or electricity are referred to as heat recovery facilities.
Heat recovery steam generator	A heat exchanger that recovers heat from a hot gas stream and uses the heat to produce steam for process uses or electric power generation.
Highwall mine	Exposed coal seam or seams remaining after the last economic cut has been completed as part of a conventional surface mining operation. The exposed coal seam lies under the rock and overburden, also known as the highwall of the mine, and can be removed by specialized highwall mining equipment that cuts into the seam and extracts the coal.
Lowest Achievable Emission Rate, or LAER	An air permitting requirement mandated by the United States Clean Air Act that is generally determined on a case-by-case basis by state or local permitting agencies and is based on review of all emission limitation achieved in practice or included in state implementation plans. To receive a permit for construction in areas not meeting national ambient air quality standards, or non-attainment areas (as designated by the U.S. Environmental Protection Agency), all major new or modified facilities must meet this requirement.
Maximum Achievable Control Technology, or MACT	A national emission standard for hazardous air pollutants set by the U.S. Environmental Protection Agency as required by the Clean Air Act Amendments of 1990.
Megawatt	1 million watts
Metallurgical coal	The various grades of coal suitable for carbonization to make coke for steel manufacture. Also known as met or coking coal.
MSHA	Mine Safety and Health Administration
Non-recovery cokemaking	A cokemaking process in which coal is heated in a negative pressure environment in which the resulting volatile matter is combusted.
NOx	Nitrogen oxides. NOx represents both NO_2 and NO_3 which are gases formed in high temperature environments such as coal combustion.

Table of Contents

Term	Definition
Oven coking chamber	A refractory-lined chamber in the coke oven in which coal undergoes destructive distillation to produce coke.
Pig iron	Formed and cooled hot metal from a blast furnace.
Preparation plant	Usually located on a mine site, although one plant may serve several mines. A preparation plant is a facility for crushing, sizing and washing coal to prepare it for use by a particular customer. The washing process removes waste material and separates higher ash coal and may also remove some of the coal s sulfur content.
Probable reserves	Coal reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Proven reserves	Coal reserves for which: (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (2) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
Reclamation	The process of restoring land to its prior condition, productive use or other permitted condition following mining or other industrial activities. The process commonly includes recontouring or reshaping the land to its approximate original appearance, restoring topsoil and planting native grass and shrubs. Reclamation operations are typically conducted concurrently with mining operations. Reclamation is closely regulated by both state and federal laws.
Reserve	The part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.
Room and pillar method	Underground mining method in which the mined material is extracted across a horizontal plane while leaving pillars of untouched material to support the roof overburden, resulting in open areas or rooms underground.
Steam coal, or thermal coal	Coal that is used primarily for its heating value or thermal content. Steam or thermal coal tends not to have the carbonization and coking properties possessed by metallurgical coal. Most steam coal is used to produce electricity in thermal power plants.
Sulfur	One of the elements present in varying quantities in coal that is emitted when coal is burned. Sulfur dioxide (SO_2) is produced as a gaseous by-product of coal combustion.

Table of Contents

Term	Definition
Surface mine	A type of mine in which the soil and rock overlying the coal deposit (the overburden) are removed to extract the coal. Surface mining, also commonly known as strip mining or open pit mining , is used when deposits of coal are found near the surface such that removing the overburden with heavy equipment such as earthmovers and excavators is economic.
Thermal coal drying	Process of removing moisture from coal.
Tons	A short or net ton is equal to 2,000 pounds. A long or British ton is 2,240 pounds. A metric tonne is approximately 2,205 pounds. The short ton is the unit of measure referred to as a ton in this prospectus.
Underground mine	A mine, also known as a deep mine, in which the coal lies below the surface of the earth such that it is not economic to extract the coal through surface mining methods. The coal is mined through tunnels, passages, and openings that are connected to the surface for the purpose of the removal of the coal.
Waste heat	Heat produced by industrial processes with no useful application.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights significant aspects of our business and this offering, but it is not complete and does not contain all of the information that you should consider before making your investment decision. In addition to this summary, you should read the entire prospectus carefully, including the risks of investing in our common stock and the other information discussed under Risk Factors, and the financial statements and related notes, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements as a result of certain factors, including those set forth in Risk Factors and Cautionary Statement Concerning Forward-Looking Statements.

We describe in this prospectus the businesses contributed to us by Sunoco, Inc. as part of our separation from Sunoco, Inc. as if they were our businesses for all historical periods described. Please see Our Separation from Sunoco for a description of this separation. Our historical financial results as part of Sunoco, Inc. contained in this prospectus may not reflect our financial results in the future as a stand-alone company or what our financial results would have been had we been a stand-alone company during the periods presented.

As used in this prospectus, references to our company, SunCoke, we, our or us refer to SunCoke Energy, Inc., and its consolidated subsidiaries, after giving effect to the transfer to us by Sunoco, Inc. of the assets and liabilities that comprise our business. As used in this prospectus, references to Sunoco refer to Sunoco, Inc. and its consolidated subsidiaries, other than SunCoke. Certain industry and other technical terms used throughout this prospectus relating primarily to our business, including terms related to the coke and coal industries are defined in the Glossary of Selected Terms included elsewhere in this prospectus.

Our Company

We are the largest independent producer of high-quality metallurgical coke in the Americas and have over 45 years of coke production experience. Metallurgical coke is a principal raw material in the integrated steelmaking process. We have designed, developed and built, and currently own and operate four metallurgical cokemaking facilities in the United States and designed and operate one cokemaking facility in Brazil under licensing and operating agreements on behalf of our customer. We are currently constructing a fifth U.S. facility that we also will own and operate and that is expected to be completed in the second half of 2011. Upon its completion, we expect that our total cokemaking capacity will increase to approximately 4.2 million tons of coke per year in the United States. The cokemaking facility that we operate in Brazil has cokemaking capacity of approximately 1.7 million tons of coke per year. We also have a preferred stock investment in the project company that owns the Brazil facility. We own and operate coal mining operations in Virginia and West Virginia that have sold an average of approximately 1.2 million tons of metallurgical coal per year (including internal sales to our cokemaking operations) over the past three years.

We are a technological leader in cokemaking. Our advanced heat recovery cokemaking process has numerous advantages over by-product cokemaking, including producing higher quality coke, using waste heat to generate derivative energy for resale and reducing environmental impact. The Clean Air Act Amendments of 1990 specifically directed the U.S. Environmental Protection Agency, or EPA, to evaluate our heat recovery coke oven technology as a basis for establishing Maximum Achievable Control Technology, or MACT, standards for new cokemaking facilities. In addition, each of the three cokemaking facilities that we have built since 1990 have either met or exceeded the applicable Best Available Control Technology, or BACT, or Lowest Achievable Emission Rate, or LAER, standards, as applicable, set forth by the EPA for cokemaking facilities. In conducting our cokemaking operations, we direct our marketing efforts principally towards steelmaking facilities that require high quality metallurgical coke for their blast furnaces. We currently sell approximately 3.6 million tons of metallurgical coke per year to our three primary customers in the United States: ArcelorMittal, United States

Table of Contents

Steel Corporation, or U.S. Steel, and AK Steel Corporation, or AK Steel. Substantially all of our coke sales are made pursuant to long-term take-or-pay agreements which require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. These coke sales agreements have an average remaining term of approximately 9 years.

Our underground metallurgical coal mining operations near our Jewell cokemaking facility had at least 85 million tons of proven and probable coal reserves as of December 31, 2010. In January 2011, we acquired Harold Keene Coal Co., Inc. and its affiliated companies, or the HKCC Companies, for approximately $40 million including working capital. This acquisition adds between 250 thousand and 300 thousand tons of coal production annually, with the potential to expand production in the future, and 21 million tons of proven and probable coal reserves located in Russell and Buchanan Counties in Virginia, contiguous to our existing metallurgical coal mining operations.

All of our expected 2011 coal production volumes, including production from the HKCC Companies, are contracted for sale. An expansion plan is also underway that we expect will increase our coal production by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. Capital outlays for this project are expected to total approximately $25 million.

Including the HKCC Companies, our mining operations now consists of 13 active underground mines and one active surface and highwall mine in Russell and Buchanan Counties, Virginia and McDowell County, West Virginia. Our coal mining operations have historically produced coal that we believe possesses highly desirable coking properties: mid-volatility and low sulfur and ash content. Substantially all of our mined coal has been used internally at our nearby Jewell cokemaking facility or at our other domestic cokemaking facilities. The operations of the recently acquired HKCC Companies produce high volatile A and high volatile B metallurgical coals, which complement the coal produced by our existing coal mining operations, and high quality steam coal.

For the year ended December 31, 2010, our total revenues and Adjusted EBITDA were approximately $1.3 billion and $227.3 million, respectively. For the definition of Adjusted EBITDA and a presentation of net income (loss) calculated in accordance with generally accepted accounting principles, or GAAP, and reconciliation to our Adjusted EBITDA, see Summary Historical and Pro Forma Financial and Operating Data.

Competitive Strengths

Our competitive strengths are as follows:

- ***Largest independent metallurgical coke producer in the Americas.*** We are the largest independent metallurgical coke producer in the Americas. By the end of 2011, we expect to be operating facilities with total cokemaking capacity of approximately 6 million tons, including a facility in Brazil that we operate on behalf of one of our customers. We believe that our operating scale and cokemaking facilities provide strong name recognition throughout the industry and serve as an effective marketing platform to help grow our business. The scale of our operations allows us to leverage company-wide best practices and systems for the continuous improvement of our facilities. In addition, because our facilities, equipment and operational practices are highly standardized, we expect to be able to leverage our experience with our existing facilities in the start up and establishment of projects in new markets.

- ***Highly efficient, commercially proven cokemaking technology and valuable proprietary know-how.*** Our cokemaking technology has been developed over five decades through our operational experience and research and development efforts. We operate over one thousand ovens, some of which have been in service for more than 20 years, and have built a record of reliable operations with our customers. Over the last 20 years, we have also made significant advances in the design of our facilities and have been granted numerous patents for certain proprietary features. As a result of our design improvements and extensive operational know-how, we believe that we possess the most advanced and environmentally sound cokemaking technology in the industry. For example, our oven design and operational practices allow us to produce more electricity from our heat recovery process than any competing heat recovery technology. Our facilities can generate approximately nine megawatts of electric power each hour per 110 thousand tons of cokemaking capacity (e.g., a 550 thousand ton per year facility can produce approximately 45 megawatts per hour) whereas competing heat recovery designs can produce seven or less megawatts of electric power each hour per 110 thousand tons of cokemaking capacity. The Clean Air Act Amendments of 1990 specifically directed the EPA to evaluate our heat recovery coke oven technology as a basis for establishing MACT standards for new cokemaking facilities. In addition, each of the three cokemaking facilities that we have built since 1990 have either met or exceeded the applicable BACT or LAER standards, as applicable, set forth by the EPA for cokemaking facilities. The negative pressure operation of our ovens contains and virtually eliminates emissions of hazardous pollutants that by-product ovens can emit.

Secure, long-term agreements with leading steelmakers. We make substantially all of our metallurgical coke sales pursuant to long-term coke sales agreements with ArcelorMittal, U.S. Steel and AK Steel, which are three of the largest integrated steelmakers in North America. These coke sales agreements have an average remaining term of approximately 9 years and contain take-or-pay provisions, which require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. To date, our customers have always satisfied their obligations under these agreements. With the exception of our Jewell cokemaking facility, where we mine our own coal, all of our coke sales agreements also effectively provide for the pass-through of coal costs, subject to meeting contractual coal-to-coke yields. The coal component of the Jewell coke price is fixed annually for each calendar year based on the weighted-average contract price of third-party coal purchases at our Haverhill facility applicable to ArcelorMittal coke sales. These features of our coke sales agreements reduce our exposure to coal price changes over the remaining terms of the agreements. In addition, we designed and currently operate one cokemaking facility in Brazil under long-term licensing and operating agreements with affiliates of ArcelorMittal that will run through 2023, subject, in the case of the licensing agreement, to the issuance prior to 2014 of certain patents in Brazil that have been granted in the United States.

Proven ability to develop, permit, construct and start up new facilities. We have executed the development, permitting, construction and start up of three projects in the United States with approximately 1.75 million tons of cokemaking capacity in the last six years. We have received permits and have begun construction of a facility in Middletown, Ohio that we expect will become operational in the second half of 2011, and we are the only company to complete a greenfield cokemaking facility in the United States in the last 25 years. We believe our demonstrated capability to develop, permit, construct and start up new facilities provides us with an advantage in pursuing growth opportunities in the United States and internationally.

Demonstrated international operating experience. The Vitória, Brazil cokemaking facility is the largest facility that we operate. Prior to the start up of the facility, we did not have a presence outside of the United States. Using our technology and operating expertise, we provided technical advice during construction, and we completed start up and initiated operation of this facility, including the development and training of the local management team. We believe that our standardized plant design, well-developed operating practices and systems, and experience from our existing operations facilitated the successful execution of this international project and can be replicated for projects in new markets.

Availability of high-quality metallurgical coal reserves. Including the acquisition of the HKCC Companies in January 2011, we control at least 106 million tons of proven and probable coal reserves. We have sold an average of approximately 1.2 million tons of metallurgical coal per year (including internal sales to our cokemaking operations) over the past three years. In addition, the HKCC Companies sell between 250 thousand and 300 thousand tons of coal annually and have the potential to expand production in the future. In April 2010, we announced our intention to expand production by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. Our coal mining operations have historically produced metallurgical coal that we believe possesses highly desirable coking properties and, as such, it can be used as a single-coal blend for making high-quality coke or as a high-quality supplement to nearly any coal blend. We have also used our coal production to supplement coal purchases at our other domestic cokemaking facilities and have the ability to sell coal to third parties, including those in international markets. The operations of the recently acquired HKCC Companies produce high volatile A and high volatile B metallurgical coals, which complement the coal produced by our existing coal mining operations, and high quality steam coal. Since 2003, prices for metallurgical coal have risen by 320 percent. We expect demand for high quality metallurgical coal to continue to grow.

Excellent safety record in coal mining and cokemaking operations. The health and safety of our employees is of paramount importance to us. We believe that we employ best practices and conduct continual training programs in compliance with regulatory requirements to ensure that all of our employees are focused on safety. We have consistently operated our metallurgical coke operations within or near the top quartile for the U.S. Occupational Safety and Health Administration s recordable injury rates as measured and reported by the American Coke and Coal Chemicals Institute. Our coal mining operations are among the safest in the United States, consistently operating in the top quartile for the U.S. Department of Labor s Mine Safety and Health Administration, or MSHA, recordable injury rates for underground bituminous coal mining. We have also won the Sentinels of Safety award for 2008 from the MSHA for having the mine with the most employee hours worked without experiencing a lost-time injury.

Highly experienced management team. Our senior operating management team averages years of experience in global industrial manufacturing and infrastructure development, including in the coal, coke and steel-related industries. In September 2010, we hired a new chief executive officer, Frederick A. Henderson, who served as chief executive officer, chief operating officer and chief financial officer of one of the largest global automakers and has extensive global operations and manufacturing experience as well as extensive expertise in dealing with the steel industry. We believe that our management team s combination of industry knowledge, experience in major manufacturing operations and experience in developing large global fixed asset projects provides a strong leadership foundation for our future growth.

Business and Growth Strategies

Our business and growth strategies are as follows:

Maintain our consistent focus on operational excellence, safety and environmental stewardship. Operating our cokemaking facilities reliably and at low cost while producing consistently high quality coke is critical to maintaining the satisfaction of our existing customers and our ability to secure new customers and projects. We have developed and instituted a management program to drive the reliable and cost-efficient operation of our facilities through standardized processes, procedures and management systems incorporating best practices that we refer to as the SunCoke Way. We believe that the SunCoke Way provides the foundation to achieve operational excellence at our facilities and represents a key component of the future growth of our business. Our expertise at developing, constructing and operating our facilities will enable us to continue growing with our customers, and others, as they construct new blast furnaces and their existing cokemaking facilities require replacement. We are also currently implementing operational improvements in our coal mining business. These initiatives focus on improving the productivity and safety of our operations and include the upgrading or replacement of mining equipment, the implementation of improved operating practices, and the use of enhanced reporting metrics. We are also committed to maintaining a safe work environment and ensuring strict compliance with applicable laws and regulations at both our cokemaking and coal mining operations. To support these objectives, we are in the process of implementing a structured safety and environmental process that provides a robust framework for managing and monitoring safety and environmental performance. We also seek to foster good relationships with regulators, policymakers, state and local officials and the communities in which we operate.

Grow our international footprint with a focus on key growth markets. We believe that international markets and, in particular, emerging economies will drive the vast majority of coke demand growth in the coming decade and as such will require significant new cokemaking capacity. CRU International, Ltd. estimates that global crude steel production will grow by nearly 4 percent per year to 2,244 million tons by 2020, and that global coke demand will increase by approximately 196 million tons by 2020, representing a 30 percent increase in coke demand from estimated 2010 levels. We have targeted Brazil, China, Eastern Europe and India as key markets that we believe offer us attractive growth opportunities and where we expect to focus our development efforts. We believe our track record as a technological pioneer in cokemaking and our growing portfolio of cokemaking facilities provide strong name recognition throughout the global steel industry and serve as an effective marketing platform. The Vitória, Brazil facility that we designed and operate for a subsidiary of ArcelorMittal represents the successful completion and operation of an international facility in a market where we previously had no presence. Our existing relationships with world-class steelmakers also provide potential customers with a tangible and successfully-demonstrated framework for outsourcing a critical component of their manufacturing process. Our relationships demonstrate that we have the commercial and technical capability and experience to reliably and consistently meet our customers needs on a long-term basis.

Continue to grow our North American cokemaking businesses. Integrated steelmakers in the United States and Canada have historically imported and are currently importing coke to fill a structural deficit in the market. This deficit has ranged between two and four million tons of coke per year from 2005 to 2009. These coke volumes have been and continue to be sourced in the international market, largely from Chinese suppliers, and as such are subject to significant price volatility. In addition to this capacity deficit, more than 25 percent of the cokemaking capacity in the United States and Canada, representing 5.7 million tons per year of capacity, are older than 40 years. We believe that a significant proportion of this aging capacity will require replacement in the coming decade to address facility conditions or meet more stringent environmental standards. We believe the combination of these factors a structural domestic capacity deficit and aging capacity present an attractive opportunity for our continued growth in North America. To facilitate the development of these opportunities, we plan to leverage our deep knowledge of the market and our relationships with all of the largest integrated steelmakers in North America. In addition to new growth opportunities, the completion of our Middletown facility that is currently under construction is also an important component of our plan to increase the profitability and cash generation of our North American business. Once online, the facility will not only generate incremental earnings and cash flow but also will significantly increase the diversification of our earnings base. We anticipate that once our Middletown facility is in full production, none of our coke sales agreements will constitute more than approximately 20 percent of our overall operating income excluding corporate overhead costs, whereas our Jewell coke sales agreement accounted for nearly 80 percent of such income in 2010.

Reserve a portion of our cokemaking capacity in future projects for opportunistic market sales. All of our current cokemaking capacity, including from the Middletown facility under construction, is committed under long-term take-or-pay agreements. For our future projects we may seek to reserve a portion of the facility s overall cokemaking capacity for sales on the open market. We believe that, when combined with a base of long-term commitments, uncommitted capacity reserved for open market sales will provide an attractive opportunity to capture significant value during market up-cycles. We anticipate targeting approximately 5 to 10 percent of our overall coke sales volumes for sales in the open market.

Maintain our technological advantage through the development or acquisition of new technologies. Our active engineering and technology development program is focused on maintaining our technological edge. This program is focused on adapting and improving our current cokemaking technology to meet the varying needs of customers in different regions and identifying new or adjacent technologies that could be developed or acquired to augment our offering and create additional growth opportunities. This program also provides a basis for continuous improvement in our current cokemaking operations.

Expand our domestic coal production and pursue selective reserve acquisitions. In January 2011, we acquired the HKCC Companies for approximately $40 million including working capital. This acquisition adds 21 million tons of proven and probable coal reserves located in Russell and Buchanan Counties in Virginia, contiguous to our existing metallurgical coal mining operations. We are also in the process of expanding production from our coal mines by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. We expect capital outlays for this project to total approximately $25 million. In addition to organic growth of our coal production, we will also evaluate selective, opportunistic acquisitions of additional coal reserves that can complement our portfolio and grow our reserve base and/or our annual production.

Maintain liquidity and financial flexibility to facilitate growth. Our core business model is predicated on providing alternatives for steelmakers to investing capital in captive coke production facilities. Consequently, our ability to grow requires significant capital investment for most projects and in turn requires a solid financial profile to support such investments. Our aim is to maintain liquidity and capital resources at levels that will permit us to continue to finance additional growth projects that are likely to require significant capital investment. Where appropriate, we also will pursue opportunities for attractive strategic partnerships and other project financing and structuring options, to maximize value for our stockholders and our customers.

Recent Developments

In January 2011, we amended our Jewell and Haverhill coke sales agreements with ArcelorMittal to, among other things, extend their respective take-or-pay provisions through 2020. We entered into these amendments as part of our settlement with ArcelorMittal to resolve the lawsuit concerning coke pricing for our Jewell cokemaking facility. If these amendments had been in place during 2010, our pretax earnings would have been reduced by approximately $60 million. In February 2011, we entered into a settlement agreement with ArcelorMittal to resolve arbitration claims at our Indiana Harbor cokemaking facility. We do not expect this settlement to significantly impact our future income. For more information on the settlement, the amendments to the coke sales agreements and their impact on our business, see Management s Discussion and Analysis of Financial Position and Results of Operations Outlook Resolution of Contract Disputes with ArcelorMittal and Business Legal Proceedings.

Relationship with Sunoco

We are currently a wholly owned subsidiary of Sunoco. After completion of this offering, Sunoco will have the ownership interests described below under The Offering, and we will no longer be its wholly owned subsidiary. We had no material assets or activities as a separate corporate entity until the contribution to us by Sunoco of the businesses described in this prospectus.

After completion of this offering, Sunoco plans to distribute all of the shares of our common stock it then owns to Sunoco s shareholders before by means of a spin-off, which is a *pro rata* distribution by Sunoco of the shares of our common stock it owns to holders of Sunoco s common stock. Sunoco s agreement to complete the distribution on or before is contingent on the satisfaction or waiver of a variety of conditions. In addition, Sunoco has the right to terminate its obligations to complete the distribution if, at any time, Sunoco s board of directors determines, in its sole discretion, that the distribution is not in the best interests

Table of Contents

of Sunoco or its shareholders. As a result, the distribution may not occur by the contemplated time or at all. For a discussion of the conditions to the distribution, Sunoco s rights to terminate its obligation to complete the distribution and restrictions in Sunoco s indebtedness that may prohibit the distribution, see Arrangements Between Sunoco and Our Company and Risk Factors.

Prior to the completion of this offering, we will enter into agreements with Sunoco that will govern the separation of our businesses from Sunoco and various interim and ongoing relationships. These agreements will be in effect as of the completion of this offering. They will provide for, among other things, the transfer from Sunoco to us of assets and the assumption by us of liabilities comprising our businesses. For more information regarding the assets and liabilities to be transferred to us, see our combined pro forma and historical financial statements and accompanying notes included elsewhere in this prospectus. See Arrangements Between Sunoco and Our Company for a more detailed discussion of these agreements. All of the agreements relating to our separation from Sunoco will be made in the context of a parent-subsidiary relationship and will be entered into in the overall context of our separation from Sunoco. The terms of these agreements may be more or less favorable to us than if they had been negotiated with unaffiliated third parties. See Risk Factors Risks Related to Our Ongoing Relationship with Sunoco.

Risk Factors

There are a number of risks that you should understand before making an investment decision regarding this offering. These risks are discussed more fully in the section entitled Risk Factors following this prospectus summary. These risks include, but are not limited to:

- Risks related to our operations generally, such as:

  - Unfavorable economic conditions could cause our customers to reduce their demand for our products, default on the debts they owe to us or defer contracted shipments of coke or coal.

  - Extensive laws and regulations, including those related to permits, environmental matters and health and safety, may increase our costs of conducting our cokemaking and coal mining businesses.

  - Equipment upgrades, equipment failures and depreciation of assets may lead to production curtailments, shutdowns or additional expenditures.

- Risks related to our cokemaking business, such as:

  - Our customers operate in a competitive and cyclical industry, which may result in their default on, or failure to comply with, their contractual obligations to purchase coke, failure to extend their existing contracts with us, or enter into new long-term contracts with us that are less advantageous than our existing contracts with them.

  - Our current customer base is concentrated among three customers, with one customer, ArcelorMittal, accounting for approximately 69 percent of our total revenues.

  - Our domestic or international growth strategies to develop, design, construct, start up and operate new cokemaking facilities domestically or internationally may not be successfully implemented.

- Risks related to our coal mining business, such as:

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.

Extensive environmental and safety regulations impose significant costs on our coal mining operations, and future regulations could materially increase those costs, impose new or increased liabilities, limit our ability to produce and sell coal, or require us to change our operations significantly.

Operating risks related to our coal mining operations that are beyond our control could result in a material increase in operating expenses and a decrease in production levels.

Table of Contents

Conflicts of Interest

Sunoco, as selling stockholder, will own all of our outstanding common stock until the completion of this offering. Immediately following completion of this offering, we expect Sunoco will own approximately percent of our shares of common stock, assuming the underwriters do not exercise their over-allotment option. Prior to this offering, we have had, and, after this offering, we will continue to have, certain commercial and contractual arrangements with Sunoco and its affiliates. Sunoco intends to consummate a debt exchange pursuant to which it will exchange a portion of our outstanding common stock for indebtedness of Sunoco pursuant to an exchange agreement with affiliates of certain underwriters, who we refer to in this prospectus as the initial debt exchange parties. The initial debt exchange parties will receive all of the net proceeds of this offering if the exchange described in Underwriting takes place and certain of the underwriters may be deemed to have a conflict of interest under Rule 5110 of the Conduct Rules of the Financial Industry Regulatory Authority, Inc., or FINRA. See Risk Factors Risks Related to Our Relationship with Sunoco, Use of Proceeds, and Underwriting.

Corporate and Other Information

We were incorporated as SunCoke Energy, Inc. in December 2010 under the laws of the State of Delaware. Our principal executive offices are located at Parkside Plaza, 11400 Parkside Drive, Knoxville, Tennessee 37934. Our telephone number is +1 (865) 288-5200. Our website is *www.suncoke.com.* **The information and other content contained on our website is not incorporated by reference in this prospectus. You should not consider information and other content contained on our website to be a part of this prospectus.**

About Sunoco, Inc.

Sunoco, Inc., headquartered in Philadelphia, Pennsylvania, is a leading transportation fuel provider, with operations located mainly in the East Coast and Midwest regions of the United States. In addition to its ownership interest in us, Sunoco sells transportation fuels through more than 4,900 branded retail locations in 23 states. APlus convenience stores are operated by Sunoco or independent dealers in more than 600 of its retail locations. The retail network in the Northeast is principally supplied by Sunoco-owned refineries with a combined crude oil processing capacity of 505 thousand barrels per day. Sunoco is also the general partner and has a 31 percent interest in Sunoco Logistics Partners, L.P., a publicly traded master limited partnership which owns and operates 7,600 miles of refined product and crude oil pipelines and approximately 40 active product terminals. Many of Sunoco Logistics pipelines and terminals and storage facilities are integrated with Sunoco s retail network and refineries.

Table of Contents

The Offering

Common stock to be sold in this offering	shares (percent of shares outstanding)
Total common stock to be issued and outstanding immediately after this offering	shares
Common stock to be held by Sunoco immediately after this offering	shares (percent of shares outstanding)
Over-allotment option	The underwriters have an option to acquire a maximum of additional shares from the selling stockholder as described in Underwriting to cover over-allotments of shares. We will not receive any of the proceeds from the shares of common stock sold pursuant to the over-allotment option.
Selling stockholder	Sunoco, as selling stockholder, will grant the initial debt exchange parties the right to purchase up to shares of our common stock, in connection with this offering, if and to the extent Sunoco completes the exchange of certain of its indebtedness with the initial debt exchange parties for our shares prior to the completion of the offering. Although, under U.S. federal securities laws, Sunoco is the selling stockholder of any shares of our common stock, the initial debt exchange parties, not Sunoco, will receive the cash proceeds from the sale of the shares of our common stock in this offering.
Use of proceeds	We will not receive any proceeds from the sale of our common stock in this offering. All of the net proceeds from this offering will be received by the initial debt exchange parties, which will acquire our common stock being sold in this offering from Sunoco in exchange for Sunoco indebtedness held by the initial debt exchange parties.
Dividend policy	We do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings for use in the operation and expansion of our business. Our board of directors is free to change our dividend practices at any time, including to increase, decrease or eliminate our dividend. See Dividend Policy.
New York Stock Exchange symbol	We intend to apply to have the shares of our common stock listed on the New York Stock Exchange, or NYSE, under the symbol SXC.

Unless otherwise indicated, all references to the number and percentage of shares of common stock outstanding and percentage ownership information are based on our pro forma shares of common stock, in each case following this offering and the separation and assuming the following:

- There is no exercise of the underwriters option to purchase up to additional shares of our common stock to cover over-allotments, if any; and

The number of pro forma shares of common stock excludes approximately shares of our common stock reserved for issuance under benefit plans for our employees and directors.

Table of Contents

Summary Historical and Pro Forma Financial and Operating Data

The following table sets forth certain of our summary historical and pro forma financial and operating data. We derived our summary historical financial data as of December 31, 2010 and 2009, and for the years ended December 31, 2010, 2009 and 2008 from our audited combined financial statements, included elsewhere in this prospectus.

Our financial statements include allocations of costs from certain corporate and shared services functions provided to us by Sunoco, as well as certain benefit and management incentive plan costs. These allocations are based upon amounts negotiated between the parties, which approximate Sunoco s costs of providing such services.

The financial statements included in this prospectus may not necessarily reflect our financial position, results of operations and cash flows as if we had operated as a stand-alone public company during the periods presented. Accordingly, our historical results should not be relied upon as an indicator of our future performance.

The summary unaudited pro forma financial data is derived from our pro forma financial statements as of December 31, 2010 and for the year then ended, included elsewhere in this prospectus. We derived our summary pro forma financial statements by application of pro forma adjustments to our historical financial statements included elsewhere in this prospectus. The unaudited pro forma statement of income gives effect to the transactions described elsewhere in this prospectus as if they had occurred as of January 1, 2010. The unaudited pro forma combined balance sheet gives effect to such transactions as if they had occurred as of December 31, 2010.

Our summary unaudited pro forma financial statements have been prepared to reflect adjustments to our historical financial information that are attributable to our separation activities from Sunoco and to this offering, described in more detail elsewhere in this prospectus. The adjustments attributable to our separation activities reflect changes that will take place to enable us to operate separately from Sunoco, including changes in our capital structure.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The summary unaudited pro forma financial data are for illustrative and informational purposes only and do not purport to represent what the financial position or results of operations would have been if we had operated as a stand-alone public company during the periods presented or if the transactions described above had actually occurred as of the dates indicated, nor does it project the financial position at any future date or the results of operations or cash flows for any future period.

The following table includes one financial measure, Adjusted EBITDA, which we use in our business and is not calculated or presented in accordance with GAAP, but we believe such measure is useful to help investors understand our results of operations. We explain this measure and reconcile it to our net income, which is its most directly comparable financial measure calculated and presented in accordance with GAAP in note (3) to the following table.

Table of Contents

The information below should be read in conjunction with Use of Proceeds, Capitalization, Selected Historical Financial and Operating Data, Unaudited Pro Forma Combined Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, Arrangements Between Sunoco and Our Company, and our audited financial statements and related notes included elsewhere in this prospectus.

	Historical Years Ended December 31			Pro Forma
	2010	2009	2008	2010 (unaudited)
	(Dollars in thousands, except per share data)			
Income Statement Data:				
Revenues				
Sales and other operating revenue	$ 1,316,547	$ 1,124,016	$ 838,936	$
Other income, net[1]	10,046	20,970	1,315	
Total revenues	1,326,593	1,144,986	840,251	
Costs and operating expenses				
Cost of products sold and operating expenses	1,036,944	860,830	630,771	
Selling, general and administrative expenses	67,232	40,205	34,244	
Depreciation, depletion and amortization	48,157	32,323	24,554	
Total costs and operating expenses	1,152,333	933,358	689,569	
Operating income	174,260	211,628	150,682	
Interest income (primarily from affiliates)	23,722	24,510	27,569	
Interest cost affiliate	(5,435)	(5,663)	(11,187)	
Interest cost				
Capitalized interest	701	1,493	3,999	
Total financing income, net	18,988	20,340	20,381	
Income before income tax expense	193,248	231,968	171,063	
Income tax expense	46,942	20,732	38,131	
Net income	146,306	211,236	132,932	
Less: Net income attributable to noncontrolling interests[2]	7,107	21,552	19,028	
Net income attributable to net parent investment/SunCoke Energy, Inc. stockholders	$ 139,199	$ 189,684	$ 113,904	$
Pro forma net income attributable to SunCoke Energy, Inc. stockholders per share:				
Basic				
Diluted				
Pro forma weighted-average shares of common stock outstanding:				
Basic				
Diluted				

Table of Contents

	Historical Years Ended December 31			Pro Forma
	2010	2009	2008	2010 (unaudited)
	(Dollars in thousands)			
Other Financial Data				
Adjusted EBITDA[3]	$ 227,293	$ 230,205	$ 157,256	$
Cash Flows Data:				
Net cash provided by operating activities	$ 296,603	$ 187,246	$ 171,330	
Net cash used in investing activities	$ (213,921)	$ (215,106)	$ (304,469)	
Net cash provided by (used in) financing activities	$ (45,331)	$ 7,619	$ 133,703	
Capital expenditures:				
Maintenance[4]	$ 45,943	$ 28,218	$ 15,545	
Expansion[5]	169,714	186,976	288,928	
Total	$ 215,657	$ 215,194	$ 304,473	
Balance Sheet Data (at period end):				
Properties, plants and equipment, net	$ 1,180,208	$ 1,012,771	$ 826,072	$
Total assets	$ 1,718,466	$ 1,546,686	$ 1,312,905	$
Total debt, including current portion and amounts due to affiliates	$ 944,325	$ 434,269	$ 408,039	$
Net parent investment/stockholders equity	$ 369,541	$ 741,994	$ 552,412	$
Coke Operating Data:				
Owned and Operated Capacity Utilization (%)	97	90	95	
Domestic coke sales volumes owned and operated plants (thousands of tons)	3,638	2,813	2,628	
International coke production operated plant (thousands of tons)	1,636	1,263	1,581	
Coal Operating Data[6]:				
Coal sales (thousands of tons):				
Internal use	1,275	1,189	1,170	
Third parties	2	25	63	
Total	1,277	1,214	1,233	
Coal production (thousands of tons)	1,104	1,134	1,179	

(1) Includes preferred dividend income from our investment in the company which owns the coke facility we operate in Brazil of $9.5 and $19.0 million for the years ended December 31, 2010 and 2009, respectively.

(2) Represents amounts attributable to third-party investors in our Indiana Harbor cokemaking operations.

Table of Contents

(3) EBITDA represents earnings before interest, taxes, depreciation, depletion and amortization. Our EBITDA for all periods presented reflects sales discounts included as a reduction in sales and other operating revenue in our combined statements of income. These sales discounts represent the sharing with our customers of a portion of nonconventional fuels tax credits, which reduce our income tax expense. However, we believe that our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit which is not included in EBITDA. Accordingly, in computing our Adjusted EBITDA, we have added back these sales discounts. Our Adjusted EBITDA also reflects the deduction of income attributable to noncontrolling interests in our Indiana Harbor cokemaking operations. As a result of these adjustments, our Adjusted EBITDA may not be comparable to EBITDA or similarly titled measures of other entities as other entities may not calculate EBITDA in the same manner as we do. Our management believes Adjusted EBITDA enhances an investor s understanding of a business ability to generate cash for capital expenditures and other purposes. Adjusted EBITDA does not represent and should not be considered an alternative to net income under GAAP. The following table (unaudited) reconciles Net Income to EBITDA and Adjusted EBITDA:

	Historical Years Ended December 31			Pro Forma
	2010	2009	2008	2010
	(Dollars in thousands)			
Net income	$ 146,306	$ 211,236	$ 132,932	$
Add: Depreciation, depletion and amortization	48,157	32,323	24,554	
Subtract: Interest income (primarily from affiliates)	(23,722)	(24,510)	(27,569)	
Add: Interest cost affiliates	5,435	5,663	11,187	
Add: Interest cost				
Subtract: Capitalized interest	(701)	(1,493)	(3,999)	
Add: Income tax expense	46,942	20,732	38,131	
EBITDA	222,417	243,951	175,236	
Add: Sales discounts provided to customers due to sharing of nonconventional fuels tax credits	11,983	7,806	1,048	
Subtract: Net income attributable to noncontrolling interests	(7,107)	(21,552)	(19,028)	
Adjusted EBITDA	$ 227,293	$ 230,205	$ 157,256	$

(4) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and to extend their useful lives. Maintenance capital expenditures also include projects which improve the efficiency, reliability or effectiveness of existing assets which are expected to improve the financial results from the assets.

(5) Expansion capital expenditures are capital expenditures made to construct new facilities as well as spending to acquire new facilities or assets which are complementary to our existing assets.

(6) Includes production from company and contract-operated mines.

Table of Contents

RISK FACTORS

Investing in our common stock involves substantial risks. You should carefully consider each of the following risks and all of the other information set forth in this prospectus before making an investment decision regarding our common stock. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the following risks and uncertainties develops into actual events, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Operations

Unfavorable economic conditions may cause our customers to reduce their demand for our products or default on their obligations to us, both of which could adversely affect our cash flows, financial position or results of operations.

Economic conditions in the United States and throughout much of the world experienced a sudden, sharp downturn in 2008 and 2009. If such unfavorable economic conditions were to occur again, certain of our metallurgical coke customers may reduce their demand for our coke and coal, seek to delay shipments, or may struggle or fail to meet their obligations to us, especially if they experience defaults on receivables due from their customers. Our steel industry customers experience significant fluctuations in demand for steel products because of economic conditions, consumer demand, raw material and energy costs, and decisions by the U.S. federal and state governments to fund or not fund infrastructure projects, such as highways, bridges, schools, energy plants, railroads and transportation facilities. Unfavorable economic conditions, including the reduced availability of credit, may cause a reduction in the demand for steel products, which, in turn, could adversely affect our customers demand for our products. During periods of weak demand for steel or coal, our customers may seek to renegotiate or cancel their existing coke and coal purchase commitments to us, or decline to renew existing agreements with us when such agreements expire. As a result, we may not be able to sell all the coke and coal that we produce.

Future disruptions of the credit markets may result in financial instability of some of our customers and, in some cases, lead to their insolvency and/or bankruptcy. Such instability could cause our customers to default on their obligations to us. In addition, competition with other suppliers of coke or coal could force us to extend credit to customers and on terms that could increase the risk of payment default. Any of these events ultimately could have an adverse effect on our cash flows, financial position or results of operations.

We are subject to extensive laws and regulations, which may increase our cost of doing business and have an adverse effect on our cash flows, financial position or results of operations.

Environmental, Health and Safety Laws

Our operations are subject to increasingly strict regulation by federal, state and local authorities with respect to protection of the environment and health and safety matters, including those legal requirements pursuant to the Clean Air Act and other laws that govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the protection of groundwater quality and availability, plant and wildlife protection, reclamation and restoration of properties after mining or drilling is completed, the installation of various safety equipment in our facilities, control of surface subsidence from underground mining protection of employee health and safety. Complying with these requirements, including the terms of our permits, can 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 limit our operations. We may not have been, or may not be, at all times, in complete compliance with all of these requirements, and we may incur material costs or liabilities in connection with these requirements, or in connection with remediation at sites we own, or third-party sites where it has been alleged that we have liability, in excess of the amounts we have accrued. In addition, these requirements are complex, change frequently and have tended to become more stringent over time. These requirements may change in the future in a manner that could have a material adverse effect on our business. For a description of certain environmental laws and matters applicable to us, see Business Legal and Regulatory Requirements.

In addition, greenhouse gas emissions may be subject to future federal regulation. The EPA has begun to implement greenhouse gas-related reporting and permitting rules, and the U.S. Congress has considered cap and trade legislation that would establish an economy-wide cap on emissions of greenhouse gases and require most sources of greenhouse gas emissions to obtain greenhouse gas emission allowances corresponding to their annual emissions of greenhouse gases. Federal or state regulations requiring us, or our customers, to employ expensive technology to capture and sequester carbon dioxide could adversely affect our future revenues, or profitability.

Healthcare Laws

In March 2010, the Patient Protection and Affordable Care Act, or PPACA, was enacted, potentially affecting our costs to provide healthcare benefits to our eligible active and retired employees and certain black lung benefits. The PPACA has both short-term and long-term implications on benefit plan standards. Implementation of this legislation is planned to occur in phases, with plan standard changes taking effect beginning in 2010, but to a greater extent with the 2011 benefit plan year and extending through 2018. In the short term, our healthcare costs may rise, due to an increase in the maximum age for covered dependents to receive benefits, changes to benefits for occupational disease related illnesses, the elimination of lifetime dollar limits per covered individual and restrictions of annual dollar limits per covered individual, among other standard requirements. In the long term, our healthcare costs could increase due to a tax on high cost plans and the elimination of annual dollar limits per covered individual, among other standard requirements. Changes that make it easier to qualify for black lung benefits also may result in increased costs. We currently are analyzing this legislation to determine the full extent of the impact of the required changes to comply with this legislation and the resulting costs. A substantial increase in costs as a result of this legislation, and the related regulations, could have a potentially adverse effect on our financial condition or results of operations.

Equipment upgrades, equipment failures and deterioration of assets may lead to production curtailments, shutdowns or additional expenditures.

Our cokemaking and coal mining operations depend upon critical pieces of equipment that occasionally may be out of service for scheduled upgrades or maintenance or as a result of unanticipated failures. Our facilities are subject to equipment failures and the risk of catastrophic loss due to unanticipated events such as fires, accidents or violent weather conditions. As a result, we may experience interruptions in our processing and production capabilities, which could have a material adverse effect on our results of operations and financial condition.

In addition, assets critical to the operations of our cokemaking and coal mining operations, including our cokemaking facilities and equipment and our coal mines, may deteriorate or become depleted materially sooner than we currently estimate. Such deterioration of assets may result in additional maintenance spending or additional capital expenditures. If these assets do not generate the amount of future cash flows that we expect, and we are not able to procure replacement assets in an economically feasible manner, our future results of operations may be materially and adversely affected.

We are also required to perform impairment tests on our assets whenever events or changes in circumstances lead to a reduction of the estimated useful life or estimated future cash flows that would indicate that the carrying amount may not be recoverable or whenever management s plans change with respect to those assets. For example, we are currently conducting an engineering study to evaluate the expected physical life of the coke ovens at our Indiana Harbor cokemaking facility. Some ovens and associated equipment are heaving and settling differentially as a result of the instability of the ground on which it was constructed. This differential movement has reduced production and required corrective action to certain ovens, ancillary equipment and structures. Higher maintenance costs are expected to continue as a result of this condition. An oven repair and maintenance program has been implemented to limit further deterioration to the ovens. The engineering study at Indiana Harbor is expected to be completed during the second half of 2011. At this time, the likely outcome of the study cannot be determined, but possible results include additional maintenance spending to continue operations at the current operating levels, a change in the useful life of all or part of the plant, or the impairment of one or more oven batteries which could be followed by capital spending to retain the current plant capacity. If we are required to incur impairment charges in the future, our results of operations in the period taken could be materially and adversely affected.

We may be unable to obtain, maintain or renew permits or leases necessary for our operations, which could materially reduce our production, cash flow or profitability.

Our cokemaking facilities and coal mining operations require us to obtain a number of permits that impose strict regulations on various environmental and operational matters in connection with cokemaking and coal mining. These include permits used 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 our 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 cokemaking facilities or coal mines. The public, including non-governmental organizations, environmental 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 citizen s lawsuits to challenge the issuance of permits, the validity of environmental impact statements or performance of cokemaking or coal mining activities. For example, environmental groups have challenged our permit-to-install, or PTI, for our Middletown, Ohio facility on the basis that the facility fails to satisfactorily meet the requirements of the Clean Air Act. If this challenge succeeds, or any permits or leases are not issued or renewed in a timely fashion or at all, or if permits issued or renewed are conditioned in a manner that restricts our ability to efficiently and economically conduct our cokemaking or coal mining operations, our cash flows or profitability could be materially and adversely affected.

Our businesses are subject to inherent risks, some for which we maintain third-party insurance and some for which we self-insure. We may incur losses and be subject to liability claims that could have a material adverse effect on our financial condition, results of operations or cash flows.

We currently maintain insurance policies through Sunoco that provide limited coverage for some, but not all, of the potential risks and liabilities associated with our businesses. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. In addition, certain environmental and pollution risks generally are not fully insurable. Even where insurance coverage applies, insurers may contest their obligations to make payments. Our insurance costs may increase and certain coverages may be unavailable if we are no longer participating in Sunoco s insurance plans or programs. Our financial condition, results of operations and cash flows could be materially and adversely affected by losses and liabilities from un-insured or under-insured events, as well as by delays in the payment of insurance proceeds, or the failure by insurers to make payments.

We also may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. We must compensate employees for work-related injuries. If we do not make adequate provision for our workers compensation liabilities, it could harm our future operating results. If we are pursued for these sanctions, costs and liabilities, our operations and our profitability could be adversely affected.

Table of Contents

Our operating results have been and may continue to be affected by fluctuations in our costs of production, and, if we cannot pass increases in our costs of production to our customers, our financial condition, results of operations and cash flows may be negatively affected.

Over the course of the last two to three years, many of the components of our cost of produced coke and coal revenues, including cost of supplies, equipment and labor, have experienced significant price inflation, and such price inflation may continue in the future. Our coal mining operations, for example, require a reliable supply of mining and industrial equipment, replacement parts, fuel and steel-related products, including roof control and lubricants. The supplier base providing such mining materials and equipment has been relatively consistent in recent years, although there continues to be consolidation, resulting in a situation where purchases of certain underground mining equipment are concentrated in single suppliers. The price of such components is also highly volatile. Our profit margins may be reduced and our financial condition, results of operations and cash flows may be adversely affected if the costs of production increase significantly and we cannot pass such increases in our costs of production to our customers.

If we fail to maintain satisfactory labor relations, we may be adversely affected. Union represented labor creates an increased risk of work stoppages and higher labor costs.

If some, or all, of our non-union operations become unionized, we may be subject to an increased risk of work stoppages, other labor disputes and higher labor costs, which may adversely affect the stability of production and reduce our future revenues, or profitability. Legislation has been proposed to the U.S. Congress to enact a law allowing for workers to choose union representation solely by signing election cards, which would eliminate the use of secret ballots to elect union representation. While the impact is uncertain, if such legislation is enacted into law, it will be administratively easier for labor unions to organize into collective bargaining units and may lead to more of our operations becoming unionized.

We have obligations for long-term employee plan benefits that may involve expenses that are greater than we have assumed.

We are required to provide various long-term employee benefits to retired employees and current employees who will retire in the future. At December 31, 2010, these obligations included:

- pension benefits of $30.9 million; and
- post retirement medical and life insurance of $46.8 million.

We have estimated certain of these unfunded obligations based on actuarial assumptions described in the notes to our financial statements. However, if our assumptions are inaccurate, we could be required to expend materially greater amounts than anticipated. Approximately 98 percent of the pension benefits were funded on an accounting basis at December 31, 2010, while the post-retirement medical and life insurance obligations are unfunded. If we are required to expend materially greater amounts than anticipated, it could have a material and adverse effect on our financial condition, results of operations and cash flows.

We currently are, and likely will be, subject to litigation, the disposition of which could have a material adverse effect on our cash flows, financial position or results of operations.

The nature of our operations exposes us to possible litigation claims in the future, including disputes relating to our operations and commercial and contractual arrangements. Although we make every effort to avoid litigation, these matters are not totally within our control. We will contest these matters vigorously and have made insurance claims where appropriate, but because of the uncertain nature of litigation and coverage decisions, we cannot predict the outcome of these matters. We recently settled a significant litigation matter with certain operating subsidiaries of ArcelorMittal USA, the customer purchasing coke from our Jewell cokemaking facility. Litigation is very costly, and the costs associated with prosecuting and defending litigation matters could

Table of Contents

have a material adverse effect on our financial condition and profitability. In addition, our profitability or cash flow in a particular period could be affected by an adverse ruling in any litigation currently pending in the courts or by litigation that may be filed against us in the future. We are also subject to significant environmental and other government regulation, which sometimes results in various administrative proceedings.

Risks Related to Our Cokemaking Business

Our customers operate in a competitive and cyclical industry, and their default or non-compliance on their contractual obligations to purchase coke from us, or the failure of our customers to continue to purchase coke from us at similar prices under similar arrangements, may have a material and adverse effect on our financial position, results of operations and cash flows.

All of our coke sales agreements currently contain take-or-pay provisions, pursuant to which our customers are required to either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. During periods of weak demand for steel, our steel industry customers may experience significant reductions in their operations, or substantial declines in the prices of the steel they sell. These and other factors may lead some customers to seek renegotiation or cancellation of their existing long-term coke purchase commitments to us. We have, and will continue to, work constructively with our customers to resolve issues, and, where appropriate, we will actively pursue legal process to protect our rights. Customer defaults on existing contractual obligations to purchase our coke may have a material and adverse effect on our financial position, results of operations and cash flows.

If a substantial portion of our agreements to supply metallurgical coke are modified or terminated or if *force majeure* is exercised, we may be adversely affected if we are not able to replace such agreements, or if we are not able to enter into new agreements at the same level of profitability. The profitability of our long-term coke sales agreements depends on a variety of factors that vary from agreement to agreement and fluctuate during the agreement term. We may not be able to obtain long-term agreements at favorable prices, compared either to market conditions or to our cost structure. Price changes provided in long-term supply agreements may not reflect actual increases in production costs. As a result, such cost increases may reduce profit margins on our long-term coke sales agreements. In addition, contractual provisions for adjustment or renegotiation of prices and other provisions may increase our exposure to short-term price volatility.

From time to time, we discuss the extension of existing agreements and enter into new long-term agreements for the supply of metallurgical coke to our customers, but these negotiations may not be successful and these customers may not continue to purchase coke from us under long-term coke sales agreements. If any one or more of these customers were to significantly reduce their purchases of coke from us, or if we were unable to sell coke to them on terms as favorable to us as the terms under our current agreements, our cash flows, financial position and results of operations may be materially and adversely affected.

Further, because of certain technological design constraints, which are discussed in more detail in Business Our Cokemaking Technology, we do not have the ability to shut down our cokemaking operations if we do not have adequate customer demand. If a customer refuses to take or pay for our coke, we must continuously operate our coke ovens even though we may not be able to sell our coke immediately and may incur significant additional costs for natural gas to maintain the temperature inside our coke oven batteries, which may have a material and adverse effect on our financial position, results of operations and cash flows.

The financial performance of our cokemaking business is substantially dependent upon three customers in the steel industry, and any failure by them to perform under their contracts with us could adversely affect our financial condition, results of operations and cash flows.

Substantially all of our domestic coke sales are currently made under long-term contracts with ArcelorMittal, U.S. Steel and AK Steel. For the year ended December 31, 2010, ArcelorMittal accounted for approximately 69 percent of our total revenues. We expect these three customers to continue to account for a

Table of Contents

significant portion of our revenues for the foreseeable future. If any one or more of these customers were to significantly reduce its purchases of coke from us, or default on their agreements with us, or fail to renew or terminate its agreements with us, or if we were unable to sell coke to any one or more of these customers on terms as favorable to us as the terms under our current agreements, our cash flows, financial position and results of operations could be materially and adversely affected.

We may not be able to successfully implement our North American growth strategy and develop, design, construct, start up, or operate new cokemaking facilities in North America.

We may not be able to complete construction of, or efficiently operate, cokemaking facilities that we develop in the future, including our Middletown, Ohio cokemaking facility, which is currently under construction. Further development of future cokemaking facilities may not be within the expected time line or budget. We cannot predict the effect that any failed expansion may have on our core business. Regardless of whether we are successful in constructing and/or operating additional cokemaking facilities, the negotiations for development of such facilities could disrupt our ongoing business, distract management and increase our expenses. If we are not able to successfully execute our plans for the development and expansion of our North American cokemaking operations, whether as a result of unfavorable market conditions in the steel industry or otherwise, our future revenues and profitability could be materially and adversely affected.

We may not be able to successfully implement our international growth strategy and develop, design, construct, start up and operate new cokemaking facilities outside of North America.

A central element of our growth strategy involves the international expansion of our business. We expanded our cokemaking business internationally in 2007 through our development and operation of our customer s cokemaking facility in Vitória, Brazil. We are currently exploring opportunities with steel companies for developing new cokemaking facilities in foreign countries, which could be either wholly owned or developed through other business structures.

Our ability to expand internationally and enter into additional arrangements in non-U.S. markets is subject to a variety of risks, including, but not limited to:

- the possibility of negative developments in the demand for steel in non-U.S. markets;
- the difficulty or costs associated with complying with industry guidelines or laws or regulations of non-U.S. markets;
- the possibility that language and other cultural differences may inhibit our development and operations efforts and create internal communication problems among our U.S. and non-U.S. teams, increasing the difficulty of managing multiple, remote locations performing various development and quality assurance projects;
- compliance with non-U.S. laws that may be unfamiliar to our management and employees;
- currency risk due to the fact that our revenues and/or expenses for our international operations may be denominated in different currencies; and
- economic, political instability or legal restrictions could affect our ability to efficiently invest and repatriate our capital from the local country.

If we are not able to successfully execute our plans for international development and expansion of our cokemaking operations, as a result of unfavorable market conditions in the steel industry or otherwise, our future revenues and profitability could be materially and adversely affected.

Excess capacity in the global steel industry, including in China, may weaken demand for steel produced by our U.S. steel industry customers, which, in turn, may reduce demand for our coke.

In some countries, such as China, steelmaking capacity exceeds demand for steel products. Rather than reducing employment by matching production capacity to consumption, steel manufacturers in these countries (often with local government assistance or subsidies in various forms) may export steel at prices that are significantly below their home market prices and that may not reflect their costs of production or capital. The availability of this steel at such prices may negatively affect our steelmaking customers, who may not be able to increase the prices that they charge for steel as supply of steel increases. As a result, the profitability and financial position of our steelmaking customers may be adversely affected, which in turn, could adversely affect the certainty of our long-term relationships with those customers and our own financial position, results of operations and cash flows.

We face increasing competition both from alternative steelmaking and cokemaking technologies that have the potential to reduce or completely eliminate the use of metallurgical coke, may reduce the demand for the coke we produce and which could have an adverse effect on our results of operations.

Historically, metallurgical coke has been used as a main input in the production of steel in blast furnaces, and nearly all integrated steel mills still use blast furnace technology. However, many steelmakers also are exploring alternatives to blast furnace technology that require less or no use of metallurgical coke. For example EAF technology is a commercially proven process widely used in the United States. As these alternative processes for production of steel become more widespread, the demand for metallurgical coke, including the coke we produce, may be significantly reduced, and this reduction could have a material and adverse effect on our financial position, results of operations and cash flows.

We also face competition from alternative cokemaking technologies, including both by-product and non-recovery technologies. As these technologies improve and as new technologies are developed, we anticipate that competition among non-conventional coke producers will intensify. Such increased competition may adversely affect our future revenues and profitability.

Certain provisions in our long-term coke sales agreements, resulting in suspension of the performance due to force majeure, or imposition of economic penalties for failure to meet minimum volume requirements or other required specifications, may have an adverse effect on our future revenues, or profitability.

All of our coke sales agreements contain provisions requiring us to supply minimum volumes of coke to our customers. To the extent we do not meet these minimum volumes, we are generally required under the terms of our coke sales agreements to procure replacement coke supply to our customers at the applicable contract price or potentially be subject to cover damages for any shortfall. For example, in 2010, we did not meet our contractual volume minimums at our Indiana Harbor cokemaking facility. Because our customer did not require the additional coke, we were not required to replace the shortfall nor did we incur financial penalties. In 2011, we again expect production volumes at our Indiana Harbor cokemaking facility to be below the contractual minimum levels. While we are working with our customer to identify possible other supply sources while we implement operating improvements at this facility, we may not be successful in identifying alternative supplies and may be subject to paying the contract price for any shortfall or for cover damages, either of which could adversely affect our future revenues and profitability. Most of our coke sales agreements also contain provisions requiring us to deliver coke that meet certain quality thresholds. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or termination of our agreements, any or all of which could adversely affect our future revenues and profitability.

Our coke sales agreements contain *force majeure* provisions allowing temporary suspension of performance by our customers during the duration of specified events beyond the control of our customers. Declaration of *force majeure*, coupled with a lengthy suspension of performance under one or more coke sales agreements, may seriously and adversely affect our cash flows, financial position and results of operations.

Table of Contents

Income from operation of the Vitória, Brazil cokemaking facility may be affected by global and regional economic and political factors and the policies and actions of the Brazilian government.

The Vitória cokemaking facility is owned by a project company controlled by a Brazilian affiliate of ArcelorMittal. We earn income from the Vitória, Brazil operations through licensing and operating fees earned at the Brazilian cokemaking facility payable to us under long-term agreements with the project company and an annual preferred dividend from the project company guaranteed by the Brazilian affiliate of ArcelorMittal. These revenues depend on continuing operations and, in some cases, certain minimum production levels being achieved at the Vitória cokemaking facility. In the past, the Brazilian economy was characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has changed in the past, and may change monetary, taxation, credit, tariff and other policies to influence Brazil s economy in the future. If the operations at Vitória cokemaking facility are interrupted or if certain minimum production levels are not achieved, we will not be able to earn the same licensing and operating fees as we are currently earning which could have an adverse affect on our financial position, results of operations and cash flows.

To the extent we do not meet coal-to-coke yield standards in our coke sales agreements, we are responsible for the cost of the excess coal used in the cokemaking process, which could adversely impact our results of operations and profitability.

Our ability to pass through our coal costs to our customers under our coke sales agreements is generally subject to our ability to meet some form of coal-to-coke yield standard. To the extent that we do not meet the yield standard in the contract, we are responsible for the cost of the excess coal used in the cokemaking process. We may not be able to meet the yield standards at all times, and as a result we may suffer lower margins on our coke sales and our results of operations and profitability could be adversely affected.

Disruptions to our supply of coal and coal blending services may reduce the amount of coke we produce and deliver and, if we are not able to cover the shortfall in coal supply or obtain replacement blending services from other providers, our results of operations and profitability could be adversely affected.

Most of the metallurgical coal used to produce coke at our cokemaking facilities, other than our Jewell facility, is purchased from third parties under one- to two-year contracts. While we believe there is an ample supply of metallurgical coal available and we have been able to supply these facilities without any significant disruption in coke production in the past, economic, environmental, and other conditions outside of our control may reduce our ability to source sufficient amounts of coal for our forecasted operational needs. The failure of our coal suppliers to meet their supply commitments could materially and adversely impact our results of operations if we are not able to make up the shortfalls resulting from such supply failures through purchases of coal from other sources.

Other than at our Jewell cokemaking facility, we rely on third parties to blend coals that we have purchased into coal blends that we use to produce coke. We have entered into long-term agreements with coal blending service providers that are co-terminous with our coke sales agreements. Generally, we store an inventory of blended coal at or near our cokemaking facilities to cover approximately 15 to 30 days of coke production. There are limited alternative providers of coal blending services and disruptions from our current service providers could materially and adversely impact our results of operations.

Limitations on the availability and reliability of transportation, and increases in transportation costs, particularly rail systems, could materially and adversely affect our ability to obtain a supply of coal and deliver coke to our customers.

Our ability to obtain coal depends primarily on third-party rail systems and to a lesser extent river barges. If we are unable to obtain rail or other transportation services, or are unable to do so on a cost-effective basis, our results of operations could be adversely affected. Alternative transportation and delivery systems are generally

Table of Contents

inadequate and not suitable to handle the quantity of our shipments or to ensure timely delivery. The loss of access to rail capacity could create temporary disruption until the access is restored, significantly impairing our ability to receive coal and resulting in materially decreased revenues. Our ability to open new cokemaking facilities may also be affected by the availability and cost of rail or other transportation systems available for servicing these facilities.

Our coke production obligations at our Jewell cokemaking facility and one half of our Haverhill cokemaking facility require us to deliver coke to certain customers via railcar. We have entered into long-term rail transportation agreements to meet these obligations. Disruption of these transportation services because of weather-related problems, mechanical difficulties, train derailments, infrastructure damage, strikes, lock-outs, lack of fuel or maintenance items, fuel costs, transportation delays, accidents, terrorism, domestic catastrophe or other events could temporarily or over the long term impair our ability to produce coke, and therefore, could materially and adversely affect our business and results of operations.

The Brazilian licensing agreement for certain of our Brazilian patents used at the Vitória cokemaking facility may terminate if we are not able to maintain or supplement the patents subject to the licensing agreement, which may have an adverse effect on our future revenues and profitability.

We currently collect certain fees in connection with the licensing of certain of our Brazilian patents at the Vitória cokemaking facility pursuant to a Brazilian licensing agreement with a term that runs through 2023. The validity of these patents is being challenged in Brazil, and the patents will otherwise expire by May 2014. We have two patent applications (one of which has been opposed by the party challenging our existing Brazilian patents) awaiting examination that, if approved, we expect will permit the Brazilian licensing agreement to continue through at least 2023. If the challenge to our existing Brazilian patents is successful, or if such Brazilian patents expire prior to a new Brazilian patent becoming subject to the Brazilian licensing agreement, and we no longer have any technology licensed under any applicable licensing agreement, we will no longer receive any licensing fees. The loss of these licensing fees would adversely affect our results of operations.

Labor disputes with the unionized portion of our workforce could affect us adversely.

As of January 31, 2011, we have approximately 940 employees in the United States. Approximately 350, or 37 percent, of our domestic employees, principally at our cokemaking operations, are currently represented by the United Steelworkers under various contracts. As of January 31, 2011, we have approximately 200 employees at the cokemaking facility in Vitória, Brazil all of whom are represented by a union. When these agreements expire or terminate, we may not be able to negotiate the agreements on the same or more favorable terms as the current agreements, or at all, and without production interruptions, including labor stoppages. A prolonged labor dispute, which could include a work stoppage, could adversely affect our ability to satisfy our customers orders and, as a result, adversely affect our production and profitability.

Risks Related to Our Coal Mining Business

Coal prices are volatile, and a substantial or extended decline in prices could 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 for coal in the future depend upon factors beyond our control, including:

- the domestic and foreign demand for metallurgical coal;
- the quantity and quality of coal available from domestic and foreign competitors;
- the demand for steel, which may lead to price fluctuations in the re-pricing of our metallurgical coal contracts;
- competition within our industry;

Table of Contents

- 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; and
- the proximity, capacity and cost of transportation facilities.

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

Extensive governmental regulations pertaining to employee health and safety and mandated benefits for retired coal miners impose significant costs on our mining operations, which could materially and adversely affect our results of operations.

The coal mining industry is subject to increasingly strict regulation by federal, state and local authorities with respect to matters such as employee health and safety and mandated benefits for retired coal miners. Compliance with these requirements imposes significant costs on us and can result in reduced productivity. Moreover, the possibility exists that new health and safety legislation and/or regulations and orders may be adopted that may materially and adversely affect our mining operations. We must compensate employees for work-related injuries. If we do not make adequate provisions for our workers compensation liabilities, it could harm our future operating results. In addition, the erosion through tort liability of the protections we are currently provided by workers compensation laws could increase our liability for work-related injuries and materially and adversely affect our operating 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 January 1, 1970. The trust fund is funded by an excise tax on coal production. If this tax increases, or if we could no longer pass it on to the purchasers of our coal under our coal sales agreements, our operating costs could be increased and our results could be materially and adversely harmed. At December 31, 2010, the current and non-current portions of our liabilities for our coal workers black lung benefits totaled $26.6 million. If new laws or regulations increase the number and award size of claims, it could materially and adversely harm our business. See Business Legal and Regulatory Requirements Other Regulatory Requirements.

Federal or state regulatory agencies have the authority to order 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 and may incur fines. 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. Our coal operations also provide substantially all of the coal used at our Jewell cokemaking facility. The inability to deliver the required coal to this facility could significantly impact operations at the facility. Any of these actions could have a material adverse effect on our business and results of operations.

Table of Contents

Extensive environmental regulations impose significant costs on our mining operations, and future regulations could materially increase those costs, impose new or increased liabilities, limit our ability to produce and sell coal, or require us to change our operations significantly, any one or more of which could materially and adversely affect our financial position and/or results of operations.

Our coal mining operations are 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, including with respect to past or legacy mining operations;
- 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 can be costly and time-consuming, and could delay commencement or continuation of expansion or production operations. We may not have been, or may not 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, also may 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 the section entitled Business Legal and Regulatory Requirements for further information about the various governmental regulations affecting us.

Our coal mining operations are subject to operating risks, some of which are beyond our control, that could result in a material increase in our operating expenses and a decrease in our production levels.

Factors beyond our control could disrupt our coal mining operations, adversely affect production and shipments and increase our operating costs, all of which could have a material adverse effect on our results of operations. Such factors could include:

- poor mining conditions resulting from geological, hydrologic or other conditions that may cause damage to nearby infrastructure or mine personnel;

- variations in the thickness and quality of coal seams, and variations in the amounts of rock and other natural materials overlying the coal being mined;
- a major incident at a 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.

If any of these conditions or events occur, our coal mining operations may be disrupted, we could experience a delay or halt of production or shipments, operating costs could increase significantly, and we could incur substantial losses. In particular, our Jewell cokemaking facility currently obtains essentially all of its metallurgical coal requirements from our existing coal mining operations. Disruptions in our coal mining operations, resulting in decreased production of metallurgical coal, could seriously and adversely affect production at our Jewell cokemaking facility.

If transportation for our coal becomes unavailable or uneconomic for our customers, it may impair our ability to sell coal, and our results of operations may be adversely affected.

Transportation costs represent a significant portion of the total cost of coal and the cost of transportation is a critical factor in a customer s purchasing decision. Increases in transportation costs and the lack of sufficient rail and port capacity could lead to reduced coal sales. For example, all of our coal mining operations are substantially dependent on, and only have access to, a single rail provider. A substantial amount of the metallurgical coal produced from our coal mining operations is used in our adjacent Jewell cokemaking facility. However, future disruption of transportation services (due to weather-related problems, infrastructure damage, strikes, lock-outs, lack of fuel or maintenance items, underperformance of port and rail infrastructure, congestion and balancing systems used to manage vessel queuing and demurrage, transportation delays or other reasons) may temporarily impair our ability to supply coal to other customers and adversely affect our results of operations.

We face numerous uncertainties in estimating economically recoverable coal reserves, and inaccuracies in estimates may result in lower than expected revenues, higher than expected costs and decreased profitability.

Our future performance depends on, among other things, the accuracy of our estimates of our proven and probable coal reserves. There are numerous uncertainties inherent in estimating quantities and values of economically recoverable coal reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. 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 as needed to reflect production of coal from the reserves, updated geological models and mining recovery data, tonnage contained in newly acquired lease areas and estimated costs of production and sale prices.

There are numerous factors and assumptions that affect economically recoverable reserve estimates, including:

quality of the coal;

historical production from the area compared with production from other producing areas;

- 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 costs for critical supplies such as fuel and tires, capital expenditures and development and reclamation costs.

Each of these factors may vary considerably. 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 foregoing factors and assumptions. Therefore, our estimates may not accurately reflect our actual reserves. Actual production, revenues and expenditures with respect to reserves will likely vary from estimates, and these variances may be material. In late 2009, we engaged Marshall Miller & Associates, Inc., a leading mining engineering firm, to conduct a new and comprehensive study to establish our reserve base for our existing coal mines. The firm confirmed that as of December 31, 2010, our proven and probable coal reserves totaled at least 85 million tons. The firm is continuing its work on additional coal seams and is expected to provide us with its evaluation of our proven and probable reserves for those additional seams during the third quarter of 2011. Our acquisition of the HKCC Companies added an additional 21 million tons of proven and probable coal reserves, increasing our total proven and probable reserves to at least 106 million tons. 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.

Our inability to develop coal reserves in an economically feasible manner could materially and adversely affect our business.

Our future success depends upon our ability to continue developing economically recoverable coal reserves. If we fail to develop additional coal reserves, our existing reserves eventually will be depleted. We may not be able to obtain replacement reserves when we require them. Replacement reserves may not be available or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. Our ability to develop coal reserves in the future also may be limited by the availability of cash we generate from our operations or available financing, restrictions under our existing or future financing arrangements, the lack of suitable opportunities or the inability to acquire coal properties or leases on commercially reasonable terms. If we are unable to develop replacement reserves, our future production may decrease significantly and this may have a material and adverse impact on our cash flows, financial position and results of operations.

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

Our coal mines are located in Virginia and West Virginia, in what is known as the Central Appalachian region. The geological characteristics of Central Appalachian coal reserves, such as coal seam thickness, make them complex and costly to mine. As compared to mines in other regions, permitting, licensing and other environmental and regulatory requirements are more costly and time consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of coal produced at our mines in Central Appalachia.

Table of Contents

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. In some cases, the seller or lessor warrants property title. In other cases, separate title confirmation may not be required for leasing reserves where mining has occurred previously. Our right to mine some of our reserves may be adversely affected if defects in title or boundaries exist, or if our leasehold interests are subject to superior property rights of third parties. In order to conduct our mining operations on properties where such 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. In addition, we may not be able to successfully negotiate new leases for properties containing additional reserves, or maintain our leasehold interests in properties where we have not commenced mining operations during the term of the lease.

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

We use independent contractors to mine coal at certain of our mining operations. Some of our contract miners may experience adverse geologic mining conditions, operational difficulties, escalated costs, financial difficulties, or other factors beyond our control that could affect the availability, pricing, and quality of coal produced for us. In addition, market volatility and price increases for coal or freight could result in non-performance by third-party suppliers under existing contracts with us, in order to take advantage of the higher prices in the current market. Disruptions in the quantities of coal produced by independent contractors for us could impair our ability to supply our cokemaking facilities and to fill our customer orders. Our profitability or exposure to loss on transactions or relationships such as these depends upon the reliability of the supply or the ability to substitute, when economical, third-party coal sources, with internal production or coal purchased in the market and other factors. Non-performance by contract miners may adversely affect our ability to fulfill deliveries under our coal supply agreements. 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.

We require a skilled workforce to run our coal mining business. If we or our contractors cannot hire qualified people to meet replacement or expansion needs, our labor costs may increase and we may not be able to achieve planned results.

Efficient coal mining using modern techniques and equipment requires skilled workers in multiple disciplines, including experienced foremen, electricians, equipment operators, engineers and welders, among others. Our future success depends greatly on our continued ability to attract and retain highly skilled and qualified personnel. We have an aging workforce, and an extended effort to recruit new employees to replace those who retire or a sustained shortage of skilled labor in the areas in which we operate could make it difficult to meet our staffing needs or result in higher labor rates. We also may be forced to hire novice miners, who are required to be accompanied by experienced workers as a safety precaution. These measures could adversely affect our productivity and operating costs. A lack of qualified people also may affect companies that we use to perform certain specialized work. If we or our contractors cannot find enough qualified workers, it may delay completion of projects and increase our costs.

We have reclamation and mine closure obligations. If the assumptions underlying our accruals are inaccurate, we may be required to expend significantly greater amounts than anticipated.

The Surface Mining Control and Reclamation Act established operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. We accrue for the costs of current mine disturbance and of final mine closure, including the cost of treating mine water discharge where

Table of Contents

necessary. The amounts recorded are dependent upon a number of variables, including the estimated future retirement costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rates. Furthermore, our reclamation and mine-closing liabilities are unfunded. If these accruals are insufficient, or our cash requirements in a particular year are greater than currently anticipated, our future operating results and cash flows could be adversely affected.

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

Our reclamation and mine-closing liabilities are unfunded. 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. These bonds are typically renewable annually. Surety bond issuers and holders may not continue to renew the bonds or may demand higher fees, additional collateral, including letters of credit or other terms less favorable to us upon those renewals. We are also subject to increases in the amount of surety bonds required by federal and state laws as these laws, or interpretations of these laws, change. Because we are required by state and federal law to have these bonds in place before mining can commence or continue, our failure to maintain (or inability to acquire) these bonds would have a material and adverse impact on us. That failure could result from a variety of factors including the following: 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 future indebtedness; our inability to meet certain financial tests with respect to a portion of the post-mining reclamation bonds; and the exercise by third-party surety bond issuers of their right to refuse to renew or issue new bonds.

Risks Related to this Offering and Ownership of Our Common Stock

An active trading market for our common stock may not develop, and you may not be able to sell your common stock at or above the initial public offering price.

Prior to this offering, there has been no public market for our common stock. An active trading market for shares of our common stock may never develop or be sustained following this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The price for our common stock in this offering will be determined by negotiations among Sunoco and representatives of the underwriters, and it may not be indicative of prices that will prevail in the open market following this offering. We cannot predict the prices at which shares of our common stock may trade after this offering. Similarly, we cannot predict the effect of this offering on the trading prices of our common stock or whether the combined market value of the shares of our common stock and the common stock of Sunoco will be less than, equal to or greater than the market value of the common stock of Sunoco prior to this offering. Consequently, you may not be able to sell your common stock at or above the initial public offering price or at any other price or at the time that you would like to sell. An inactive market may also impair our ability to raise capital by selling our common stock, and it may impair our ability to motivate our employees and sales representatives through equity incentive awards and our ability to acquire other companies, products or technologies by using our common stock as consideration.

The market price of our common stock may fluctuate significantly.

The market price of our common stock could fluctuate significantly due to a number of factors, including:

- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the public reaction to our press releases, our other public announcements and our filings with the U.S. Securities and Exchange Commission, or SEC;

28

Table of Contents

- announcements by us or our competitors of significant acquisitions, dispositions, innovations, or new programs and services;
- changes in financial estimates and recommendations by securities analysts following our stock, or the failure of securities analysts to cover our common stock after this offering;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- general economic conditions and overall market fluctuations;
- the trading volume of our common stock; and
- changes in business, legal or regulatory conditions, or other developments affecting participants in, and publicity regarding, the coal mining business, the cokemaking business, the domestic steel industry or any of our significant customers.

In particular, the realization of any of the risks described in these Risk Factors could have a material and adverse impact on the market price of our common stock in the future and cause the value of your investment to decline. In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock, regardless of our actual performance.

The securities of many companies have experienced extreme price and volume fluctuations in recent years, often unrelated to the companies operating performance. If the market price of our common stock reaches an elevated level following this offering, it may materially and rapidly decline. In the past, following periods of volatility in the market price of a company s securities, stockholders have often instituted securities class action litigation against the company. If we were to be involved in a class action lawsuit, it could divert the attention of senior management, and, if adversely determined, have a material adverse effect on our business, results of operations and financial condition.

If securities or industry analysts adversely change their recommendations regarding our stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock could be influenced by the research and reports that industry or securities analysts may publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

As a public company, we will become subject to additional financial and other reporting and corporate governance requirements that may be difficult for us to satisfy and may divert management s attention from our business.

As a public company, we will be required to file annual and quarterly reports and other information pursuant to the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, with the SEC. We will be required to ensure that we have the ability to prepare financial statements that comply with SEC reporting requirements on a timely basis. We will also be subject to other reporting and corporate governance requirements, including the NYSE listing standards and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder, which impose significant compliance obligations upon us. Specifically, we will be required to:

- prepare and distribute periodic reports and other stockholder communications in compliance with our obligations under the federal securities laws and NYSE rules;

29

- create or expand the roles and duties of our board of directors and committees of the board;

- institute compliance and internal audit functions that are more comprehensive;

- evaluate and maintain our system of internal control over financial reporting, and report on management s assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

- involve and retain outside legal counsel and accountants in connection with the activities listed above;

- enhance our investor relations function; and

- maintain internal policies, including those relating to disclosure controls and procedures.

As a public company we will be required to commit significant resources and management oversight to the above-listed requirements, which will cause us to incur significant costs and which will place a strain on our systems and resources. As a result, our management s attention might be diverted from other business concerns. In addition, we might not be successful in implementing these requirements.

We have not yet tested our internal control over financial reporting in accordance with Section 404. If we are unable to implement the requirements of Section 404 in a timely manner or with adequate compliance, we and our independent registered public accounting firm may not be able to report on the adequacy of our internal control over financial reporting. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis and may suffer adverse regulatory consequences or violations of NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements.

In its annual report on Form 10-K for the year ended December 31, 2010, Sunoco reported that its internal control over financial reporting was not effective as a result of a material weakness in internal control over financial reporting related to the accounting for income taxes. The amounts reflected in our financial statements for income tax expense and deferred income taxes have been prepared by Sunoco s income tax department using processes similar to those used in the preparation of Sunoco s consolidated financial statements. While we intend to establish our own tax accounting process after the separation, it is expected that some or all of Sunoco s processes will continue to be used at least through the date of the distribution. Sunoco is continuing to evaluate and improve its internal control over income tax accounting and expects to complete the required remedial actions during 2011. Accordingly, we will be subject to the same material weakness in internal control over financial reporting for income taxes that Sunoco has reported until it has been remediated or we have established our own tax accounting process.

The market price of our common stock could decline as a result of the sale or distribution of a large number of shares of our common stock in the market after this offering or the perception that a sale or distribution could occur. These factors also could make it more difficult for us to raise funds through future offerings of our common stock.

Sales of substantial amounts of our common stock in the public market, or the perception that those sales might occur, could materially adversely affect the market price of our common stock. Upon completion of this offering, Sunoco will beneficially own shares of our common stock, or approximately percent of our outstanding common stock. Sunoco has announced that, following this offering and the expiration of the lock-up period with the underwriters described under Underwriting Lock Up Agreements, it intends to distribute its remaining equity interest in us to its stockholders by means of a spin-off by no later than . Substantially all of these shares would be eligible for immediate resale in the public market. We are unable to predict whether significant amounts of our common stock will be sold in the open market in anticipation of, or following, a spin-off. We also are unable to predict whether these potential sales will have a negative effect on the price of our common stock. A portion of Sunoco s common stock is held by index funds tied to the Standard & Poor s 500 Index or other stock indices. If we are not included in these indices at the time of Sunoco s distribution of our common stock to its shareholders, these index funds will be required to sell any of

30

our common stock that they receive in the distribution. Although we have no actual knowledge of any plan or intention on the part of any Sunoco shareholder to sell our common stock following this distribution, it is possible that some Sunoco shareholders, including possibly some of its largest shareholders, may sell our common stock received in the distribution for reasons such as that our business profile or market capitalization as a separate, publicly-traded company does not fit their investment objectives. Any disposition by Sunoco, or any significant Sunoco shareholder, of our common stock in the public market, or the perception that such dispositions could occur, could adversely affect prevailing market prices for our common stock.

Even if Sunoco does not distribute its remaining equity interest in us by means of a spin-off, Sunoco may sell all or a portion of its remaining equity interest in us, to the public or one or more private persons, after the expiration of a 180-day lock-up period as described below. We have entered into a registration rights agreement with Sunoco that grants it registration rights to facilitate its sale of shares of our common stock in the market. Any sale or distribution, or expectations in the market of a possible sale or distribution, by Sunoco of all or a portion of our shares of common stock through the spin-off, in a registered offering, pursuant to Rule 144 or otherwise could depress or reduce the market price for our common stock or cause our shares to trade below the prices at which they would otherwise trade.

Moreover, the shares of our common stock sold in this offering will be freely tradable without restriction, except for any shares acquired by an affiliate of our company which can be sold under Rule 144 under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, subject to various volume and other limitations. Subject to certain limited exceptions, we, our executive officers and directors and Sunoco have agreed with the underwriters, not to sell, dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of common stock, without the prior written consent of Credit Suisse Securities (USA) LLC, for the period ending 180 days after the date of this prospectus, except that after 120 days after the date of this prospectus, Sunoco may dispose of our common stock that it owns by means of a distribution to its shareholders, and if (1) any of our executive officers or directors cease to be an executive officer and/or a director of our company and (2) Sunoco disposes of our common stock that it owns by means of a distribution, such executive officer or director shall cease to be restricted by the lock-up agreement. After the expiration of the 180-day period, our executive officers and directors and Sunoco could dispose of all or any part of its shares of our common stock through a public offering, sales under Rule 144, or other transaction.

In the future, we may also issue additional common stock for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, or to provide incentives pursuant to certain executive compensation arrangements. Such future issuances of equity securities, or the expectation that they will occur, could cause the market price for our common stock to decline. The price of our common stock also could be affected by hedging or arbitrage trading activity that may exist or develop involving our common stock.

Your percentage ownership in us may be diluted by future issuances of capital stock or securities or instruments that are convertible into our capital stock, which could reduce your influence over matters on which stockholders vote.

Our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, shares that may be issued to satisfy our obligations under our incentive plans, shares of our authorized but unissued preferred stock and securities and instruments that are convertible into our common stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, likely would result in your interest in us being subject to the prior rights of holders of that preferred stock.

Table of Contents

We have no plans to pay dividends on our common stock, so you may not receive funds without selling your common stock.

We do not anticipate paying any dividends on our common stock in the foreseeable future. Any declaration and payment of future dividends to holders of our common stock may be limited by restrictive covenants of our debt agreements, and will be at the sole discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant.

Further, we may not have sufficient surplus under Delaware law to be able to pay any dividends in the future. The absence of sufficient surplus may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures, or increases in reserves.

Provisions of our certificate of incorporation, bylaws, the Delaware General Corporation Law, or DGCL, and the separation and distribution agreement, could discourage potential acquisition proposals and could deter or prevent a change in control.

Our amended and restated certificate of incorporation and bylaws will contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions will include:

- a board of directors that is divided into three classes with staggered terms;
- after Sunoco ceases to own a majority of our voting stock, action by written consent of stockholders may only be taken unanimously by holders of all our shares of common stock;
- rules regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board of directors to issue preferred stock without stockholder approval;
- after Sunoco ceases to own a majority of our voting stock, limitations on the right of stockholders to remove directors; and
- limitations on our ability to be acquired.

The DGCL also imposes some restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding common stock. For more information, see Description of Our Capital Stock Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws, and of Delaware Law.

We believe that these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is in our best interests and that of our stockholders.

Any or all of the foregoing provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

Table of Contents

Risks Related to Our Separation from Sunoco

We have no operating history as a separate public company, and our historical and pro forma financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

Our historical and pro forma financial information included in this prospectus is derived from the consolidated financial statements and accounting records of Sunoco. Accordingly, the historical and pro forma financial information included here do not necessarily reflect the results of operations, financial position and cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future primarily as a result of the following factors:

- Prior to the separation, our business was operated by Sunoco as part of its broader corporate organization, rather than as an independent company. Sunoco or one of its affiliates performed various corporate functions for us, including, but not limited to, legal services, treasury, accounting, auditing, risk management, information technology, human resources, corporate affairs, tax administration, certain governance functions (including internal audit and compliance with the Sarbanes-Oxley Act of 2002) and external reporting. Our historical and pro forma financial results reflect allocations of corporate expenses from Sunoco for these and similar functions. These allocations are likely less than the comparable expenses we believe we would have incurred had we operated as a separate public company.

- Currently, our business is integrated with the other businesses of Sunoco. Historically, we have shared economies of scale in costs, employees, vendor relationships and customer relationships. While we will enter into transition agreements that will govern certain commercial and other relationships between Sunoco and us after the separation, those transitional arrangements may not fully capture the benefits our businesses have enjoyed as a result of being integrated with the other businesses of Sunoco. The loss of these benefits could have an adverse effect on our cash flows, financial position and results of operations following the completion of the separation.

- Generally, our working capital requirements and capital for our general corporate purposes, including acquisitions, research and development and capital expenditures, have historically been satisfied as part of the enterprise-wide cash management policies of Sunoco. Following the completion of the separation, we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.

- Subsequent to the completion of the separation, the cost of capital for our business may be higher than Sunoco s cost of capital prior to the separation.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a public company separate from Sunoco. The adjustments and allocations we have made in preparing our historical and pro forma consolidated financial statements may not appropriately reflect our operations during those periods as if we had in fact operated as a stand-alone entity, or what the actual effect of our separation from Sunoco will be.

We may experience increased costs resulting from a decrease in the purchasing power as a result of our separation from Sunoco.

Historically, we have been able to take advantage of Sunoco s size and purchasing power in procuring goods, technology and services, including insurance, employee benefit support and audit services. As a separate public company, we will be a smaller and less diversified company than Sunoco, and we may not have access to financial and other resources comparable to those available to Sunoco prior to this offering. As a separate, stand-alone company, we may be unable to obtain goods, technology and services at prices and on terms as favorable as those available to us prior to this offering, which could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

The assets and resources that we acquire from Sunoco in the separation may not be sufficient for us to operate as a stand-alone company, and we may experience difficulty in separating our assets and resources from Sunoco.

Because we have not operated as an independent company in the past, we will need to acquire assets in addition to those contributed by Sunoco and its subsidiaries to our company and our subsidiaries in connection with our separation from Sunoco. We may also face difficulty in separating our assets from Sunoco s assets and integrating newly acquired assets into our business. Our business, financial condition and results of operations could be harmed if we fail to acquire assets that prove to be important to our operations or if we incur unexpected costs in separating our assets from Sunoco s assets or integrating newly acquired assets.

The separation may adversely affect our business, and we may not achieve some or all of the expected benefits of the separation.

We may not be able to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. These benefits include the following:

- improving strategic planning, increasing management focus and streamlining decision-making by providing the flexibility to implement our strategic plan and to respond more effectively to different customer needs and the changing economic environment;

- allowing us to adopt the capital structure, investment policy and dividend policy best suited to our financial profile and business needs, as well as resolving the current competition for capital among Sunoco s businesses;

- creating an independent equity structure that will facilitate our ability to effect future acquisitions utilizing our common stock; and

- facilitating incentive compensation arrangements for employees more directly tied to the performance of our business, and enhancing employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives.

We may not achieve the anticipated benefits for a variety of reasons. There also can be no assurance that the separation will not adversely affect our business.

If, following the completion of the distribution, there is a determination that the distribution is taxable for U.S. federal income tax purposes because the facts, assumptions, representations or undertakings underlying the IRS private letter ruling or tax opinion are incorrect or for any other reason, then Sunoco and its shareholders could incur significant U.S. federal income tax liabilities and we could incur significant liabilities.

Completion by Sunoco of the distribution of our common stock to Sunoco s shareholders is conditioned on, among other things, Sunoco s receipt of a private letter ruling from the Internal Revenue Service, or the IRS, substantially to the effect that, among other things, the contribution and the distribution will qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. In addition, it is a condition to the distribution that Sunoco receive an opinion of Wachtell, Lipton, Rosen & Katz, counsel to Sunoco, to the effect that the contribution and the distribution will qualify as a transaction that is described in Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The ruling and the opinions will rely on certain facts, assumptions, representations and undertakings from Sunoco and us regarding the past and future conduct of the companies respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not otherwise satisfied, Sunoco and its shareholders may not be able to rely on the ruling or the opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the private letter ruling and opinion of tax counsel, the IRS could determine on audit that the separation is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the

Table of Contents

opinion that are not covered by the private letter ruling, or for other reasons, including as a result of certain significant changes in the stock ownership of Sunoco or us after the separation. If the separation is determined to be taxable for U.S. federal income tax purposes, Sunoco and its shareholders could incur significant U.S. federal income tax liabilities and we could incur significant liabilities. For a description of the sharing of such liabilities between Sunoco and us, see Arrangements Between with Sunoco and Our Company The Separation Agreement and Tax Sharing Agreement.

Risks Related to Our Ongoing Relationship with Sunoco

We will be controlled by Sunoco as long as it owns a majority of our common stock, and other stockholders will be unable to affect the outcome of stockholder voting during that time.

Upon completion of this offering, Sunoco will beneficially own shares of our common stock, or approximately percent of our outstanding common stock. So long as Sunoco beneficially owns a majority of our outstanding common stock, it will generally be able to determine the outcome of all corporate actions requiring stockholder approval, including the election and removal of directors. Even if Sunoco were to own less than a majority of our outstanding common stock, it may be able to influence the outcome of such corporate actions so long as it owns a significant portion of our common stock. Following this offering, Sunoco intends to distribute its remaining equity interest in us to its stockholders by means of a spin-off by no later than , with such distribution to occur no earlier than 120 days after this offering as a result of the expiration of a lock-up period with the underwriters described under Underwriting Lock Up Agreements. However, there is no assurance that Sunoco will effect the distribution, and, if Sunoco abandons the distribution, it could remain our controlling stockholder for an extended period of time or indefinitely.

Sunoco s interests may not be the same as, or may conflict with, the interests of our other stockholders. Investors in this offering will not be able to affect the outcome of any stockholder vote prior to the distribution of our stock to the Sunoco shareholders. As a result, Sunoco will be able to control, directly or indirectly and subject to applicable law, all matters affecting us, including:

- any determination with respect to our business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers, business combinations or disposition of assets;
- our financing;
- compensation and benefit programs and other human resources policy decisions;
- changes to the agreements relating to our separation from Sunoco;
- changes to any other agreements that may adversely affect us;
- the payment of dividends on our common stock; and
- determinations with respect to our tax returns.

Because Sunoco s interests may differ from ours, actions that Sunoco takes with respect to us, as our controlling stockholder, may not be favorable to us.

There is no assurance that the distribution will occur. If the distribution does not occur, our business and stock may suffer.

Sunoco intends to distribute to its shareholders all of our common stock it then owns, through a spin-off, by no later than . The distribution is subject to a number of conditions, and Sunoco has the right to terminate the distribution if the Sunoco board of directors determines, in its sole discretion, that the distribution is not in the best interest of Sunoco or its shareholders. Accordingly, the distribution may not occur on the expected timeframe, or at all.

Table of Contents

If the distribution does not occur, we may not be able to obtain some of the benefits we expect as a result of the separation, including greater strategic focus, increased agility and speed and the other benefits. Furthermore, if the distribution does not occur, the risks relating to Sunoco s control of us and the potential business conflicts of interest between Sunoco and us will continue to be relevant to our stockholders. If the distribution is delayed or not completed at all, the liquidity of shares of our common stock in the market may be constrained for as long as Sunoco continues to hold a significant position in our stock. A lack of liquidity in our common stock may adversely affect our stock price.

Sunoco is free to sell a controlling interest in us to a third party, and, if it does so, you may not realize any change-of-control premium on shares of our common stock, and we may become subject to the control of a presently unknown third party.

Following this offering and the expiration of its 120-day lock-up period with the underwriters described under Underwriting Lock Up Agreements, Sunoco intends to distribute its remaining equity interest in us to its stockholders by means of a spin-off by no later than . Sunoco may not effect the distribution within 120 days of the date of this prospectus. The distribution is contingent on the satisfaction or waiver of a variety of conditions. In addition, Sunoco has the right to terminate its obligation to complete the distribution if, at any time, Sunoco s board of directors determines, in its sole discretion, that the distribution is not in the best interests of Sunoco or its shareholders. As a result, the distribution may not occur by the contemplated time or at all.

If Sunoco were to abandon the distribution, it could, among other things, sell a controlling interest in us to a third party following the expiration of its 180-day lock-up period with the underwriters. We have agreed with Sunoco to exempt Sunoco, as well as any transferee that receives at least 10 percent of our outstanding common stock from Sunoco, from the anti-takeover provisions of Section 203 of the DGCL, to the extent of our ability to do so. We also have agreed not to institute a stockholder rights plan that limits the ability of Sunoco, or any such transferee, from acquiring additional shares of our common stock. The ability of Sunoco to sell its shares of our common stock to a third party, with no requirement for a concurrent offer to be made to acquire all of the shares of our common stock that will be publicly traded hereafter, could prevent you from realizing any change-of-control premium on your shares of our common stock that may otherwise accrue to Sunoco, upon its private sale of our common stock. In addition, if Sunoco were to sell its equity interest in our company in a private transaction, we may become subject to the control of a presently unknown third party. Such a third party may have conflicts of interest with those of other stockholders. Prior to the distribution of Sunoco s equity interest in us to its shareholders, if such distribution occurs at all, Sunoco s voting control may discourage transactions involving a change of control of our company, including transactions in which you as a holder of our common stock might otherwise receive a premium for your shares over the then-current market price.

We may have potential business conflicts of interest with Sunoco with respect to our past and ongoing relationships and, because of Sunoco s controlling ownership, the resolution of these conflicts may not be on the most favorable terms to us.

Prior to the distribution, a resolution of any potential conflicts of interest between Sunoco and us may be less favorable to us than if we were dealing with an unaffiliated party. Conflicts of interest may arise between Sunoco and us in a number of areas relating to our past and ongoing relationships, including:

- labor, tax, employee benefit, indemnification and other matters arising from our separation from Sunoco;
- employee recruiting and retention;
- sales or distributions by Sunoco of all or any portion of its ownership interest in us, which could be to one of our competitors;
- the nature, quantity, quality, time of delivery and pricing of products and services we supply to each other; and
- business opportunities that may be attractive to both Sunoco and us.

Table of Contents

In addition, nothing restricts Sunoco from competing with us in any area. In particular, Sunoco could choose to reestablish a cokemaking or coal mining business, do business with any of our customers, employ or otherwise engage any of our officers or employees.

In addition, under our amended and restated certificate of incorporation, neither Sunoco nor any officer or director of Sunoco, except as described in Description of our Capital Stock Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws and of Delaware Law Certificate of Incorporation Provision Relating to Corporate Opportunities and Interested Directors, will be liable to us or our stockholders for breach of any fiduciary duty by reason of any such activities. Our amended and restated certificate of incorporation will provide that Sunoco is not under any duty to present any corporate opportunity to us which may be a corporate opportunity for Sunoco and us, and Sunoco will not be liable to us or our stockholders for breach of any fiduciary duty as our stockholder by reason of the fact that Sunoco pursues or acquires that corporate opportunity for itself, directs that corporate opportunity to another person or does not present that corporate opportunity to us.

Prior to the completion of this offering, we and Sunoco intend to enter into several agreements in connection with our separation. During the time that we are controlled by Sunoco, it is possible for Sunoco to cause us to amend these agreements on terms that may be less favorable to us than the current terms of the agreements. We will be bound by any such amendments until the agreements expire or the parties agree to further amend the terms. Any of those amendments may not be favorable to us.

Following the offering, we will be a controlled company within the meaning of the NYSE rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Upon the completion of this offering, and prior to the distribution, Sunoco will continue to control a majority of our voting common stock. As a result, we will be a controlled company within the meaning of the NYSE corporate governance standards. Under the NYSE listing standards, a company of which more than 50 percent of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NYSE corporate governance requirements, including:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that we have a nominating/governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/governance and compensation committees.

Following this offering, we intend to utilize the exemptions from the corporate governance requirements of the NYSE listing standards, including the foregoing. As a result, we will not have a majority of independent directors nor will our nominating/governance and compensation committees consist entirely of independent directors and we will not be required to have an annual performance evaluation of the nominating/governance and compensation committees. See Management. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Prior to the completion of our separation from Sunoco, certain of our officers and directors may have actual or potential conflicts of interest because of their positions with Sunoco.

Following this offering and prior to the distribution, certain of our directors and officers may have positions with Sunoco. In addition, such directors and officers may own Sunoco common stock, options to purchase Sunoco common stock or other Sunoco equity awards. The individual holdings of Sunoco common stock, options to purchase common stock of Sunoco or other equity awards may be significant for some of these persons

37

Table of Contents

compared to these persons total assets. Their position at Sunoco and the ownership of any Sunoco equity or equity awards creates, or may create the appearance of, conflicts of interest when these expected directors and officers are faced with decisions that could have different implications for Sunoco than the decisions have for us.

Sunoco and its directors and officers will have limited liability to us or you for breach of fiduciary duty.

Our amended and restated certificate of incorporation will provide that, subject to any contractual provision to the contrary, Sunoco will have no obligation to refrain from:

- engaging in the same or similar business activities or lines of business as we do;
- doing business with any of our customers; or
- employing or otherwise engaging any of our officers or employees.

Under our amended and restated certificate of incorporation, neither Sunoco nor any officer or director of Sunoco, except as provided in our amended and restated certificate of incorporation, will be liable to us or to our stockholders for breach of any fiduciary duty by reason of any of these activities. See Description of Our Capital Stock Certificate of Incorporation Provision Relating to Corporate Opportunities and Interested Directors.

We may not be able to engage in certain corporate transactions after the initial public offering, but prior to the distribution.

To preserve the tax-free treatment to Sunoco of the contribution and the planned distribution, under the tax sharing agreement, we are restricted from taking any action that prevents the distribution and related transactions from being tax-free for U.S. federal income tax purposes. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions, including use of our common stock to make acquisitions and equity capital market transactions, that might increase the value of our business. For more information, see the sections entitled Arrangements Between Sunoco and Our Company Tax Sharing Agreement.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus, including, among others, in the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. Such forward-looking statements are based on management s beliefs and assumptions and on information currently available. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, benefits resulting from our separation from Sunoco, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and may be identified by the use of forward-looking terminology such as the words believe, expect, plan, intend, anticipate, estimate, predic potential, continue, may, will, should or the negative of these terms or similar expressions. In particular, statements in this prospectus concer future dividend declarations are subject to approval by our board of directors and will be based upon circumstances then existing.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update any forward-looking statement (or its associated cautionary language), whether as a result of new information or future events, after the date of this prospectus.

The risk factors discussed in Risk Factors could cause our results to differ materially from those expressed in forward-looking statements. There may also be other risks that we are unable to predict at this time. Such risks and uncertainties include, without limitation:

- changes in levels of production, production capacity, pricing and/or margins for metallurgical coal and coke;
- variation in availability, quality and supply of metallurgical coal used in the cokemaking process, including as a result of non-performance by our suppliers;
- effects of railroad, barge, truck and other transportation performance and costs, including any transportation disruptions;
- changes in the marketplace that may affect supply and demand for our metallurgical coal and/or coke products;
- our relationships with, and other conditions affecting, our customers;
- the deferral of contracted shipments of coal, or coke, by our customers;
- severe financial hardship or bankruptcy of one of more of our major customers, or the occurrence of other events affecting our ability to collect payments from our customers;
- volatility and cyclical downturns in the carbon steel industry and other industries in which our customers operate;
- our ability to secure new coal supply agreements or to renew existing coal supply agreements;
- our ability to enter into new long-term agreements, upon favorable terms, for the supply of metallurgical coke to domestic and/or foreign steel producers;

our ability to acquire or develop coal reserves in an economically feasible manner;

defects in title or the loss of one or more mineral leasehold interests;

effects of geologic conditions, weather, natural disasters and other inherent risks beyond our control, on both our coal mining operations and/or cokemaking facilities; and the supply and demand for our coal and coke production;

Table of Contents

age of, and changes in the reliability, efficiency and capacity of the various equipment and operating facilities used in our coal mining and/or cokemaking operations, and in the operations of our major customers and/or suppliers;

changes in the expected operating levels of our assets;

our ability to meet minimum volume requirements, coal-to-coke yield standards and coke quality requirements in our coke sales agreements;

disruptions in the quantities of coal produced by our contract mine operators;

our ability to obtain and renew mining permits, and the availability and cost of surety bonds needed in our coal mining operations;

availability of skilled employees for our coal mining and/or cokemaking operations, and other workplace factors;

changes in the level of capital expenditures or operating expenses, including any changes in the level of environmental capital, operating or remediation expenditures;

effects of adverse events relating to the operation of our facilities and to the transportation and storage of hazardous materials (including equipment malfunction, explosions, fires, spills, and the effects of severe weather conditions);

changes in product specifications for either the coals or coke that we produce;

ability to identify acquisitions, execute them under favorable terms and integrate them into our existing businesses and have them perform at anticipated levels;

ability to enter into joint ventures and other similar arrangements under favorable terms;

changes in the availability and cost of equity and debt financing;

our ability to service our outstanding indebtedness;

our ability to comply with the restrictions imposed by our financing arrangements;

impact on our liquidity and ability to raise capital as a result of changes in the credit ratings assigned to our indebtedness;

changes in credit terms required by our suppliers;

changes in insurance markets impacting costs and the level and types of coverage available, and the financial ability of our insurers to meet their obligations;

changes in accounting rules and/or tax laws or their interpretations, including the method of accounting for inventories, leases and/or pensions;

changes in financial markets impacting pension expense and funding requirements;

risks related to labor relations and workplace safety;

nonperformance or *force majeure* by, or disputes with or changes in contract terms with, major customers, suppliers, dealers, distributors or other business partners;

changes in, or new, statutes, regulations, governmental policies and taxes, or their interpretations, including those elating to the environment and global warming;

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;

Table of Contents

- the availability of future permits authorizing the disposition of certain mining waste;
- claims of our noncompliance with any statutory and regulatory requirements;
- changes in the status of, or initiation of new litigation, arbitration, or other proceedings to which we are a party or liability resulting from such litigation, arbitration, or other proceedings;
- the possibility that Sunoco may not effect its currently intended distribution of its remaining equity stake in our company by , or at all;
- conflicts of interests due to Sunoco s controlling interest in us and the limited liability of our directors and officers for breach of fiduciary duty;
- historical combined and pro forma financial data may not be reliable indicator of future results;
- incremental costs as a stand-alone public company; and
- substantial fluctuation in the price of our common stock, the absence of an active trading market for our common stock or the future sale of our common stock or the perception that such a sale could occur.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have material adverse effects on us. All forward-looking statements included in this prospectus are expressly qualified in their entirety by the foregoing cautionary statements.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from the sale of our common stock will be approximately $ million based upon an assumed initial public offering price of $, the midpoint of the range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of our common stock in this offering. All of the net proceeds from this offering will be received by the initial debt exchange parties, who will acquire our common stock being sold in this offering from Sunoco in exchange for Sunoco indebtedness held by the initial debt exchange parties. See Underwriting.

DIVIDEND POLICY

We do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings for use in the operation and expansion of our business. As a result, you will need to sell your shares of common stock to receive any income or realize a return on your investment. You may not be able to sell your shares at or above the price you paid for them. Any future determination to pay dividends will be at the discretion of our board of directors. If we do commence the payment of dividends in the future, there can be no assurance that we will continue to pay any dividend. Our board of directors is free to change our dividend policy at any time, including to increase, decrease or eliminate our dividend. The board will base its decisions on, among other things, general business conditions, our results of operations, financial condition, cash requirements, prospects, contractual, legal and regulatory restrictions regarding dividend payments by our subsidiaries and any other factors the board may consider relevant. We are a holding company and have no direct operations. As a result, we will be able to pay dividends on our common stock only from our available cash on hand and distributions received from our subsidiaries.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2010 on a historical basis, and on a pro forma basis, adjusted to reflect:

- this offering of our common stock;
- incurrence of new debt financing arrangements and related issuance costs to be entered into prior to, or concurrently with, this offering; and
- the corporate separation transactions described in Arrangements between Sunoco and Our Company.

The information below is not necessarily indicative of what our cash and cash equivalents and capitalization would have been had the separation, distribution and related financing transactions been completed as of December 31, 2010. In addition, it is not indicative of our future cash and cash equivalents and capitalization. This table is derived from and is qualified in its entirety by reference to, our historical and pro forma financial statements and the accompanying notes included elsewhere in this prospectus, and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our unaudited pro forma condensed financial statements and notes to our unaudited pro forma condensed financial statements and our combined financial statements and notes to our combined financial statements included elsewhere in this prospectus.

	December 31, 2010	
	Actual	**Pro Forma**
	(Dollars in thousands)	
Cash and cash equivalents	$ 40,092	
Debt[1]:		
Advances from affiliates	$ 888,512	
Payable to affiliate	55,813	
Long-term debt, including current portion		
Total debt	$ 944,325	
Equity:		
Common stock, par value $0.01 per share (authorized; issued and outstanding)		
Additional paid-in capital		
Accumulated other comprehensive income		
Net parent investment	369,541	
Noncontrolling interests	59,800	
Total equity	429,341	
Total capitalization	$ 1,373,666	

(1) We intend to enter into new debt financing arrangements.

Our ability to issue additional equity is constrained because our issuance of additional common stock may cause the distribution to be taxable to Sunoco under Section 355(e) of the Internal Revenue Code or be taxable to both Sunoco and its shareholders because of a failure of Sunoco to distribute control of us as defined in Section 368(c) of the Internal Revenue Code, and under the tax sharing agreement we would be required to indemnify Sunoco against that tax. On a historical basis, the amount of Sunoco s investment in us was recorded as net parent investment in our combined financial statements.

Table of Contents

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following selected historical combined financial data as of December 31, 2010, 2009 and 2008, and for the years then ended have been derived from our audited combined financial statements. We derived our selected historical combined financial data as of December 31, 2007 and 2006 and for the years then ended from our unaudited combined financial statements.

Our financial statements include allocations of costs from certain corporate and shared services functions provided to us by Sunoco, including general corporate and shared services expenses. These allocations are based upon amounts negotiated between the parties, which approximates Sunoco s cost of providing such services.

The financial statements included in this prospectus may not necessarily reflect our financial position, results of operations and cash flows as if we had operated as a stand-alone public company during all periods presented. Accordingly, our historical results should not be relied upon as an indicator of our future performance.

The information below should be read in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited financial statements and related notes, which are included elsewhere in this prospectus.

	Years Ended December 31				
	2010	2009	2008	2007 (unaudited)	2006 (unaudited)
	(Dollars in thousands)				
Income Statement Data:					
Revenues					
Sales and other operating revenue	$ 1,316,547	$ 1,124,016	$ 838,936	$ 515,162	$ 484,770
Other income, net[1,2]	10,046	20,970	1,315	4,547	43,226
Total revenues	1,326,593	1,144,986	840,251	519,709	527,996
Costs and operating expenses					
Cost of products sold and operating expenses	1,036,944	860,830	630,771	456,967	439,094
Selling, general and administrative expenses	67,232	40,205	34,244	27,676	23,523
Depreciation, depletion, and amortization	48,157	32,323	24,554	20,181	17,216
Total costs and operating expenses	1,152,333	933,358	689,569	504,824	479,833
Operating income	174,260	211,628	150,682	14,885	48,163
Interest income (primarily from affiliate)	23,722	24,510	27,569	34,236	34,643
Interest cost affiliate	(5,435)	(5,663)	(11,187)	(16,569)	(7,706)
Capitalized interest	701	1,493	3,999	4,280	
Total financing income, net	18,988	20,340	20,381	21,947	26,937
Income before income tax expense	193,248	231,968	171,063	36,832	75,100
Income tax expense (benefit)	46,942	20,732	38,131	(13,501)	443
Net income	146,306	211,236	132,932	50,333	74,657
Less: Net income attributable to noncontrolling interests[3]	7,107	21,552	19,028	19,883	37,864
Net income attributable to net parent investment	$ 139,199	$ 189,684	$ 113,904	$ 30,450	$ 36,793

44

	Years Ended December 31				
	2010	2009	2008	2007 (unaudited)	2006 (unaudited)
	(Dollars in thousands)				
Other Financial Data					
Adjusted EBITDA[(4)]	$ 227,293	$ 230,205	$ 157,256	$ 26,687	$ 5,612
Cash Flows Data:					
Net cash provided by operating activities	$ 296,603	$ 187,246	$ 171,330	$ 73,035	$ 54,902
Net cash used in investing activities	$ (213,921)	$ (215,106)	$ (304,469)	$ (220,247)	$ (13,919)
Net cash provided by (used in) financing activities[(5)]	$ (45,331)	$ 7,619	$ 133,703	$ 156,726	$ (165,780)
Capital expenditures:					
Maintenance[(6)]	$ 45,943	$ 28,218	$ 15,545	$ 15,645	13,459
Expansion[(7)]	169,714	186,976	288,928	165,439	
Total	$ 215,657	$ 215,194	$ 304,473	$ 181,084	$ 13,459
Balance Sheet Data (at period end):					
Properties, plants and equipment net	$ 1,180,208	$ 1,012,771	$ 826,072	$ 545,314	$ 383,781
Total assets	$ 1,718,466	$ 1,546,686	$ 1,312,905	$ 992,489	$ 767,224
Total amounts due to affiliates	$ 944,325	$ 434,269	$ 408,039	$ 244,052	$ 51,685
Net parent investment	$ 369,541	$ 741,994	$ 552,412	$ 445,938	$ 412,149
Coke Operating Data:					
Owned and Operated Capacity Utilization (%)	97	90	95	99	101
Domestic coke sales volumes owned and operated plants (thousands of tons)	3,638	2,813	2,628	2,460	2,534
International coke production operated plant (thousands of tons)	1,636	1,263	1,581	1,091	
Coal Operating Data[(8)]:					
Coal sales (thousands of tons):					
Internal use	1,275	1,189	1,170	1,209	1,164
Third parties	2	25	63	66	100
Total	1,277	1,214	1,233	1,275	1,264
Coal production (thousands of tons)	1,104	1,134	1,179	1,220	1,179

(1) Includes preferred dividend income from our investment in the company which owns the coke facility we operate in Brazil of $9.5 and $19.0 million for the years ended December 31, 2010 and 2009, respectively.

(2) Includes nonconventional fuel tax credits and other tax benefits allocated to third-party investors in our Indiana Harbor cokemaking operations for the year ended December 31, 2007 and our Indiana Harbor and Jewell cokemaking operations for the year ended December 31, 2006 totaling $3.6 and $47.0 million, respectively.

(3) Represents amounts attributable to third-party investors in our Indiana Harbor cokemaking operations for all years presented. The amount for the year ended December 31, 2006 also includes amounts attributable to a third-party investor in our Jewell cokemaking operations. We repurchased the interest of the third-party investors in our Jewell cokemaking operations in December 2006 for $155.3 million.

Table of Contents

(4) EBITDA represents earnings before interest, taxes, depreciation, depletion, and amortization. Our EBITDA for all periods presented reflects sales discounts included as a reduction in sales and other operating revenue in our combined statements of income. These sales discounts represent the sharing with our customers of a portion of the benefits of nonconventional fuels tax credits, which reduce our income tax expense. However, we believe that our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit which is not included in EBITDA. Accordingly, in computing our Adjusted EBITDA, we have added back these sales discounts. Our EBITDA for the years ended December 31, 2007 and 2006 also includes nonconventional fuel tax credits and other tax benefits allocated to third-party investors in our Indiana Harbor and Jewell cokemaking operations which are included in other income, net in our combined statements of income. As such amounts are attributable to sharing of income tax items, we believe that they should be excluded from our Adjusted EBITDA. Our Adjusted EBITDA also reflects the deduction of income attributable to noncontrolling interests in our Indiana Harbor cokemaking operations. As a result of these adjustments, our Adjusted EBITDA may not be comparable to EBITDA or similarly titled measures of other entities as other entities may not calculate EBITDA in the same manner as we do. Our management believes our Adjusted EBITDA enhances an investor s understanding of a business ability to generate cash for capital expenditures and other purposes. Adjusted EBITDA does not represent and should not be considered an alternative to net income under GAAP. The following table (unaudited) reconciles Net Income to EBITDA and Adjusted EBITDA:

	Years Ended December 31				
	2010	**2009**	**2008**	**2007**	**2006**
	(Dollars in thousands)				
Net income	$ 146,306	$ 211,236	$ 132,932	$ 50,333	74,657
Add: Depreciation, depletion and amortization	48,157	32,323	24,554	20,181	17,216
Subtract: interest income (primarily from affiliates)	(23,722)	(24,510)	(27,569)	(34,236)	(34,643)
Add: interest cost affiliate	5,435	5,663	11,187	16,569	7,706
Subtract: capitalized interest	(701)	(1,493)	(3,999)	(4,280)	
Add: income tax expense (benefit)	46,942	20,732	38,131	(13,501)	443
EBITDA	222,417	243,951	175,236	35,066	65,379
Add: Sales discounts provided to customers due to sharing of nonconventional fuels tax credits	11,983	7,806	1,048	15,087	25,065
Subtract: Nonconventional fuel tax credits and other tax benefits allocated to third-party investors in our Indiana Harbor and Jewell cokemaking operations				(3,583)	(46,968)
Subtract: Net income attributable to noncontrolling interests	(7,107)	(21,552)	(19,028)	(19,883)	(37,864)
Adjusted EBITDA	$ 227,293	$ 230,205	$ 157,256	$ 26,687	$ 5,612

(5) Includes $155.3 million use of cash for repurchase of the interest of a third-party investor in our Jewell cokemaking operations in December 2006.

(6) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and to extend their useful lives. Maintenance capital expenditures also include projects which improve the efficiency, reliability or effectiveness of existing assets which are expected to improve the financial results from the assets.

(7) Expansion capital expenditures are capital expenditures made to construct new facilities as well as spending to acquire new facilities or assets which are complementary to our existing assets.

(8) Includes production from company and contractor-operated mines.

Table of Contents

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements of SunCoke Energy, Inc. consist of an unaudited pro forma combined statement of income for the fiscal year ended December 31, 2010 and an unaudited pro forma combined balance sheet as of December 31, 2010. The unaudited pro forma combined financial statements should be read in conjunction with the sections of this prospectus entitled Use of Proceeds, Arrangements Between Sunoco and Our Company, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited combined financial statements and the corresponding notes included elsewhere in this prospectus.

The unaudited pro forma combined financial statements included in this prospectus have been derived from our historical combined financial statements included elsewhere in this prospectus and do not necessarily reflect what our financial position and results of operations would have been if we had operated as an independent, publicly-traded company during the periods shown. In addition, they are not necessarily indicative of our future results of operations or financial condition. The assumptions and estimates used and pro forma adjustments derived from such assumptions are based on currently available information, and we believe such assumptions are reasonable under the circumstances.

The unaudited pro forma combined financial statements give effect to the following transactions as if each had occurred on December 31, 2010 for the unaudited pro forma combined balance sheet and on January 1, 2010 for the unaudited pro forma combined statement of income:

The contribution of certain assets and liabilities of SunCoke to SunCoke Energy, Inc.

The completion of this offering of shares of common stock to the public at an assumed initial public offering price of $ per share, the midpoint of the range shown on the cover of this prospectus, resulting in aggregate gross proceeds to initial debt exchange parties of $ million;

The issuance by SunCoke Energy, Inc. of $ million aggregate value of long-term debt;

The payment of estimated debt financing fees of $ million;

The contribution of The Claymont Investment Company, a wholly owned subsidiary of Sunoco, to SunCoke Energy, Inc. concurrent with the separation of our business from Sunoco prior to this offering primarily to transfer certain intercompany receivables from and intercompany notes payable to our Jewell, Indiana Harbor, and other subsidiaries.

The repayment of intercompany debt payable to Sunoco of $ million from a portion of the net proceeds of the long-term debt.

Upon completion of the offering, SunCoke Energy, Inc. anticipates incurring incremental general and administrative costs (e.g., cost of tax return preparation, annual and quarterly reports to shareholders, investor relations and registrar and transfer agent fees) at an annual rate of approximately $15 million to $20 million, including incremental insurance costs. We estimate the nonrecurring operating costs that we will incur during transition to being a stand-alone public company to be approximately $11 million to $14 million. The pro forma financial statements do not reflect any adjustment for these estimated incremental costs or adjustments to the general and administrative costs allocated to SunCoke Energy, Inc. by Sunoco, Inc. as described above.

[Table of Contents](#)

SunCoke Energy, Inc.

Pro Forma Combined Balance Sheet (Unaudited)

December 31, 2010

(Dollars in thousands, except per share amounts)

	Historical	Adjustments		Pro Forma
Assets				
Cash and cash equivalents	$ 40,092		(A)	
			(B)	
			(C)	
Accounts receivable	44,606			
Inventories	106,610			
Deferred income taxes	1,140			
Total current assets	192,448			
Notes receivable from affiliate	289,000		(D)	
Properties, plants, and equipment, net	1,180,208			
Investment in Brazilian cokemaking operations	40,976			
Deferred charges and other assets	15,834		(B)	
Total assets	$ 1,718,466			
Liabilities and Equity				
Advances from affiliate	$ 888,512		(C)	
			(D)	
			(E)	
Accounts payable	106,350			
Accrued liabilities	53,158			
Current portion of long-term debt			(A)	
Taxes payable	7,704			
Deferred income taxes				
Total current liabilities	1,055,724			
Payable to affiliate	55,813		(E)	
Long-term debt			(A)	
Accrual for black lung benefits	26,605			
Retirement benefit liabilities	42,854			
Deferred income taxes	85,930		(F)	
Asset retirement obligations	11,014			
Other deferred credits and liabilities	11,185			
Commitments and contingent liabilities				
Total liabilities	$ 1,289,125			

Equity		
Common stock, par value $0.01 per share (authorized; issued and outstanding)		(G)
Additional paid in capital		(G)
Accumulated other comprehensive income (loss)		(G)
Net parent investment	369,541	(E)
		(F)
		(G)
Total net parent investment/SunCoke Energy, Inc. stockholders equity	369,541	
Noncontrolling interests	59,800	
Total equity	429,341	
Total liabilities and equity	$ 1,718,466	

48

Table of Contents

SunCoke Energy, Inc.

Pro Forma Combined Statement of Income (Unaudited)

Year Ended December 31, 2010

(Dollars in thousands, except per share amounts)

	Historical	Adjustments		Pro Forma
Revenues				
Sales and other operating revenue	$ 1,316,547			
Other income, net	10,046			
Total revenues	1,326,593			
Costs and operating expenses				
Cost of products sold and operating expenses	1,036,944			
Selling, general and administrative expenses	67,232			
Depreciation, depletion, and amortization	48,157			
Total costs and operating expenses	1,152,333			
Operating income	174,260			
Interest income affiliate	23,687		(H)	
Interest income	35			
Interest cost affiliate	(5,435)		(H)	
Interest cost			(I)	
			(J)	
			(K)	
Capitalized interest	701		(L)	
Total financing income, net	18,988			
Income before income tax expense	193,248			
Income tax expense	46,942		(M)	
Net income	146,306			
Less: Net income attributable to noncontrolling interests	7,107			
Net income attributable to net parent investment/SunCoke Energy, Inc. stockholders	$ 139,199			
Pro forma net income attributable to SunCoke Energy, Inc. stockholders per share:				
Basic				
Diluted				
Pro forma weighted-average shares of common stock outstanding:				
Basic				
Diluted				

SunCoke Energy, Inc.

Notes to the Unaudited Pro Forma Combined Financial Statements

1. Pro Forma Adjustments and Assumptions

(A) Represents the issuance of $ million aggregate of long-term debt.

(B) Reflects the payment of debt financing fees of $ million. The debt financing fees will be capitalized and amortized over the life of the long-term debt using the effective interest method.

(C) Represents the repayment of intercompany debt totaling $ million to Sunoco, Inc., the estimated net proceeds from the issuance of the long-term debt.

(D) Reflects contribution by Sunoco of The Claymont Investment Company to SunCoke Energy, Inc. (SunCoke Energy).

(E) Reflects the elimination of intercompany payables from SunCoke Energy to Sunoco, which has been treated as a capital contribution.

(F) Represents the elimination of deferred income tax assets related to net operating loss and tax credit carryforwards which have been recognized in connection with preparation of historical income tax provisions on a separate-return basis. These deferred income tax benefits have been previously realized by Sunoco on its consolidated income tax returns and therefore will not be retained by our company.

(G) Represents the reclassification of Sunoco s net parent investment to common stock, $0.01 par value per share (million shares issued and outstanding), additional paid-in capital and accumulated other comprehensive loss. There is no impact on SunCoke Energy s common stock and additional paid-in capital accounts as a result of this offering since all of the proceeds of this offering will be received by the initial debt exchange parties.

(H) Reflects the elimination of: (1) interest income affiliate primarily due to the contribution of The Claymont Investment Company to SunCoke Energy and (2) the interest cost affiliate related to balances that will be settled as a result of these transactions. (see Notes D and E above).

(I) Reflects a change to interest cost as if the long-term debt was issued on January 1, 2010 (see Note A above). The interest adjustments were computed using the assumed weighted-average interest rate for the long-term debt of percent. A one-eighth percent variance in the assumed interest rate on the long-term debt would change annual interest expense by $.

(J) Reflects a change to interest cost for the expense attributable to an annual facility fee on the $ million revolving credit facility.

(K) Reflects a change to interest cost for the amortization of debt financing fees over the life of the long-term debt. (see Note B above).

(L) Reflects a change to capitalized interest to reflect adjusted borrowing costs (see Notes H and I above).

(M) Tax effect at percent of pro forma adjustments to pretax income.

2. Pro Forma Net Income Attributable to SunCoke Energy, Inc. Stockholders Per Share

Pro forma net income attributable to SunCoke Energy, Inc. stockholders per share is determined by dividing the pro forma net income attributable to SunCoke Energy, Inc. stockholders by the number of shares of common stock expected to be outstanding at the closing of this offering.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis together with Selected Historical Financial and Operating Data and our combined financial statements and related notes included elsewhere in this prospectus. Among other things, those historical financial statements include more detailed information regarding the basis of presentation for the financial data included in the following discussion. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under Cautionary Statement Concerning Forward-Looking Statements and Risk Factors.

Overview

We are a Delaware corporation, formed in December 2010, to acquire, own, and operate the cokemaking and coal mining operations of Sunoco. We currently are a wholly owned subsidiary of Sunoco.

We are the largest independent producer of high-quality metallurgical coke in the Americas and have over 45 years of coke production experience. Metallurgical coke is a principal raw material in the integrated steelmaking process. We have designed, developed and built, and currently own and operate four metallurgical cokemaking facilities in the United States, and we designed and operate one cokemaking facility in Brazil on behalf of our customer under licensing and operating agreements. We are currently constructing a fifth U.S. cokemaking facility that we also will own and operate and that is expected to be completed in the second half of 2011. Upon its completion, we expect that our total U.S. cokemaking capacity will increase to approximately 4.2 million tons of coke per year. The cokemaking facility that we operate in Brazil on behalf of our customer has cokemaking capacity of approximately 1.7 million tons of coke per year.

We also own and operate coal mining operations in Virginia and West Virginia that have sold an average of approximately 1.2 million tons of metallurgical coal per year (including internal sales to our cokemaking operations) over the past three years. In January 2011, we acquired metallurgical coal mining assets contiguous to our existing mining operations that will increase our annual coal production by an additional 250 thousand to 300 thousand tons per year with the potential for future production expansion. We also have an expansion plan underway that we expect will increase our production by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012.

Table of Contents

The following table sets forth information concerning the cokemaking facilities we own and/or operate:

Facility		Location	Year of Start Up	Number of Coke Ovens	Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Owned and Operated:						
Jewell		Vansant, Virginia	1962	142	720	Partially used for thermal coal drying
Indiana Harbor		East Chicago, Indiana	1998	268	1,220	Heat for power generation
Haverhill	Phase I	Franklin	2005	100	550	Process steam
	Phase II	Furnace, Ohio	2008	100	550	Power generation
Gateway		Granite City, Illinois	2009	120	650	Steam for power generation
Middletown		Middletown, Ohio	2011 (expected)	100	550	Power generation
Total				830	4,240	
Operated:						
Vitória		Vitória, Brazil	2007	320	1,700	Steam for power generation
Total				1,150	5,940	

In our cokemaking operations, we direct our marketing effort towards steelmaking customers who require high quality metallurgical coke for their blast furnaces. We currently sell approximately 3.6 million tons of metallurgical coke per year to our three primary customers in the United States: ArcelorMittal, U.S. Steel, and AK Steel. Our current coke sales are made pursuant to long-term agreements with an average remaining term of approximately 9 years. All of these coke sales agreements contain take-or-pay provisions, which require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. When our Middletown cokemaking facility commences operations in the second half of 2011, its coke production will also be sold pursuant to a take-or-pay agreement with a term of 20 years.

We also operate a cokemaking facility in Brazil on behalf of a Brazilian subsidiary of ArcelorMittal. The Brazilian facility is the largest cokemaking facility that we operate, producing approximately 1.7 million tons of coke per year. We earn income from the Brazilian facility through (1) licensing and operating fees payable to us under long-term contracts with the local project company that will run through 2023, subject, in the case of the licensing agreement, to the issuance prior to 2014 of certain patents in Brazil that have been granted in the United States and (2) an annual preferred dividend on our preferred stock investment from the project company guaranteed by the Brazilian subsidiary of ArcelorMittal.

Our underground metallurgical coal mining operations near our Jewell cokemaking facility had at least 85 million tons of proven and probable coal reserves at December 31, 2010. In January 2011, we acquired the HKCC Companies for approximately $40 million in cash, including working capital. Proven and probable coal reserve estimates for the assets of the HKCC Companies total approximately 21 million tons. The HKCC Companies have two active underground mines and one active surface and highwall mine that are contiguous to our existing mines. Collectively, these mines are producing between 250 thousand and 300 thousand tons of coal annually and have the potential to expand production in the future.

Our mining area now consists of 13 active underground mines and one active surface and highwall mine in Russell and Buchanan Counties in Virginia and McDowell County, West Virginia. Our mining operations have historically produced coal that we believe possesses highly desirable coking properties, mid-volatility and average sulfur and ash content. Substantially all of our mined coal has been used internally at our nearby Jewell cokemaking facility or at our other domestic cokemaking facilities. The operations of the recently acquired

Table of Contents

HKCC Companies produce high volatile A and high volatile B metallurgical coals, which complement the coal produced by our existing coal mining operations, and high quality steam coal. All of the expected 2011 production volumes, including production of the HKCC Companies, are contracted for sale. Coal produced from the mining operations of the HKCC Companies and the expansion will likely be sold to third parties or may be blended with our other coal production for subsequent sale to third parties or for use at our Jewell and other domestic cokemaking operations.

Outlook

The key factors affecting our near-term outlook are the following:

Coke Production and Sales Volumes. The provisions of our coke sales agreements require that our customers take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. These provisions also require us to meet minimum production levels and, if we do not meet the contractual minimums, generally require us to secure replacement coke at the prevailing contract price. Accordingly, our ability to produce and ship all of our coke production capacity and to meet our contractual minimum volumes affects our results. We expect all of our cokemaking facilities, with the exception of our Indiana Harbor facility, to operate at or near their cokemaking capacity in 2011 and meet or exceed contractual minimum volume requirements.

Metallurgical Coal Prices. We have historically sold the coal produced from our mining operations primarily to our Jewell cokemaking facility based on the prices that our coke customers have agreed to pay for coal used at our other domestic cokemaking facilities, which generally are set at fixed annual prices based on prevailing market prices at the time the contracts are finalized. We generally sell coal produced from our coal mining operations that we do not use at our Jewell cokemaking facility to our other domestic cokemaking facilities or to third parties. Coal produced from the mining operations of the HKCC Companies is currently fully contracted in 2011, including limited tonnage to another Jewell affiliate which is blended with our existing coal production for use at our Jewell and other domestic cokemaking facilities. In the future it will likely be sold to third parties at fixed annual prices based on the prevailing market or may continue to be blended in limited quantities with our other coal production for subsequent sale to third parties or for use at our Jewell and other domestic cokemaking operations.

Including the impact of the coal mining expansion discussed below and our acquisition of the HKCC Companies, in general, every $10 per ton increase or decrease in year-to-year coal pricing will increase or decrease our pretax income by approximately $17 to $20 million, depending on the level of coal prices and the mix of coal mined from our leaseholds, which have varying royalty rates. For 2011, substantially all of our coal sales have been committed at fixed prices and consequently our sensitivity to coal price changes should be limited. These metallurgical coal prices which include: (1) 2011 contract prices for sales of our existing coal production to third parties and our Other Domestic Coke facilities and (2) the 2011 contract prices for Haverhill coal purchases that determine the coke sales prices from our Jewell Coke facility to ArcelorMittal are approximately $165 per ton on average. The comparable average coal contract price for 2010 was approximately $130 per ton. Due to increasing global demand and supply disruptions in Australia as a result of flooding, recent comparable spot prices have approached $250 per ton. For the balance of 2011 and beyond, we expect metallurgical coal prices to remain at attractive levels due to favorable global supply and demand fundamentals.

Increased coal production. We expect that the acquisition of the HKCC Companies will add between 250 thousand and 300 thousand tons of annual coal production beginning in 2011. We are also in the process of expanding production from our coal mining operations by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. We expect capital outlays for this project to total approximately $25 million.

Resolution of Contract Disputes with ArcelorMittal. Beginning in July 2009, ArcelorMittal initiated legal proceedings challenging the prices charged to ArcelorMittal under the Jewell coke sales agreement.

In January 2011, we participated in court ordered mediation with ArcelorMittal which resulted in a commercial resolution of the litigation. The parties agreed to amend the Jewell and Haverhill coke sales agreements effective January 1, 2011 to eliminate the fixed coal cost adjustment factor in the Jewell agreement and increase the operating cost and fixed fee components of the coke price under both agreements. The parties also agreed that the take-or-pay provisions of these coke sales agreements would remain in effect through the end of the terms of these agreements in December 2020. Prior to the settlement, these take-or-pay provisions were scheduled to change in the second half of 2012 into annually adjusted provisions that would have only required ArcelorMittal to purchase coke from us for its projected requirements above certain fixed thresholds. This extension provides us a guaranteed outlet for coke production through 2020. We also expect that the settlement will significantly reduce the concentration of our profitability in the Jewell coke sales agreement. For example, once our Middletown facility is in full production, we anticipate that none of our coke sales agreements will constitute more than approximately 20 percent of our overall operating income excluding corporate overhead costs, whereas the Jewell coke sales agreement accounted for nearly 80 percent of such income in 2010. If the amendments to the Jewell and Haverhill coke supply agreements had been in place during 2010, our pretax earnings would have been reduced by approximately $60 million. In February 2011, we also entered into a settlement agreement with ArcelorMittal to resolve the Indiana Harbor arbitration claims. This settlement will not significantly impact our future income from our Indiana Harbor operations.

Indiana Harbor Production Levels and Contract Renewals.

In 2010, we did not meet contractual volume minimums at our Indiana Harbor cokemaking facility. However, as our customer did not require the additional coke, we did not incur any economic penalty to compensate our customer for the shortfall. In 2011, we again expect production volumes at this facility to be below the contractual minimum and as such, we are working with our customer to identify other possible supply sources while we implement operating improvements at the facility.

The initial term of our Indiana Harbor coke sales agreement ends in October 2013. In preparation for negotiation of a new long-term contract, we are currently conducting an engineering study to evaluate the expected physical life of the coke ovens at our Indiana Harbor facility. Some ovens and associated equipment are heaving and settling differentially as a result of the instability of the ground on which it was constructed. This differential movement has reduced production and required corrective action to certain ovens, ancillary equipment and structures. Higher maintenance costs are expected to continue as a result of this condition. An oven repair and maintenance program has been implemented to limit further deterioration to the ovens. The engineering study at Indiana Harbor is expected to be completed during the second half of 2011. At this time, the likely outcome of the study cannot be determined, but possible results include additional maintenance spending to continue operations at the current operating levels, a change in the useful life of all or part of the facility, or the impairment of one or more oven batteries which could be followed by capital spending to retain the current facility capacity. While we believe that there is a reasonable likelihood that we will reach agreement with our customer for a new long-term contract, such an agreement may not be reached.

Middletown Project Execution. We expect to begin operating our new Middletown cokemaking facility during the second half of 2011. Once fully operational, we expect this facility to produce 550 thousand tons of coke per year and provide, on average, 44 megawatts of electricity per hour. Project construction is currently on schedule, with the facility approximately 66 percent complete as of the date of this prospectus. We expect the total cost of the project to be approximately $410 million, of which $242.2 million has been spent as of December 31, 2010.

Maintenance Capital Expenditures. Following completion of the coal mining expansion and the start up of our Middletown cokemaking facility, we expect our maintenance capital to be approximately $45 million to $50 million per year. In addition, we have undertaken capital projects to improve reliability of the energy recovery systems and enhance environmental performance at our Haverhill and Gateway cokemaking facilities. We expect these projects to be completed during the 2012 period at a total cost of

Table of Contents

approximately $65 million. The final cost of the projects will be dependent upon discussions with regulators concerning compliance with the applicable environmental permits.

Federal Income Tax Credits. We are currently receiving federal income tax credits for coke production from the second phase of our Haverhill cokemaking facility and our Gateway cokemaking facility. These tax credits are earned for each ton of coke produced and sold and expire four years after the initial coke production at the facility. The tax credit eligibility for coke production from the second phase of the Haverhill facility and the Gateway facility will expire in June 2012 and September 2013, respectively. In 2009, the value of these credits was approximately $14.55 per ton. For the year ended December 31, 2010, we expect to claim approximately $19 million in total of qualifying credits for the year ended December 31, 2010. We share with our customers a portion of the value of these credits through discounts to their respective coke prices. During 2010, we gave our customers $12.0 million in sales discounts. The possibility exists that new legislation may be adopted to extend the eligibility period for these tax credits for facilities that start up after 2010. If such legislation is enacted, it could apply to production from our Middletown facility, which we expect will commence operations during the second half of 2011, or other future domestic cokemaking facilities we may construct.

Corporate Separation Transactions

We have been operating cokemaking facilities and coal mines for over 45 years. Since the acquisition of our cokemaking and coal mining businesses by Sunoco in 1979, we have conducted our operations through one or more subsidiaries of Sunoco, and our assets, liabilities and operating results have been included in the consolidated financial statements of Sunoco. As part of our separation from Sunoco, Sunoco expects to contribute to us the subsidiaries, assets and liabilities that are primarily related to our cokemaking and coal mining businesses. See Arrangements Between Sunoco and Our Company.

Historically, our operating expenses have included allocations of certain general and administrative costs of Sunoco for services provided to us by Sunoco. We will incur additional recurring costs related to being a stand-alone public company, including costs for financial reporting, tax, regulatory compliance, corporate governance, treasury, legal, internal audit and investor relations activities.

We are currently in the process of developing and implementing plans to replace services provided by Sunoco and develop the internal functions that we will need to operate effectively and fulfill our responsibilities as a stand-alone public company. Our plans reflect anticipated recurring activities that are incremental to our current activities, as well as certain nonrecurring activities that we expect will be required during our transition to a stand-alone public company. We estimate the incremental recurring operating costs related to being a stand-alone public company to be approximately $15 million to $20 million per year. The significant assumptions involved in determining the estimates of incremental recurring operating costs include, but are not limited to:

- additional personnel required to operate as a public company;
- changes in compensation with respect to new and existing positions, particularly with respect to equity-based incentive compensation;
- the level of additional assistance we will require from professional service providers;
- the increase in insurance premiums and bonding costs as a stand-alone public company; and
- the costs of operating and maintaining new information technology infrastructure investments associated with being a stand-alone entity.

We estimate the nonrecurring operating costs that we will incur during our transition to being a stand-alone public company to be approximately $10 million to $15 million. We anticipate that substantially all of these costs will be incurred during 2011. These costs include, but are not limited to, the following:

nonrecurring compensation, such as accelerated vesting of certain long-term incentive awards, upon completion of the separation and this offering;

Table of Contents

- office relocation costs;
- recruiting and relocation costs associated with hiring key senior management personnel new to our company; and
- costs to separate and develop new information systems.

As of the date of this prospectus, we have entered into a lease for our new corporate headquarters office location in Lisle, Illinois, but have not finalized all elements of our transition plan and have not entered into specific arrangements for certain significant elements of our cost structure as a stand-alone public company. Although we believe our estimates of incremental recurring costs and nonrecurring transition costs are reasonable based on the information we have to date, certain significant components of our estimates are preliminary and subject to change. See Cautionary Statement Concerning Forward-Looking Statements.

The audited combined financial statements of SunCoke included elsewhere in this prospectus, which are discussed below, reflect the historical financial position, results of operations and cash flows of the SunCoke business that will be transferred to us from Sunoco pursuant to the separation. The financial information included in this prospectus, however, does not reflect what our financial position, results of operations and cash flows will be in the future or what our financial position, results of operations and cash flows would have been in the past had we been a public, stand-alone company during the periods presented.

Results of Operations

We report our business results through four segments:

- Jewell Coke, which consists of our cokemaking operations located in Vansant, Virginia;
- Other Domestic Coke, which consists of our Indiana Harbor, Haverhill and Gateway cokemaking and heat recovery operations located in East Chicago, Indiana, Franklin Furnace, Ohio and Granite City, Illinois, respectively;
- International Coke, which consists of our operations in Vitória, Brazil, where we operate a cokemaking facility for a Brazilian subsidiary of ArcelorMittal; and
- Coal Mining, which consists of our metallurgical coal mining activities conducted in Virginia and West Virginia. In addition, we will include the results of the HKCC Companies that we acquired in January 2011 in this segment from the date of acquisition.

Each of our coke sales agreements in our Jewell Coke and Other Domestic Coke segments contain highly similar contract provisions. Specifically, each agreement includes:

- ***Take-or-Pay Provisions***. We make substantially all of our current coke sales under take-or-pay contracts that require us to produce the contracted volumes of coke and require the customer to purchase such volumes of coke up to a specified tonnage maximum or pay the contract price for any tonnage they elect not to take. As a result, our ability to produce the contracted coke volume and performance by our customers are key determinants of our profitability. We do not have any significant spot coke sales. Accordingly, spot coke prices do not generally affect our revenues.
- ***Coal Cost Component with Pass-Through Provisions***. The largest component of the price of our metallurgical coke is the cost of purchased coal, including any transportation or handling costs. Under the contracts at our cokemaking facilities in the Other Domestic Coke segment, coal costs are a pass-through component of the coke price, provided that we are able to realize certain targeted coal-to-coke yields. As such, the price of coal is not a significant determining factor in the profitability of these facilities, although it

does affect our revenue and cost of sales for these facilities in approximately equal amounts. However, to the extent that the actual coal-to-coke yields are less than the contractual standard, we are responsible for the cost of the excess coal used in the cokemaking process. Conversely, to the extent our actual coal-to-coke yields are higher than the contractual standard, we realize gains.

Under the Jewell coke sales agreement, prior to January 1, 2011, the component of the coke price attributable to coal was equal to the delivered cost of coal applicable to our sales to ArcelorMittal from our Haverhill facility increased by the application of a fixed adjustment factor. As a result of this pricing formula, as coal prices increased, the profitability of our Jewell facility increased, and as coal prices decreased, the profitability of our Jewell cokemaking facility decreased. The coal supply for our Haverhill cokemaking facility has generally been purchased under contracts with terms of one to two years. Accordingly, these coal costs have been most impacted by market prices at the time these agreements were entered into and were generally not responsive to changes in coal prices during the year. The impact of coal prices on Jewell Coke profitability has therefore lagged the market for spot coal prices.

Beginning January 1, 2011, as a result of the settlement agreement with ArcelorMittal discussed above, the coal component of the price of coke under the Jewell coke sales agreement was amended. The coal component of the Jewell coke price will now be fixed annually for each calendar year based on the weighted-average contract price of third-party coal purchases at our Haverhill facility applicable to ArcelorMittal coke sales. To the extent that contracts for third-party coal purchases at our Haverhill facility convert to pricing mechanisms of less than a year, the Jewell coke price will be adjusted accordingly during that year. The fixed adjustment factor has been eliminated, and as a result, coal prices will no longer significantly affect the financial results of the Jewell Coke segment. The transfer price for coal supplied from our coal mining operations for use at our Jewell cokemaking operations is based on the prices of our annual third-party coal sales agreements if such sales volumes exceed a minimum threshold. If third-party sales volumes do not exceed this threshold, the transfer price is based on annual prices for internal sales to our affiliates. As a result of the different coal pricing mechanisms in the Jewell coke sales agreement and the transfer agreement between Jewell cokemaking and our coal mining operations, the financial results of the Jewell Coke segment may be impacted by annual coal pricing differentials between the two mechanisms. However, because both our coal purchases for Haverhill, which establish the annual coal component for the Jewell coke price, and our third-party coal sales are generally concluded on an annual basis and at similar times of the year, we expect fluctuations to be limited.

Operating Cost Component with Pass-Through or Inflation Adjustment Provisions. Our coke prices include an operating cost component. Operating costs under three of our coke sales agreements are passed through to the respective customers subject to an annually negotiated budget in some cases subject to a cap annually adjusted for inflation, and we share any difference in costs from the budgeted amounts with our customers. Under our other two coke sales agreements, the operating cost component for our coke sales are fixed subject to an annual adjustment based on an inflation index. Accordingly, actual operating costs can have a significant impact on the profitability of all our domestic cokemaking facilities.

Fixed Fee Component. Our coke prices also include a fixed fee component. The fixed fee component is an amount received for each ton of coke sold to the customer and is determined at the time the coke sales agreement is signed.

Tax Component. Our coke sales agreements also contain provisions that generally permit the pass-through of all applicable taxes (excluding income taxes) related to the production of coke at our facilities.

Coke Transportation Cost Component. Where we deliver coke to our customers via rail, our coke sales agreements also contain provisions that permit the pass-through of all applicable transportation costs related to the transportation of coke to our customers.

Our domestic coke facilities have also realized, and some continue to realize, certain federal income tax credits. Specifically, energy policy legislation enacted in August 2005 created nonconventional fuel tax credits for U.S. federal income tax purposes pertaining to a portion of the coke production at our Jewell cokemaking facility, all of the production at our Haverhill cokemaking facility and all future domestic cokemaking facilities placed into service by January 1, 2010. The credits cover a four-year period, effective the later of January 1, 2006 or the date any new facility is placed into service prior to January 1, 2010. Accordingly, the credits attributable to a portion of production from our Jewell cokemaking facility and all production from the first phase of our Haverhill facility expired on December 31, 2009. The credits attributable to production from the second phase of our Haverhill and our Gateway facility will expire June 2012 and September 2013, respectively. Most of the coke production at our Jewell cokemaking facility and all of the coke production at our Indiana Harbor cokemaking facility were eligible for similar nonconventional fuel tax credits through December 31, 2007 under a previous tax law. We currently share a portion of the tax credits with AK Steel and U.S. Steel for sales from the second phase of our Haverhill facility and our Gateway facility, respectively, through discounts to the sales price of coke when we realize the benefits of these tax credits on Sunoco s consolidated federal income tax return. We had similar arrangements with ArcelorMittal at our Indiana Harbor facility and the first phase of our Haverhill facility prior to the expiration of such credits. As a result of these discounts, our pretax results for these facilities reflect the impact of these sales discounts, while the actual tax benefits are reflected as a reduction of income tax expense. Accordingly, when the tax credits expire, the results of our Other Domestic Coke segment will increase, but this increase will be more than offset by the increase in our income tax expense.

Revenues from our International Coke segment are derived from licensing and operating fees based upon the level of production from a Brazilian subsidiary of ArcelorMittal. Our revenues also include the full pass-through of the operating costs of the facility. We also receive an annual preferred dividend on our preferred stock investment in the Brazilian project company that owns the facility. In general, the facility must achieve certain minimum production levels for us to receive the preferred dividend.

Revenues from our Coal Mining segment are currently generated largely from sales of coal to the Jewell cokemaking facility for conversion into metallurgical coke. Some coal is also sold to our other domestic cokemaking facilities. Coal sales to third parties are limited at this time, but are expected to increase as a result of the HKCC acquisition and our expansion project which is expected to be completed by late 2012. Intersegment coal revenues for sales to the Jewell Coke and Other Domestic Coke segments are based on prices that third parties or coke customers of the Other Domestic Coke segment have agreed to pay for our coal and which approximate the market price for this quality of metallurgical coal. Most of the coal sales to these third parties and facilities are under contracts with one- to two-year terms, and, as a result, coal revenues lag the market for spot coal prices. Accordingly, the revenues from Coal Mining are most affected by the timing of the execution of coal sales agreements with third parties or the customers of our Other Domestic Coke segment. Coal production costs are the other critical factor in the financial results of the Coal Mining segment.

Overhead expenses that can be identified with a segment have been included as deductions in determining income of our business segments, and the remaining expenses have been included in Corporate and Other. Net financing income, which consists principally of interest income and expense from affiliates and capitalized interest, is also excluded from segment results.

Our segment results reflect income attributable to our parent, Sunoco. Income attributable to noncontrolling investors in the Indiana Harbor partnership has been subtracted from the income of the Other Domestic Coke segment and also from the net financing income.

Table of Contents

The following tables sets forth the operating income (loss) attributable to net parent investment, or segment earnings, of our segments and other financial and operating data for the years ended December 31, 2010, 2009 and 2008:

	Years ended December 31		
	2010	2009	2008
	(Dollars in thousands)		
Earnings:			
Jewell Coke	$ 147,082	$ 177,803	$ 114,145
Other Domestic Coke(1)	35,612	(2,482)	20,373
International Coke	14,856	23,198	5,299
Coal Mining	(11,291)	5,247	9,612
Corporate and Other:			
Corporate expenses	(15,026)	(9,465)	(13,469)
Net financing(1)	14,908	16,115	16,075
Pretax income attributable to net parent investment	186,141	210,416	152,035
Income tax expense	46,942	20,732	38,131
Net income attributable to net parent investment	$ 139,199	$ 189,684	$ 113,904
Coke Operating Data:			
Capacity Utilization (%)			
Jewell Coke	99	99	100
Other Domestic Coke	97	87	93
Total	97	90	95
Coke sales volumes (thousands of tons):			
Jewell Coke(2)	721	694	727
Other Domestic Coke	2,917	2,119	1,901
Total	3,638	2,813	2,628
International Coke production operated facility (thousands of tons)	1,636	1,263	1,581
Coal Operating Data(3):			
Coal sales volumes (thousands of tons):			
Internal use	1,275	1,189	1,170
Third parties	2	25	63
Total	1,277	1,214	1,233
Coal production (thousands of tons)	1,104	1,134	1,179
Coal sales price per ton (excludes transportation costs)(4)	$ 103.76	$ 100.45	$ 92.00
Coal production cost per ton(5)	$ 108.67	$ 93.35	$ 82.23

(1) Excludes income attributable to noncontrolling investors in our Indiana Harbor cokemaking operations.
(2) Excludes 17 thousand tons of internal coke sales to our Indiana Harbor cokemaking operations during 2010.
(3) Includes production from company and contract-operated mines.
(4) Includes sales to affiliates (including sales to Jewell Coke established via a transfer pricing agreement).
(5) Includes costs of purchased raw coal (representing less than 10 percent of coal sales) and related processing in coal preparation plant.

Analysis of Segment Earnings

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

Net income attributable to net parent investment decreased $50.5 million, or 27 percent, to $139.2 million for the year ended December 31, 2010 compared to $189.7 million for the corresponding period of 2009. The decrease was primarily due to the absence of a one-time $41 million investment tax credit associated with the start up of the Gateway cokemaking facility in the fourth quarter of 2009 and lower results from the Jewell and Indiana Harbor cokemaking operations and our Coal Mining segment. Higher results from the Haverhill and Gateway operations, which were driven by higher margins and volumes, partially offset these negative factors.

Jewell Coke. Segment income from our Jewell Coke segment decreased $30.7 million to $147.1 million for the year ended December 31, 2010 compared to $177.8 million for the corresponding period of 2009. The decrease in segment income was largely driven by a $36.8 million decline in margins as the benefit of the favorable coal cost adjustment factor decreased due to lower average coal costs at our Haverhill cokemaking facility in 2010. The Haverhill coal costs, which were the basis for the coal cost component of the Jewell cokemaking facility coke price, decreased to $217.37 per ton of coke in 2010 from $251.55 per ton of coke in the 2009 period. A $3.6 million increase in selling, general and administrative expenses primarily attributable to increased legal fees related to litigation with ArcelorMittal also contributed to the decline. These negative factors were partially offset by a $9.7 million benefit of higher sales volumes. Sales volumes increased 27 thousand tons from 694 thousand tons in 2009 to 721 thousand tons in 2010 largely attributable to the timing of shipments of December 2009 production. Jewell Coke also had intercompany sales of approximately 17 thousand tons to Indiana Harbor during 2010 which offset a portion of a production shortfall at this facility.

Other Domestic Coke. Segment income from our Other Domestic Coke segment increased $38.1 million to $35.6 million for the year ended December 31, 2010 compared to a loss of $2.5 million for the corresponding period in 2009. This increase was primarily due to a $56.0 million improvement in results from our Haverhill cokemaking facility, which was largely driven by a 26 percent increase in sales volumes. Capacity utilization at Haverhill was 100 percent for the 2010 period as compared to 84 percent for the same period of 2009. The increase in utilization was largely due to the resolution of operating difficulties upon completion of infrastructure improvements at this facility. Also contributing to the improvement was a $10.7 million increase in income from the Gateway cokemaking facility which commenced operations in the fourth quarter of 2009. These positive factors were partially offset by a $29.0 million decrease in earnings at the Indiana Harbor cokemaking facility. This decrease was due primarily to $17.8 million in lower margins, which resulted from an unfavorable adjustment during the 2010 period to the coal-to-coke yield standard permitted under the coke sales agreement, the absence of payments for customer-requested reductions in production levels during the 2009 period, and an increase of $11.2 million in selling, general and administrative expenses primarily attributable to increased legal and related costs incurred in connection with the resolution of the Indiana Harbor arbitration. During the 2010 period, production at the Indiana Harbor facility was only 93 percent of its contract minimum. Ongoing heaving and differential settling of the coke ovens as a result of the instability of the ground on which they were constructed has required corrective action to certain ovens, ancillary equipment and structures. However, as our customer did not require the additional coke, we did not incur any economic penalty to compensate the customer for the shortfall.

International Coke. Segment income in our International Coke segment decreased $8.3 million to $14.9 million for the year ended December 31, 2010 compared to $23.2 million for the corresponding period of 2009. The decline was primarily attributable to the fact that we recognized preferred dividend income of $9.5 million attributable to 2008 in the second quarter of 2009 after we determined the preferred dividend to be realizable. We now recognize preferred dividend income in the fourth quarter of each year as a result of a contract restructuring that was completed in the second quarter of 2009. Segment income for the years ended December 31, 2009 and 2010 includes the $9.5 million dividend attributable to such periods. Offsetting this decline were higher licensing and operating fees in 2010 due to a 30 percent increase in coke production.

Coal Mining. Our Coal Mining segment incurred a loss of $11.3 million for the year ended December 31, 2010 compared to income of $5.2 million for the corresponding period of 2009. The $16.5 million decrease in results was primarily driven by an increase in production cost of $15.32 per ton which was largely attributable to higher spending for materials and supplies, fuel and raw coal purchases. Increased labor costs, in part due to staffing in anticipation of the mine expansion, also contributed to the higher production costs. Slightly higher coal sales prices and volumes partially offset these negative factors.

Corporate and Other. Corporate expenses increased $5.5 million to $15.0 million for the year ended December 31, 2010 compared to $9.5 million for the corresponding period of 2009. The increased expenses were largely attributable to higher business development and corporate staffing costs. Net financing income decreased

Table of Contents

$1.2 million to $14.9 million for the year ended December 31, 2010 compared to $16.1 million for the corresponding period of 2009. The decrease in net financing income was primarily due to a reduction in capitalized interest and lower interest income.

Income Taxes. Income tax expense increased $26.2 million to $46.9 million for the year ended December 31, 2010 compared to $20.7 million for the corresponding period of 2009. Our effective tax rate after deducting income attributable to noncontrolling interests and excluding tax credits was 35.4 percent for the year ended December 31, 2010 compared to 38.3 percent for the corresponding period of 2009. The decrease in the effective tax rate was partially attributable to the recognition of the manufacturing deduction for federal income tax purposes in 2010. We did not realize this benefit in the 2009 period because we had a net operating loss for tax purposes due primarily to bonus depreciation from the Gateway cokemaking facility that was placed in service in the fourth quarter of 2009. The state income tax rate was also lower due to increased income from the Haverhill cokemaking facility, which has a lower effective tax rate. Tax expense increased due to the absence of a one-time $40.7 million gasification investment tax credit associated with the commencement of operations at our Gateway facility in the fourth quarter of 2009. Nonconventional fuels tax credits were essentially unchanged at $19.0 million for the 2010 period as higher tax credits associated with sales from our Gateway cokemaking facility and the second phase of the Haverhill cokemaking facility were partially offset by the absence of credits from sales at the Jewell facility and the first phase of the Haverhill facility, as eligibility for credits from these facilities expired on December 31, 2009. Sales price discounts provided to our customers in connection with sharing of nonconventional fuels tax credits, which are reflected in the operating results of the Other Domestic Coke segment, totaled $12.0 million and $7.8 million in 2010 and 2009 periods, respectively.

Year Ended December 31, 2009 compared to Year Ended December 31, 2008

Net income attributable to net parent investment increased $75.8 million, or 67 percent, to $189.7 million for the year ended December 31, 2009 compared to $113.9 million for the corresponding period of 2008. The increase was primarily due to an increase in income from our Jewell Coke facility, which was largely attributable to higher coal prices and recognition of a one-time gasification investment tax credit associated with the start up of our Gateway cokemaking facility.

Jewell Coke. Segment income from our Jewell Coke segment increased $63.7 million to $177.8 million for the year ended December 31, 2009 compared to $114.1 million for the corresponding period of 2008. This increase was primarily due to margin improvement of $74.6 million as the benefit of the favorable coal cost adjustment factor increased due to higher average coal costs at our Haverhill cokemaking facility in 2009. Average coal costs at our Haverhill cokemaking facility which were the basis for the coal cost component of the Jewell cokemaking facility coke price increased from $172.63 per ton of coke in 2008 to $251.55 per ton of coke in 2009. The margin improvement was partially offset by an $8.9 million reduction in income due to lower sales volume. Sales volumes declined 33 thousand tons from 727 thousand tons in 2008 to 694 thousand tons in 2009, in part, due to the timing of shipments of December 2009 production.

Other Domestic Coke. Our Other Domestic Coke segment incurred losses of $2.5 million for the year ended December 31, 2009 compared to segment income of $20.4 million for the corresponding period of 2008, a decrease of $22.9 million. This decrease was primarily due to a $22.1 million decline in results from our Haverhill cokemaking facility. This facility operated at only 84 percent of capacity in 2009 due to operational difficulties in connection with the start up of the second phase, resulting in negative margins as a portion of fixed operating costs could not be recovered. Higher costs attributable to these operating difficulties also contributed to the lower Haverhill results. Also contributing to the decrease was a $3.9 million loss at our Gateway cokemaking facility which commenced operations in the fourth quarter of 2009. These negative factors were partially offset by a $3.1 million increase in results at our Indiana Harbor cokemaking facility due to higher margins largely attributable to the impact of higher coal prices on favorable coal-to-coke yields.

Table of Contents

International Coke. Segment income from our International Coke segment increased $17.9 million to $23.2 million for the year ended December 31, 2009 compared to $5.3 million for the corresponding period of 2008. The increase was primarily due to recognition of preferred dividend income totaling $19.0 million attributable to 2009 and 2008 during 2009. The preferred dividend income attributable to 2008 was recognized in the second quarter of 2009 after it was determined to be realizable. The 2009 dividend was recognized in December 2009. Higher administrative costs partially offset the preferred dividend income.

Coal Mining. Segment income from our Coal Mining segment decreased $4.4 million to $5.2 million for the year ended December 31, 2009 compared to $9.6 million for the corresponding period of 2008. The decrease was primarily due to higher production costs, which were partially offset by higher coal sales prices. Average sales prices per ton increased from $92.00 per ton in 2008 to $100.45 per ton in 2009 while average production costs per ton increased from $82.23 in 2008 to $93.35 in 2009. The increase in coal production costs was largely driven by higher costs for labor, materials and supplies, fuel and purchases of raw coal. Labor costs increased due to new mining safety regulations and the hiring of apprentice miners. Lower mine shutdown costs partially offset the cost increases. Higher depreciation and administrative costs also contributed to the decline.

Corporate and Other. Corporate expenses decreased $4.0 million to $9.5 million for the year ended December 31, 2009 compared to $13.5 million for the corresponding period of 2008. This decrease was primarily due to a $2.4 million reduction in charges for retained black lung benefit liabilities attributable to legacy nonmetallurgical coal mining sites that were previously sold and the absence of $2.7 million of expenses attributable to obtaining the permits for our Gateway cokemaking facility in 2008. Net financing income was $16.1 million in both 2009 and 2008.

Income Taxes. Income tax expense decreased $17.4 million to $20.7 million for the year ended December 31, 2009 compared to $38.1 million for the corresponding period of 2008. Our effective tax rate after deducting income attributable to noncontrolling interests and excluding nonconventional fuel and investment tax credits was 38.3 percent for 2009 compared to 35.4 percent for 2008. The increase in the effective tax rate was largely attributable to the absence of a manufacturing deduction for federal income tax purposes as we had a net operating loss for tax purposes due primarily to bonus depreciation from the Gateway cokemaking facility which was placed in service in the fourth quarter of 2009. During 2009, we recognized a one-time $40.7 million gasification investment tax credit associated with the start up of the Gateway facility. Nonconventional fuels tax credits increased $3.6 million to $19.3 million in 2009 primarily due to credits attributable to a full year of coke sales from our Haverhill expansion and the start up of our Gateway facility. Sales price discounts provided to our customers, in connection with sharing of nonconventional fuels tax credits which are reflected in the operating results of the Other Domestic Coke segment, totaled $7.8 million and $1.0 million in 2009 and 2008, respectively.

Table of Contents

Analysis of Combined Statements of Income

The following table sets forth amounts from the combined statements of income for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31		
	2010	2009	2008
	(Dollars in thousands)		
Revenues			
Sales and other operating revenue	$ 1,316,547	$ 1,124,016	$ 838,936
Other income, net	10,046	20,970	1,315
Total revenues	1,326,593	1,144,986	840,251
Costs and Operating Expenses			
Cost of products sold and operating expenses	1,036,944	860,830	630,771
Selling, general and administrative expenses	67,232	40,205	34,244
Depreciation, depletion and amortization	48,157	32,323	24,554
Total costs and operating expenses	1,152,333	933,358	689,569
Operating income	174,260	211,628	150,682
Interest income (primarily from affiliate)	23,722	24,510	27,569
Interest cost affiliate	(5,435)	(5,663)	(11,187)
Capitalized interest	701	1,493	3,999
Total financing income, net	18,988	20,340	20,381
Income before income tax expense	193,248	231,968	171,063
Income tax expense	46,942	20,732	38,131
Net income	146,306	211,236	132,932
Less: net income attributable to noncontrolling interests	7,107	21,552	19,028
Net income attributable to net parent investment	$ 139,199	$ 189,684	$ 113,904

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

Revenues. Our total revenues were $1,326.6 million for the year ended December 31, 2010 compared to $1,145.0 million for the corresponding period of 2009. The 16 percent increase was primarily due to sales from our Gateway cokemaking facility which commenced operations in the fourth quarter of 2009.

Costs and Operating Expenses. Total operating expenses were $1,152.3 million for the year ended December 31, 2010 compared to $933.4 million for the corresponding period of 2009. The 23 percent increase was primarily attributable to expenses at our Gateway facility. Higher purchased coal costs due to higher coke sales volumes at our Haverhill facility also contributed to the increase.

Net Financing Income and Income Taxes. See the Analysis of Segment Earnings discussion above.

Year Ended December 31, 2009 compared to Year Ended December 31, 2008

Revenues. Our total revenues were $1,145.0 million for the year ended December 31, 2009 compared to $840.3 million for the corresponding period of 2008. The 36 percent increase was due to higher coke sales prices attributable to increases in coal prices, a full year of coke production from the expansion of our Haverhill cokemaking facility which commenced operations in July 2008 and the commencement of operations at our Gateway cokemaking facility in the fourth quarter of 2009.

Table of Contents

Costs and Operating Expenses. Our total operating expenses were $933.4 million for the year ended December 31, 2009 compared to $689.6 million for the corresponding period of 2008. The 35 percent increase was primarily attributable to increased purchased coal and operating costs resulting from a full year of production at the Haverhill expansion and the start up of operations at our Gateway facility. Higher coal prices also contributed to the increase.

Net Financing Income and Income Taxes. See the Analysis of Segment Earnings discussion above.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash from operations and borrowings from Sunoco. We expect Sunoco to continue to fund our cash needs through the date of this offering. Cash and cash equivalents as of December 31, 2010 and 2009 were $40.1 million and $2.7 million, respectively.

After the completion of this offering, we expect our primary source of liquidity will be cash on hand, cash from operations and borrowings under the debt financing arrangements we intend to enter into in connection with this offering. We believe these sources will be sufficient to fund our planned operations, including capital expenditures.

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31		
	2010	**2009**	**2008**
		(Dollars in thousands)	
Net cash provided by operating activities	$ 296,603	$ 187,246	$ 171,330
Net cash used in investing activities	(213,921)	(215,106)	(304,469)
Net cash provided by (used in) financing activities	(45,331)	7,619	133,703
Net increase (decrease) in cash and cash equivalents	$ 37,351	$ (20,241)	$ 564

Cash Provided by Operating Activities

Net cash provided by operating activities increased by $109.4 million for the year ended December 31, 2010 as compared to the corresponding period in 2009. The increase was primarily attributable to reductions in working capital in 2010 largely due to collection of a payment deferred by one customer in December 2009 and an increase in accounts payable and accrued liabilities which was primarily attributable to the timing of coal payments. Lower net income in 2010 partially offset the cash generated by working capital reductions.

Net cash provided by operating activities increased by $15.9 million for the year ended December 31, 2009 as compared to the corresponding period in 2008. The increase was attributable to an increase in net income, which was partially offset by an increased use of cash for working capital needs. The largest working capital use in 2009 was an increase in accounts receivable largely attributable to deferral of payments to 2010 by one customer. In addition, coal inventory levels increased due to the start up of our Gateway facility while we also stockpiled coke at our Jewell and Haverhill facilities.

Cash Used in Investing Activities

Cash used in investing activities decreased by $1.2 million for the year ended December 31, 2010 compared to the corresponding period of 2009. The decrease was largely due to lower expansion capital expenditures partially offset by higher maintenance capital expenditures.

Table of Contents

Cash used in investing activities decreased by $89.4 million for the year ended December 31, 2009 compared to the corresponding period of 2008. The decrease was primarily attributable to a decrease in expansion capital expenditures partially offset by higher maintenance capital expenditures.

For a more detailed discussion of our capital expenditures for the years ended December 31, 2010, 2009 and 2008, see Capital Requirements and Expenditures below.

Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities decreased by $53.0 million for the year ended December 31, 2010 compared to the corresponding period in 2009. The decrease in cash provided by financing activities was primarily a result of reduced borrowings from an affiliate of Sunoco partially offset by an increase in the payable to affiliates.

Net cash provided by financing activities decreased by $126.1 million for the year ended December 31, 2009 compared to the corresponding period in 2008. The decrease in cash provided by financing activities was a result of reduced borrowings from an affiliate of Sunoco due to the lower level of capital expenditures in 2009. The reduced borrowings were partially offset by the absence of repayments to affiliates of Sunoco of revolving credit and deficit funding arrangements during 2008.

Capital Requirements and Expenditures

Our cokemaking and coal mining operations are capital intensive, requiring significant investment to upgrade or enhance existing operations and to meet environmental and operational regulations. Our capital requirements have consisted, and are expected to continue to consist, primarily of:

- maintenance capital expenditures, such as those required to maintain equipment reliability, the integrity and safety of our coke ovens and coal mines and to comply with environmental regulations; and
- expansion capital expenditures to acquire and/or construct complementary assets to grow our business and to expand existing facilities, such as projects that increase coal production from existing mines or that increase metallurgical coke production from existing oven batteries, etc.

The following table summarizes maintenance and expansion capital expenditures for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31		
	2010	**2009**	**2008**
	(Dollars in thousands)		
Maintenance capital	$ 45,943	$ 28,218	$ 15,545
Expansion capital			
Middletown	169,714	25,374	47,158
Gateway		146,195	160,891
Haverhill		15,407	80,879
	169,714	186,976	288,928
Total	$ 215,657	$ 215,194	$ 304,473

Our capital expenditures for 2011 are expected to include $78 million for maintenance capital and $176 million for expansion capital. Maintenance capital includes $48 million for recurring maintenance spending at our cokemaking facilities and coal mining operations and $30 million to improve reliability of the energy recovery systems and enhance environmental performance at our Haverhill and Gateway cokemaking facilities. Our projected expansion capital includes $165 million for completion of the Middletown cokemaking facility and $11 million attributable to our coal expansion project.

65

Table of Contents

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2010:

	Payment Due Dates				
	Total	2011	2012-2013	2014-2015	Thereafter
	(Dollars in thousands)				
Operating leases[1]	$ 13,472	$ 1,702	$ 4,339	$ 4,087	$ 3,344
Purchase obligations:					
Coal	790,737	739,737	51,000		
Transportation and coal handling[2]	786,488	96,121	104,378	100,881	485,108
Obligations supporting financing arrangements[3]	11,748	4,699	7,049		
Properties, plants and equipment	32,188	32,188			
Other[4]	47,307	40,591	1,739	1,520	3,457
Total	$ 1,681,940	$ 915,038	$ 168,505	$ 106,488	$ 491,909

(1) Our operating leases include leases for office space, land, locomotives, office equipment and other property and equipment. Operating leases include all operating leases that have initial noncancelable terms in excess of one year.

(2) Transportation and coal handling services consist primarily of railroad and terminal services attributable to delivery and handling of coal purchases and coke sales. Long-term commitments generally relate to locations for which limited transportation options exist and match the length of the related coke sales agreement.

(3) Represents fixed and determinable obligations to secure coal handling services at the Indiana Harbor cokemaking facility.

(4) Primarily represents open purchase orders for materials and supplies.

A purchase obligation is an enforceable and legally binding agreement to purchase goods or services that specifies significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our principal purchase obligations in the ordinary course of business consist of coal and transportation and distribution services, including railroad services. We also have contractual obligations supporting financing arrangements of third parties, contracts to acquire or construct properties, plants and equipment, and other contractual obligations, primarily related to services and materials. Most of our coal purchase obligations are based on fixed prices. These purchase obligations generally include fixed or minimum volume requirements. Transportation and distribution obligations also typically include required minimum volume commitments. The purchase obligation amounts in the table above are based on the minimum quantities or services to be purchased at estimated prices to be paid based on current market conditions. Accordingly, the actual amounts may vary significantly from the estimates included in the table.

The table above excludes principal and interest payments attributable to advances from Sunoco. In connection with this offering, we are expected to enter into debt financing transactions. We also have excluded obligations with respect to our defined benefit pension plans and postretirement health care plans. For more details on these arrangements, see Notes 2 and 7 to our combined financial statements located elsewhere in the prospectus.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Our primary areas of market risk include changes in: (1) the price of coal, which is the key raw material for our cokemaking business and a product of our coal mining business; (2) interest rates; and (3) foreign currency exchange rates.

Table of Contents

In our Coal Mining segment, we expect to sell, including production of the recently acquired HKCC Companies, approximately 2 million tons of coal per year (including transfers to our cokemaking operations) by late 2012. Although we have limited third-party sales at this time from our coal mining operations, we generally sell coal pursuant to contracts with terms similar to the terms of the contracts pursuant to which we buy coal from third parties, including pricing. Accordingly, increases and decreases in the market price of metallurgical coal can significantly impact our Coal Mining results.

For our Other Domestic Coke segment, the largest component of the price of our metallurgical coke is coal cost. However, under the coke sales agreements at all of our Other Domestic Coke cokemaking facilities, coal costs are a pass-through component of the coke price, provided that we are able to realize certain targeted coal-to-coke yields. As such, the price of coal is not a significant determining factor in the profitability of these facilities.

Beginning January 1, 2011, as a result of a settlement agreement with ArcelorMittal, the coal component of the price of coke under the Jewell coke sales agreement was amended. The coal component of the Jewell coke price will now be fixed annually for each calendar year based on the weighted-average contract price of third-party coal purchases at our Haverhill facility applicable to ArcelorMittal coke sales. To the extent that contracts for third-party coal purchases at our Haverhill facility convert to pricing mechanisms of less than a year, then the Jewell coke price will be adjusted accordingly during that year. The fixed adjustment factor has been eliminated, and as a result, coal prices will no longer significantly affect the financial results of the Jewell Coke segment.

The provisions of our coke sales agreements require us to meet minimum production levels and generally require us to secure replacement coke supplies at the prevailing contract price if we do not meet contractual minimum volumes. Because market prices for coke are generally highly correlated to market prices for metallurgical coal, to the extent any of our facilities are unable to produce their contractual minimum volumes, we are subject to market risk related to the procurement of replacement supplies.

Our advances from affiliates, which totaled $888.5 million at December 31, 2010, bear interest at floating rates. An increase in the floating rate for interest payments of one percent would result in an increase in annual interest costs of approximately $9.0 million. However, we intend to enter into new debt financing arrangements to replace these obligations in connection with this offering. Foreign currency exchange rates can impact the revenues and expenses of our Brazilian operations. However, our exposure to these risks is fairly limited. We regularly evaluate our exposure to these interest rate and foreign currency rate risks.

We do not use derivatives to hedge any of our coal purchases or sales. In addition, although we have not previously done so, we may enter into derivative financial instruments from time to time in the future to economically manage our exposure related to these market risks.

Impact of Inflation

Although the impact of inflation has slowed in recent years, it is still a factor in the United States economy and may increase the cost to acquire or replace properties, plants, and equipment and may increase the costs of labor and supplies. To the extent permitted by competition, regulation, and existing agreements, we have generally passed along increased costs to our customers in the form of higher fees and we expect to continue this practice.

Critical Accounting Policies

A summary of our significant accounting policies is included in Note 1 to the Combined Financial Statements. Our management believes that the application of these policies on a consistent basis enables us to provide the users of the financial statements with useful and reliable information about our operating results and financial condition. The preparation of our combined financial statements requires management to make

Table of Contents

estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Significant items that are subject to such estimates and assumptions consist of: (1) properties, plants and equipment; (2) retirement benefit liabilities; (3) coal workers black lung benefit liabilities; and (4) deferred income taxes. Although our management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results may differ to some extent from the estimates on which our combined financial statements have been prepared at any point in time. Despite these inherent limitations, our management believes the Management s Discussion and Analysis of Financial Condition and Results of Operations and Combined Financial Statements provide a meaningful and fair perspective of our financial condition.

Properties, Plants and Equipment

The cost of plants and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the assets. Useful lives of assets which are depreciated on a straight-line basis are based on historical experience and are adjusted when changes in the expected physical life of the asset, its planned use, technological advances, or other factors show that a different life would be more appropriate. Changes in useful lives that do not result in the impairment of an asset are recognized prospectively. The lease and mineral rights are capitalized and amortized to operations as depletion expense using the units-of-production method.

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such events and circumstances include, among other factors: operating losses; unused capacity; market value declines; changes in the expected physical life of an asset, technological developments resulting in obsolescence; changes in demand for our products or in end-use goods manufactured by others utilizing our products as raw materials; changes in our business plans or those of our major customers, suppliers or other business partners; changes in competition and competitive practices; uncertainties associated with the United States and world economies; changes in the expected level of capital, operating or environmental remediation expenditures; and changes in governmental regulations or actions. Additional factors impacting the economic viability of long-lived assets are described under Cautionary Statement Concerning Forward-Looking Statements .

A long-lived asset that is not held for sale is considered to be impaired when the undiscounted net cash flows expected to be generated by the asset are less than its carrying amount. Such estimated future cash flows are highly subjective and are based on numerous assumptions about future operations and market conditions. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the impaired asset. It is also difficult to precisely estimate fair market value because quoted market prices for our long-lived assets may not be readily available. Therefore, fair market value is generally based on the present values of estimated future cash flows using discount rates commensurate with the risks associated with the assets being reviewed for impairment.

We have had no significant asset impairments during the years ended December 31, 2010, 2009 and 2008. We are currently conducting an engineering study to evaluate the expected physical life of the coke ovens at our Indiana Harbor cokemaking facility. Some ovens and associated equipment are heaving and settling differentially as a result of the instability of the ground on which it was constructed. This differential movement has reduced production and required corrective action to certain ovens, ancillary equipment and structures. Higher maintenance costs are expected to continue as a result of this condition. An oven repair and maintenance program has been implemented to limit further deterioration to the ovens. The engineering study at Indiana Harbor is expected to be completed during the second half of 2011. At this time, the likely outcome of the study cannot be determined but possible results include additional maintenance spending to continue operations at the current operating levels, a change in the useful life of all or part of the facility, or the impairment of one or more oven batteries which could be followed by capital spending to retain the current facility capacity. The carrying amount of the Indiana Harbor cokemaking facility was $115.3 million at December 31, 2010.

Retirement Benefit Liabilities

Pension Benefit Liabilities. We have obligations totaling $30.9 million in connection with a funded noncontributory defined benefit pension plan. Effective January 1, 2011, benefits under this plan were frozen for all eligible participants. In addition, we have postretirement welfare benefit plans that provide health care benefits for substantially all of our current retirees. Medical benefits under these plans were also be phased out or eliminated for most non-mining employees with less than 10 years service on January 1, 2011. Our future contributions for these plans will also be subject to an annual cap for all those who are still eligible for these benefits. The postretirement welfare benefit plans are unfunded and have historically been paid by us subject to deductibles and coinsurance that have been the responsibility of retirees. The principal assumptions that impact the determination of both expense and benefit obligations for our pension plan is the discount rate and the long-term expected rate of return on plan assets. The discount rate and the health care cost trend rate are the principal assumptions that impact the determination of expense and benefit obligations for our postretirement health care benefit plans. However, the impact of the health care trend rate has been greatly mitigated by the cap on our contributions.

The discount rates used to determine the present value of future pension payments and medical costs are based on a portfolio of high-quality corporate bonds with maturities that reflect the duration of our pension and other postretirement welfare benefit obligations. The present values of our future pension and other postretirement welfare obligations were determined using discount rates of 5.00 and 4.60 percent, respectively, at December 31, 2010 and 5.60 and 5.75 percent, respectively, at December 31, 2009. Our expense under these plans is generally determined using the discount rate as of the beginning of the year, or using a weighted-average rate when curtailments, settlements and/or other events require a plan remeasurement. The weighted-average discount rate for the pension plan was 5.60 percent for 2010, 6.00 percent for 2009, 6.20 percent for 2008, and for postretirement welfare plans was 5.30 percent for 2010, 6.05 percent for 2009 and 6.30 percent for 2008. As of January 1, 2011, the weighted-average discount rates of pension plans and postretirement plans will be 4.95 percent and 4.40 percent, respectively.

The long-term expected rate of return on plan assets was assumed to be 8.25 percent for each of the last three years. A long-term expected rate of return of 8.25 percent on plan assets is also being used to determine our pension expense for 2011. The expected rate of return on plan assets is estimated utilizing a variety of factors including the historical investment return achieved over a long-term period, the targeted allocation of plan assets and expectations concerning future returns in the marketplace for both equity and fixed income securities. In determining pension expense, we apply the expected rate of return to the fair market value of plan assets at the beginning of the year. The expected rate of return on plan assets is designed to be a long-term assumption. It generally will differ from the actual annual return, which is subject to considerable year-to-year variability. Our pension plan assets are currently invested in a trust with the assets of other pension plans of Sunoco. For 2010, the pension plan assets generated a positive return of 16.0 percent compared to a positive return of 25.2 percent for 2009 and a negative return of 28.8 percent in 2008. For the 15-year period ended December 31, 2010, the compounded annual investment return on our pension plan assets was a positive return of 7.4 percent. As permitted by existing accounting rules, we do not recognize currently in pension expense the difference between the expected and actual return on assets. Rather, the difference along with other actuarial gains or losses resulting from changes in actuarial assumptions used in accounting for the plans (primarily the discount rate) and differences between actuarial assumptions and actual experience are fully recognized in the combined balance sheets. If such actuarial gains and losses on a cumulative basis exceed 10 percent of the projected benefit obligation, the excess is amortized into net income as a component of pension or postretirement welfare benefits expense generally over the average remaining service period of plan participants still employed with us, which currently is approximately 12 years for the pension plans and approximately 9 years for the postretirement welfare benefit plans. At December 31, 2010, the accumulated net actuarial loss (gain) for defined benefit and postretirement welfare benefit plans was $10.2 and $16.0 million, respectively.

Other Post-Employment Benefit Liabilities. We also have unrecognized prior service benefits attributable to our postretirement benefit plans of approximately $29.6 million at December 31, 2010, which is primarily

Table of Contents

attributable to the phase down or elimination of retiree medical benefits described above. Most of the benefit of this liability reduction will be amortized into income through 2016.

The initial health care cost trend assumptions used to compute the accumulated postretirement welfare benefit obligation were increases of 7.75 percent, 8.25 percent and 9.00 percent at December 31, 2010, 2009 and 2008, respectively. These trend rates were assumed to decline gradually to 5.00 percent in 2017 and to remain at that level thereafter.

Set forth below are the estimated increases in pension and postretirement welfare benefits expense and benefit obligations that would occur in 2011 from a change in the indicated assumptions:

	Change in Rate	Expense	Benefit Obligations[1]
		(Dollars in thousands)	
Pension benefits:			
Decrease in the discount rate	.25%	$ 22	$ 809
Decrease in the long-term expected rate of return on plan assets	.25%	$ 73	$
Postretirement welfare benefits:			
Decrease in the discount rate	.25%	$ 26	$ 891
Increase in the annual health care cost trend rates	1.00%	$ 13	$ 153

(1) Represents both the increase in accumulated benefit obligation and the projected benefit obligation for our defined benefit pension plan and the accumulated postretirement benefit welfare obligations for our postretirement welfare benefit plans.

Black Lung Benefit Liabilities

We have obligations related to coal workers pneumoconiosis, or black lung, benefits to certain of our employees and former employees (and their dependents). Such benefits are provided for under Title IV of the Federal Coal Mine Health and Safety Act of 1969 and subsequent amendments, as well as for black lung benefits provided in the states of Virginia, Kentucky and West Virginia pursuant to workers compensation legislation. We act as a self-insurer for both state and federal black lung benefits and adjust our liability each year based upon actuarial calculations of our expected future payments for these benefits. Charges against income for black lung benefits amounted to $4.8 million, $0.7 million, and $3.1 million during the years ended 2010, 2009, and 2008, respectively.

Our independent actuaries annually calculate the actuarial present value of the estimated black lung liability based on assumptions regarding disability incidence, medical costs, mortality, death benefits, dependents and discount rates. The discount rate is determined based on a portfolio of high-quality corporate bonds with maturities that are consistent with the estimated duration of our black lung obligations. For the years ended December 31, 2010, 2009 and 2008, the discount rate used to calculate the period end liability was 5.00, 6.00 and 6.20 percent respectively. A 0.25 percent decrease in the discount rate would have increased 2010 coal workers black lung expense by $0.8 million.

The estimated liability recognized in our financial statements at December 31, 2010 and 2009 was $26.6 and $24.1 million, respectively. For the year ended December 31, 2010, we paid black lung benefits of approximately $2.3 million. Our obligations with respect to these liabilities are unfunded at December 31, 2010.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law. These laws, among other things, amended previous legislation pertaining to black lung benefits available to certain of our current and former employees and their surviving spouses. We have included the estimated impact of these new laws on our liability for black lung benefits in our financial statements.

Table of Contents

Deferred Income Taxes

We and certain other subsidiaries of Sunoco are included in Sunoco s consolidated federal income tax return. However, the provision for income taxes included in the combined statements of net income and deferred income tax amounts reflected in the combined balance sheets have been determined on a theoretical separate-return basis. Accordingly, we recognize benefits in income and related deferred tax assets for tax credit and net operating loss carryforwards even when such benefits may have already been realized by Sunoco on its consolidated income tax return. If necessary, we record a charge to income and a related valuation allowance to reduce our deferred tax assets to an amount that is more likely than not to be realized by us if we were a standalone company. Our combined balance sheets as of December 31, 2010 and 2009 include deferred income taxes assets attributable to tax credit and net operating loss carryforwards totaling $121.5 million and $119.2 million, respectively. We currently have determined that no valuation allowances are required because we believe that it is more likely than not that future taxable income on a separate-return basis would be sufficient to realize the benefits of the tax credit and net operating loss carryforwards. The potential need for valuation allowances is regularly reviewed.

We expect that we will not retain any of the federal income tax credits or net operating loss carryforwards that we had previously recognized as deferred income tax assets. Sunoco has already realized the current tax benefits for substantially all of these tax benefits. However, we may retain certain state tax credit or net operating loss carryforwards, which have been recognized as deferred tax assets on our combined balance sheet and that may be used to reduce our future income tax liabilities.

Recent Accounting Standards

There are no recently issued accounting standards which are not yet effective which we believe would materially impact our financial statements.

Table of Contents

INDUSTRY OVERVIEW

Introduction

Metallurgical coke, which is made from metallurgical coal, is primarily consumed by the steel industry. Approximately 80 percent of all coke produced is used in blast furnace steelmaking and other steelmaking-related processes. Consequently, the cokemaking industry is largely dependent on the outlook for steelmaking and particularly blast furnace steelmaking.

Steel Industry

Steelmaking Processes

To produce steel, steelmakers generally use one of two processes: (1) the integrated process, or blast furnace steelmaking, which is also known as the basic oxygen furnace, or BOF, process, and (2) the mini-mill process, which is also known as the Electric Arc Furnace, or EAF process. Each process utilizes different raw materials and technologies.

Integrated steel mills produce steel from iron ore, coke, and lime, and typically supply a full range of products, with an emphasis on flat-rolled carbon steel, strip, and plate products. These facilities make steel by processing iron ore and other raw materials in blast furnaces to make liquid iron, also called hot metal. The hot metal is then charged into a BOF along with some proportion of steel scrap to make molten steel, which is continuously cast into the primary shapes. These shapes are typically stockpiled and then reheated for secondary finishing steps. Secondary finishing includes all of the steps required to convert the semi-finished shapes to the final products offered for sale. These steps include some or all of the following: reheating, surface conditioning, hot rolling, cold rolling, heat treating, surface coating, cooling, cutting, coiling and sizing. Certain higher quality steel products must be produced in integrated steel mills through the BOF process because such steel products require fewer impurities in the production process.

The BOF process is the dominant steelmaking technology globally, accounting for approximately 70 percent of the world s total output of crude steel. However, the BOF process accounts for approximately 40 percent of the total output of crude steel in the United States and has been slowly declining primarily due to the construction of new EAF flat-rolled mills.

The primary application of an EAF is the re-melting of steel scrap; however, EAFs can use limited amounts of iron scrap, pig iron, and direct reduced iron. Most EAF facilities make commodity steel products such as carbon steel bars, wire rods, and light to medium structural steel products that are primarily sold to the construction industry. Scrap availability and quality characteristics have forced some mini-mill operators to consider increasing their pig iron consumption, thereby increasing coke demand. EAFs make up approximately 30 percent of steelmaking globally and approximately 60 percent of the U.S. steelmaking market.

Supply and Demand for Steel

According to the World Steel Association, crude steel production has increased from 934 million tons in 2000 to more than 1,558 million tons in 2010. This growth represents a 67 percent increase or a 5.2 percent compound annual growth rate. Approximately 88 percent of this growth has been driven by China, where crude steel production grew from 140 million tons in 2000 to approximately 691 million tons in 2010. CRU International, Ltd, or CRU, expects global crude steel production to grow by nearly 4 percent per year from 2010 to 2,244 million tons by 2020, with China representing approximately 45 percent and India representing approximately 14 percent of this growth. CRU also expects integrated steelmaking to maintain its 70 percent global share of this growing production base, which in turn will require additional coke supplies.

Table of Contents

Metallurgical Coke

Metallurgical coke is used in integrated steelmaking facilities as a reductant, fuel source and burden support in a blast furnace. Metallurgical coke is charged into a blast furnace along with iron ore to reduce the iron ore to nearly pure molten iron that is then used for steelmaking. Generally, approximately 0.3 to 0.6 tons of coke are used in a blast furnace to produce one ton of hot metal. The specific quality and properties of metallurgical coke can have significant impacts on blast furnace productivity. Consequently, cokemaking processes seek to maximize coke quality for specific properties while minimizing the input cost of metallurgical coal, which is the principal raw material for coke.

Cokemaking Process

Coke is generally produced by heating particulate coals of very specific properties in a refractory oven in the absence of oxygen to about 2,000 degrees Fahrenheit. As temperature increases inside the coal mass, it melts and becomes like plastic, fusing together as devolatilization occurs, and ultimately resolidifies and condenses into particles large enough for blast furnace use. During this process, much of the hydrogen, oxygen, nitrogen, and sulfur are released as volatile by-products, leaving behind a poorly crystalline and porous carbon product, coke. Generally, one ton of metallurgical coal is required to produce 0.7 tons of metallurgical coke, representing a typical coal-to-coke yield of 70 percent.

Coke is produced through one of two processes: (1) by-product, also commonly known as recovery cokemaking or (2) non-recovery cokemaking. In by-product cokemaking, coal is heated in a positive pressure environment in the absence of oxygen and the resulting usable by-product coal chemicals are repurposed into fuel for integrated steel furnaces and for other uses. In non-recovery cokemaking, coal is heated in a negative pressure environment in which the resulting volatile matter is combusted. Non-recovery facilities that are designed to use the excess heat from combustion to produce steam and/or electricity are referred to as heat recovery facilities.

Coke Quality

The quality and properties of coke are inherited from the selected coals, and also are affected by how the coals are handled and carbonized in cokemaking facility operations. Coke producers use widely differing coals and employ a variety of procedures to enhance the quality of the coke and the coke oven productivity and battery life. In terms of coal properties, coke quality is largely influenced by coal rank, composition (reactive and inert macerals and minerals), and its inherent ability, when heated, to soften, become plastic, and resolidify into a coherent mass. Bituminous-class coals of high, medium, and low volatile rank possess these properties, but not all produce a coke of desirable quality and some may even be detrimental to coke ovens. Additional coal quality factors include petrographic, chemical and rheologic characteristics of coal, particle size, moisture content, and bulk density.

To compensate for the lack of individual coals with all the necessary properties, blends of up to eight or more different metallurgical coals are used in modern cokemaking operations. These coal blends must be managed to optimize coke quality and reduce the cost of raw materials. Individual coals and coal blends need to be sufficiently thermoplastic to bind all of the components together and have proper proportions of reactive and inert components, relatively low concentration of alkalis-containing minerals, and low ash and sulfur yields.

Coal blends for by-product coke oven batteries must also provide a level of contraction that will allow the coke mass to be easily removed from a coke oven. Battery operating variables also influence coke quality. Coke quality variability is low if the following operating factors are controlled: weathering of coal, coking temperature and coking rate, soaking time, quenching practice, and coke handling.

Table of Contents

Coke Properties

High quality coke is characterized by a definite set of physical and chemical properties that can vary within narrow limits. Coke properties can be categorized into the following two groups: physical properties and chemical properties.

Physical Properties. Measurement of physical properties aid in determining coke behavior both inside and outside the blast furnace. In terms of coke strength, the cold strength and coke strength after reaction with CO_2, or CSR, are the two most important parameters. The cold strength measures the ability of coke to withstand breakage at room temperature and reflects coke behavior outside the blast furnace and in the upper part of the blast furnace. CSR measures the potential of the coke to break into smaller size under a high temperature CO/CO_2 environment that exists throughout the lower two-thirds of the blast furnace. A large mean size with narrow size variations helps maintain a stable void fraction in the blast furnace permitting the upward flow of gases and downward flow of molten iron and slag thus improving blast furnace productivity.

Chemical Properties. The most important chemical properties of coke are moisture, fixed carbon, ash, sulfur, phosphorus, and alkalies. Fixed carbon is the fuel portion of the coke. The more fixed carbon there is in the coke, the higher the thermal value of coke. The other components such as moisture, ash, sulfur, phosphorus, and alkalies are undesirable as they have adverse effects on energy requirements, blast furnace operation, hot metal quality, and/or refractory lining.

Supply and Demand for Coke

According to CRU, metallurgical coke demand for all uses has increased to an estimated 643 million tons in 2010 from 497 million tons in 2005. This growth represents a 29 percent increase, or a 5.3 percent compound annual growth rate. All of the growth has been driven by usage in China, which is expected to consume 395 million tons in 2010 compared to 246 million tons in 2005, and India, which is expected to consume 35 million tons in 2010, compared to 22 million tons in 2005, while the coke consumed annually by the rest of the world actually decreased by 12 million tons during this period. CRU expects global coke demand to grow by 2.7 percent per year from 2010 to 839 million tons by 2020, with China representing 60 percent of the growth and India representing 16 percent of the growth.

Approximately 83 percent of total coke demand is related to steelmaking uses, with 93 percent of the coke for steelmaking going to blast furnace operations. The balance of coke demand is for use in ferroalloy plants, foundries, cement and limestone plants, and other industrial applications. CRU expects growth in steelmaking coke demand to be 2.8 percent per year while coke demand for other uses will grow at 2.1 percent per year over the coming decade.

Total coke supply is comprised of coke production by steelmakers, also known as captive production, and coke production by independent or merchant producers. In 2009, according to CRU, merchant producers outside of China and India represented 18 percent of overall coke production outside of China and India. Due to the sheer size and number of producers in India and China, estimating the share of merchant production for those countries is difficult. However, most sources indicate that India and China both have relatively large merchant coke markets as compared to the rest of the world.

Because of the predominance of captive coke production by steelmakers for local consumption, coke is traded in a relatively small international spot market. According to CRU, on a global basis, cross-border coke exports have decreased from 34 million tons in 2005 to 17 million tons in 2009, representing only 3 to 7 percent of global coke production in 2009. Exports grew until 2008 and then suddenly dropped in 2009 driven by a significant decline in steel production and the overall decline in the global economy. Until 2009, China served as the predominant source of exports, representing around 40 percent of exports while Poland represented approximately 20 percent. Major destinations for exported coke are Western Europe (35 to 40 percent), North America (10 to 15 percent) and India (10 to 15 percent).

The supply of coke is also affected by the age and condition of existing cokemaking facilities. The average ages of North American and Western European cokemaking facilities are 30 years and 26 years, respectively. The average age of cokemaking facilities worldwide is 25 years, excluding the Commonwealth of Independent States, which we refer to as the CIS countries, and China. As these cokemaking facilities continue to age, coke batteries will require replacement, generating ongoing demand for new battery construction.

Pricing

Pricing of coke is primarily correlated to the production and pricing of both metallurgical coal and steel. As China emerged as the leading exporter of coke, the export price for Chinese coke became the global benchmark price for the industry. Despite being the industry benchmark, there are certain instances where the China export prices have differed from the international market. For instance, in 2009, steelmakers off-loaded surplus coke inventory onto the open market, lowering the international price. At the same time, the China export price remained at elevated levels due to a 40 percent Chinese export duty that the Chinese government has levied on coke exports. As a result, Chinese export volumes collapsed to only 0.5 million tons in 2009 and the pricing of volumes became disconnected from other markets.

Over the next several years, CRU expects that supply and demand fundamentals in the cokemaking industry to remain tightly balanced. It also expects future prices will continue to be heavily influenced by the China export price.

Metallurgical Coal

Coal is one of the most important energy sources globally. According to the EIA, coal is primarily used in the power, steel, cement and paper industries. Coal is generally classified as either thermal or metallurgical depending on its technical attributes, which include heat, ash and sulfur content, as well as coking characteristics. Thermal coal is primarily used in electricity generation whereas metallurgical coal is primarily used in steel production. According to the World Coal Association, metallurgical coal used in the steel industry accounted for approximately 13 percent of global hard coal production in 2009.

Table of Contents

Metallurgical coal is the key raw material in the production of metallurgical coke that is used in blast furnaces to convert iron ore into steel. Generally, 1.4 tons of metallurgical coal is required to make one ton of metallurgical coke. Due to its special characteristics, metallurgical coal is sold at significantly higher prices than thermal coal.

Blast furnaces are designed to use specific grades of coke. Grades of coke in turn are predominantly determined by the grades and characteristics of metallurgical coal used in the cokemaking process. Consequently, the demand and pricing for metallurgical coals vary based on the specific characteristics of the coal, including sulfur content, ash content, coke strength, and volatility:

Coke Strength. Measuring the expansion and contraction of coal when heated determines the strength of coke that could be produced from the coal. There are numerous measures that quantify these strength coking properties including swelling indices, fluidity measures and others. The precise categorization of coking coal based on these measures is complex, but can be split into three distinct grades: hard coking coal, semi-hard coking coal, and semi-soft coking coal. Hard coking coal forms coke with strong physical properties. Semi-hard coking coal is a coal that is either a weaker coking coal than hard coking coal or has a particular quality that results in lower quality blast furnace coke. Semi-soft coking coal generally exhibits weak coking properties and is used in limited proportions in a coal blend to lower costs.

Volatility. When coal is heated in the absence of oxygen, the loss in mass less moisture is the measure of coal volatility. Volatility of metallurgical coal is used to determine the percentage of coal that becomes coke. This measure is known as coke yield. A low volatility results in a higher coke yield. There are three distinct volatility classifications of metallurgical coal: high volatile, mid volatile, and low volatile. Within the high volatile classification there is a further distinction between high volatile A and high volatile B coals. High volatile A coals have a volatility content of less than 34 percent and high volatile B coals have a volatility content greater than 34 percent. Some high volatile B coals are used for cokemaking as well as for thermal purposes by utility or industrial users.

Sulfur content. When coal is burned, it produces sulfur dioxide, or SO_2, the amount of which varies depending on the chemical composition of the coal, specifically the percent sulfur and the Btu content of the coal.

Ash content. Ash residue is what remains after the combustion of coal. Coal with lower ash content is desirable since it produces less material for disposal.

Table of Contents

Supply and Demand for Metallurgical Coal

Due to its unique physical characteristics, metallurgical coal is generally supplied only from specific areas of the world. Key supply countries include: China, Australia, India and Indonesia in the Asia Pacific region; the United States and Canada in North America; and Russia, Ukraine and Poland in Europe and the CIS. According to the International Energy Agency, total production of metallurgical coal on a global basis was approximately 875 million tons in 2009. About 97 percent of total production of metallurgical coal was produced in the top ten producing countries, with China accounting for over half of all production.

Metallurgical coal demand is largely tied to coke and steel production. The largest consuming countries and regions as reported by the International Energy Agency are summarized in the chart below.

International Trade and Seaborne Metallurgical Coal

The seaborne market consists of coal shipped between countries via ocean-going vessels, excluding shipments between Canada and the United States via the Great Lakes. The Atlantic area largely consists of countries in Europe, the Mediterranean region, North America, South America and Central America. The

Table of Contents

Atlantic area s largest consuming countries for seaborne metallurgical coal includes Brazil, the Netherlands, Italy, Belgium, Germany, the United Kingdom, France and Turkey. The largest Pacific consuming countries for seaborne metallurgical coal imports are Japan, South Korea, India, China, and Taiwan.

The largest suppliers of seaborne coal for export are Australia, the United States and Canada. About 198 million tons of metallurgical coal was exported from Australia, the United States and Canada in 2009, representing nearly 78 percent of total international trade. Supply has been tight in the recent past and is expected to remain so into the foreseeable future, mainly due to China s changing role in metallurgical coal consumption. China s appetite for metallurgical coal, due to its growing economy, has shifted dramatically over the past five years from a net exporter of coal in 2003 to the second largest net importer of metallurgical coal in the world in 2009. In addition, Australia coal producing regions have experienced significant supply disruptions in recent years due to severe flood events. Given Australia s position as the predominant supplier of seaborne coking coal, these disruptions have had significant impacts on the overall supply and market price for coking coal during these periods.

Metallurgical Coal in the United States

According to the EIA, metallurgical coal consumption at cokemaking facilities in the United States has ranged from 24 million tons in 2004 to approximately 15 million tons in 2009, with consumption rebounding to 21 million tons in 2010. Metallurgical coal produced in the United States is primarily consumed by steelmakers in cokemaking operations with smaller amounts being used for the production of coke for foundries. The United States is also a major exporter of coking coal with export volumes, according to the EIA, ranging from 27 million tons in 2004 to more than 55 million tons in 2010. Metallurgical coal is mined primarily from coal fields located in Central Appalachia with additional production from mines in Alabama.

Table of Contents

Metallurgical Coal Pricing

Due to its primary use in steel production, demand and in turn the price of coking coal is driven primarily by the demand for steel products. The two principal components of the delivered price of coal are the price of coal at the mine and the cost of transporting coal from the mine to the point of use. From 2003 through 2009, the price of metallurgical coal, both domestic and seaborne, increased significantly due to tight supply and strong global steel production. However, prices fell sharply during 2008 due to the global economic slowdown and reduced demand by steel producers for metallurgical coal. Metallurgical coal prices continued to remain at depressed levels through 2009 as customers used stockpiled inventory from the previous year. Prices rebounded in 2010 on the back of improved economic conditions globally. As the largest exporter and source of seaborne metallurgical coal, Australian exports have become the global industry benchmark for pricing. The table below provides historical spot pricing for Australian hard coking coal.

Disruptions in production of metallurgical coal may impact its pricing. There are few suppliers of quality metallurgical coal. If disruptions occur, spot pricing will increase. While infrequent, disruptions can be caused by weather, logistical challenges or plant closures due to *force majeure* events.

Metallurgical Coal Transportation

Coal produced in the United States for domestic consumption is generally sold free on board, or FOB, at the mine, and the purchaser normally bears the transportation costs. Seaborne coal, however, is usually sold FOB at the loading port, and coal producers are responsible for shipment to the export coal-loading facility while the purchaser is responsible for the transportation from the export coal-loading facility to its production facility.

BUSINESS

Overview

We are the largest independent producer of high-quality metallurgical coke in the Americas and have over 45 years of coke production experience. Metallurgical coke is a principal raw material in the integrated steelmaking process. We have designed, developed and built, and currently own and operate four metallurgical cokemaking facilities in the United States and designed and operate one cokemaking facility in Brazil under licensing and operating agreements on behalf of our customer. We are currently constructing a fifth U.S. facility that we also will own and operate and that is expected to be completed in the second half of 2011. Upon its completion, we expect that our total cokemaking capacity will increase to approximately 4.2 million tons of coke per year in the United States. The cokemaking facility that we operate in Brazil has cokemaking capacity of approximately 1.7 million tons of coke per year. We also have a preferred stock investment in the project company that owns the Brazil facility. We own and operate coal mining operations in Virginia and West Virginia that have sold an average of approximately 1.2 million tons of metallurgical coal per year (including internal sales to our cokemaking operations) over the past three years.

We are a technological leader in cokemaking. Our advanced heat recovery cokemaking process has numerous advantages over by-product cokemaking, including producing higher quality coke, using waste heat to generate derivative energy for resale and reducing environmental impact. The Clean Air Act Amendments of 1990 specifically directed the EPA to evaluate our heat recovery coke oven technology as a basis for establishing MACT standards for new cokemaking facilities. In addition, each of the three cokemaking facilities that we have built since 1990 have either met or exceeded the applicable BACT or LAER standards, as applicable, set forth by the EPA for cokemaking facilities. In conducting our cokemaking operations, we direct our marketing efforts principally towards steelmaking facilities that require high quality metallurgical coke for their blast furnaces. We currently sell approximately 3.6 million tons of metallurgical coke per year to our three primary customers in the United States: ArcelorMittal, U.S. Steel and AK Steel. Substantially all of our coke sales are made pursuant to long-term take-or-pay agreements which require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. These coke sales agreements have an average remaining term of approximately 9 years.

Our underground metallurgical coal mining operations near our Jewell cokemaking facility had at least 85 million tons of proven and probable coal reserves as of December 31, 2010. In January 2011, we acquired Harold Keene Coal Co., Inc. and its affiliated companies, or the HKCC Companies, for approximately $40 million including working capital. This acquisition adds between 250 thousand and 300 thousand tons of coal production annually, with the potential to expand production in the future and 21 million tons of proven and probable coal reserves located in Russell and Buchanan Counties in Virginia, contiguous to our existing metallurgical coal mining operations.

All of our expected 2011 coal production volumes, including production from the HKCC Companies, are contracted for sale. An expansion plan is also underway that we expect will increase our coal production by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. Capital outlays for this project are expected to total approximately $25 million.

Including the HKCC Companies, our mining operations now consists of 13 active underground mines and one active surface and highwall mine in Russell and Buchanan Counties, Virginia and McDowell County, West Virginia. Our coal mining operations have historically produced coal that we believe possesses highly desirable coking properties: mid-volatility and low sulfur and ash content. Substantially all of our mined coal has been used internally at our nearby Jewell cokemaking facility or at our other domestic cokemaking facilities. The operations of the recently acquired HKCC Companies produce high volatile A and high volatile B metallurgical coals, which complement the coal produced by our existing coal mining operations, and high quality steam coal.

Table of Contents

For the year ended December 31, 2010, our total revenues and Adjusted EBITDA were approximately $1.3 billion and $227.3 million, respectively. For the definition of Adjusted EBITDA and a presentation of net income (loss) calculated in accordance with generally accepted accounting principles, or GAAP, and reconciliation to our Adjusted EBITDA, see Summary Historical and Pro Forma Financial and Operating Data.

Competitive Strengths

Our competitive strengths are as follows:

Largest independent metallurgical coke producer in the Americas. We are the largest independent metallurgical coke producer in the Americas. By the end of 2011, we expect to be operating facilities with total cokemaking capacity of approximately 6 million tons, including a facility in Brazil that we operate on behalf of one of our customers. We believe that our operating scale and cokemaking facilities provide strong name recognition throughout the industry and serve as an effective marketing platform to help grow our business. The scale of our operations allows us to leverage company-wide best practices and systems for the continuous improvement of our facilities. In addition, because our facilities, equipment and operational practices are highly standardized, we expect to be able to leverage our experience with our existing facilities in the start up and establishment of projects in new markets.

Highly efficient, commercially proven cokemaking technology and valuable proprietary know-how. Our cokemaking technology has been developed over five decades through our operational experience and research and development efforts. We operate over one thousand ovens, some of which have been in-service for more than 20 years, and have built a record of reliable operations with our customers. Over the last 20 years, we have also made significant advances in the design of our facilities and have been granted numerous patents for certain proprietary features. As a result of our design improvements and extensive operational know-how, we believe that we possess the most advanced and environmentally sound cokemaking technology in the industry. For example, our oven design and operational practices allow us to produce more electricity from our heat recovery process than any competing heat recovery technology. Our facilities can generate approximately nine megawatts of electric power each hour per 110 thousand tons of cokemaking capacity (e.g., a 550 thousand ton per year facility can produce approximately 45 megawatts per hour) whereas competing heat recovery designs can produce seven or less megawatts of electric power each hour per 110 thousand tons of cokemaking capacity. The Clean Air Act Amendments of 1990 specifically directed the EPA to evaluate our heat recovery coke oven technology as a basis for establishing MACT standards for new cokemaking facilities. In addition, each of the three cokemaking facilities that we have built since 1990 have either met or exceeded the applicable BACT or LAER standards, as applicable, set forth by the EPA for cokemaking facilities. The negative pressure operation of our ovens contains and virtually eliminates emissions of hazardous pollutants that by-product ovens can emit.

Secure, long-term agreements with leading steelmakers. We make substantially all of our metallurgical coke sales pursuant to long-term coke sales agreements with ArcelorMittal, U.S. Steel and AK Steel, which are three of the largest integrated steelmakers in North America. These coke sales agreements have an average remaining term of approximately 9 years and contain take-or-pay provisions, which require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. To date, our customers have always satisfied their obligations under these agreements. With the exception of our Jewell cokemaking facility, where we mine our own coal, all of our coke sales agreements also effectively provide for the pass-through of coal costs, subject to meeting contractual coal-to-coke yields. The coal component of the Jewell coke price is fixed annually for each calendar year based on the weighted-average contract price of third-party coal purchases at our Haverhill facility applicable to ArcelorMittal coke sales. These features of our coke sales agreements reduce our exposure to coal price changes over the remaining terms of the agreements. In addition, we designed and currently operate one cokemaking facility in Brazil under long-term licensing and operating agreements with affiliates of ArcelorMittal that will run through 2023, subject, in the case of the licensing agreement, to the issuance prior to 2014 of certain patents in Brazil that have been granted in the United States.

Table of Contents

Proven ability to develop, permit, construct and start up new facilities. We have executed the development, permitting, construction and start up of three projects in the United States with approximately 1.75 million tons of cokemaking capacity in the last six years. We have received permits and have begun construction of a facility in Middletown, Ohio that we expect will become operational in the second half of 2011, and we are the only company to complete a greenfield cokemaking facility in the United States in the last 25 years. We believe our demonstrated capability to develop, permit, construct and start up new facilities provides us with an advantage in pursuing growth opportunities in the United States and internationally.

Demonstrated international operating experience. The Vitória, Brazil cokemaking facility is the largest facility that we operate. Prior to the start up of the facility, we previously did not have a presence in Brazil. Using our technology and operating expertise, we provided technical advice during construction, and we completed start up and initiated operation of this facility, including the development and training of the local management team. We believe that our standardized facility design, well-developed operating practices and systems, and experience from our existing operations facilitated the successful execution of this international project and can be replicated for projects in new markets.

Availability of high-quality metallurgical coal reserves. Including the acquisition of the HKCC Companies in January 2011, we control at least 106 million tons of proven and probable coal reserves. We have sold an average of approximately 1.2 million tons of metallurgical coal per year (including internal sales to our cokemaking operations) over the past three years. In addition, the HKCC Companies sell between 250 thousand and 300 thousand tons of coal annually and have the potential to expand production in the future. In April 2010, we announced our intention to expand production by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. Our coal mining operations have historically produced metallurgical coal that we believe possesses highly desirable coking properties and, as such, it can be used as a single-coal blend for making high-quality coke or as a high-quality supplement to nearly any coal blend. We have also used our coal production to supplement coal purchases at our other domestic cokemaking facilities and have the ability to sell coal to third parties, including those in international markets. The operations of the recently acquired HKCC Companies produce high volatile A and high volatile B metallurgical coals, which complement the coal produced by our coal mining operations, and high quality steam coal. Since 2003, prices for metallurgical coal have risen by 320 percent. We expect demand for high quality metallurgical coal to continue to grow.

Excellent safety record in coal mining and cokemaking operations. The health and safety of our employees is of paramount importance to us. We believe that we employ best practices and conduct continual training programs in compliance with regulatory requirements to ensure that all of our employees are focused on safety. We have consistently operated our metallurgical coke operations within or near the top quartile for the U.S. Occupational Safety and Health Administration s recordable injury rates as measured and reported by the American Coke and Coal Chemicals Institute. Our coal mining operations are among the safest in the United States, consistently operating in the top quartile for the U.S. Department of Labor s Mine Safety and Health Administration recordable injury rates for underground bituminous coal mining. We have also won the Sentinels of Safety award for 2008 from the Mine Safety and Health Administration for having the mine with the most employee hours worked without experiencing a lost-time injury.

Highly experienced management team. Our senior operating management team averages years of experience in global industrial manufacturing and infrastructure development, including in the coal, coke and steel-related industries. In September 2010, we hired a new chief executive officer, Frederick A. Henderson, who served as chief executive officer, chief operating officer and chief financial officer of one of the largest global automakers and has extensive global operations and manufacturing experience as well as extensive expertise in dealing with the steel industry. We believe that our management team s combination of industry knowledge, experience in major manufacturing operations and experience in developing large global fixed asset projects provides a strong leadership foundation for our future growth.

Table of Contents

Business and Growth Strategies

Our business and growth strategies are as follows:

- ***Maintain our consistent focus on operational excellence, safety and environmental stewardship***. Operating our cokemaking facilities reliably and at low cost while producing consistently high quality coke is critical to maintaining the satisfaction of our existing customers and our ability to secure new customers and projects. We have developed and instituted a management program to drive the reliable and cost-efficient operation of our facilities through standardized processes, procedures and management systems incorporating best practices that we refer to as the SunCoke Way. We believe that the SunCoke Way provides the foundation to achieve operational excellence at our facilities and represents a key component of the future growth of our business. Our expertise at developing, constructing and operating our facilities will enable us to continue growing with our customers, and others, as they construct new blast furnaces and their existing cokemaking facilities require replacement. We are also currently implementing operational improvements in our coal mining business. These initiatives focus on improving the productivity and safety of our operations and include the upgrading or replacement of mining equipment, the implementation of improved operating practices, and the use of enhanced reporting metrics. We are also committed to maintaining a safe work environment and ensuring strict compliance with applicable laws and regulations at both our cokemaking and coal mining operations. To support these objectives, we are in the process of implementing a structured safety and environmental process that provides a robust framework for managing and monitoring safety and environmental performance. We also seek to foster good relationships with regulators, policymakers, state and local officials and the communities in which we operate.

- ***Grow our international footprint with a focus on key growth markets***. We believe that international markets and, in particular, emerging economies will drive the vast majority of coke demand growth in the coming decade and as such will require significant new cokemaking capacity. CRU estimates that global crude steel production will grow by nearly 4 percent per year to 2,244 million tons by 2020, and that global coke demand will increase by approximately 196 million tons by 2020, representing a 30 percent increase in coke demand from estimated 2010 levels. We have targeted Brazil, China, Eastern Europe and India as key markets that we believe offer us attractive growth opportunities and where we expect to focus our development efforts. We believe our track record as a technological pioneer in cokemaking and our growing portfolio of cokemaking facilities provide strong name recognition throughout the global steel industry and serve as an effective marketing platform. The Vitória, Brazil facility that we designed and operate for a subsidiary of ArcelorMittal represents the successful completion and operation of an international facility in a market where we previously had no presence. Our existing relationships with world-class steelmakers also provide potential customers with a tangible and successfully-demonstrated framework for outsourcing a critical component of their manufacturing process. Our relationships demonstrate that we have the commercial and technical capability and experience to reliably and consistently meet our customers needs on a long-term basis.

- ***Continue to grow our North American cokemaking businesses***. Integrated steelmakers in the United States and Canada have historically imported and are currently importing coke to fill a structural deficit in the market. This deficit has ranged between two and four million tons of coke per year from 2005 to 2009. These coke volumes have been and continue to be sourced in the international market, largely from Chinese suppliers, and as such are subject to significant price volatility. In addition to this capacity deficit, more than 25 percent of the cokemaking capacity in the United States and Canada, representing 5.7 million tons per year of capacity, are older than 40 years. We believe that a significant proportion of this aging capacity will require replacement in the coming decade to address facility conditions or meet more stringent environmental standards. We believe the combination of these factors a structural domestic capacity deficit and aging capacity present an attractive opportunity for our continued growth in North America. To facilitate the development of these opportunities, we plan to leverage our deep knowledge of the market and our relationships with all of the largest integrated steelmakers in North America. In addition to new growth opportunities, the completion of our Middletown facility that is currently under construction is also an important component of our plan to increase the profitability and cash generation of our North American business. Once online, the facility will not only generate incremental earnings and cash flow but also will significantly increase the diversification of our earnings base. We anticipate that once our Middletown facility is in full production, none of our coke sales agreements will constitute more than approximately 20 percent of our overall operating income excluding corporate overhead costs, whereas our Jewell coke sales agreement accounted for nearly 80 percent of such income in 2010.

Reserve a portion of our cokemaking capacity in future projects for opportunistic market sales. All of our current cokemaking capacity, including from the Middletown facility under construction, is committed under long-term take-or-pay agreements. For our future projects we may seek to reserve a portion of the facility s overall cokemaking capacity for sales on the open market. We believe that, when combined with a base of long-term commitments, uncommitted capacity reserved for open market sales will provide an attractive opportunity to capture significant value during market up-cycles. We anticipate targeting approximately 5 to 10 percent of our overall coke sales volumes for sales in the open market.

Maintain our technological advantage through the development or acquisition of new technologies. Our active engineering and technology development program is focused on maintaining our technological edge. This program is focused on adapting and improving our current cokemaking technology to meet the varying needs of customers in different regions and identifying new or adjacent technologies that could be developed or acquired to augment our offering and create additional growth opportunities. This program also provides a basis for continuous improvement in our current cokemaking operations.

Expand our domestic coal production and pursue selective reserve acquisitions. In January 2011, we acquired the HKCC Companies for approximately $40 million including working capital. This acquisition adds 21 million tons of proven and probable coal reserves located in Russell and Buchanan Counties in Virginia, contiguous to our existing metallurgical coal mining operations. We are also in the process of expanding production from our coal mines by approximately 500 thousand tons per year, which will increase our annualized sales to approximately two million tons by late 2012. We expect capital outlays for this project to total approximately $25 million. In addition to organic growth of our coal production, we will also evaluate selective, opportunistic acquisitions of additional coal reserves that can complement our portfolio and grow our reserve base and/or our annual production.

Maintain liquidity and financial flexibility to facilitate growth. Our core business model is predicated on providing alternatives for steelmakers to investing capital in captive coke production facilities. Consequently, our ability to grow requires significant capital investment for most projects and in turn requires a solid financial profile to support such investments. Our aim is to maintain liquidity and capital resources at levels that will permit us to continue to finance additional growth projects that are likely to require significant capital investment. Where appropriate, we also will pursue opportunities for attractive strategic partnerships and other project financing and structuring options, to maximize value for our stockholders and our customers.

Our Cokemaking Business

We have designed, developed and built, and currently own and operate four cokemaking facilities in the United States with an aggregate coke production capacity of approximately 3.7 million tons per year. Our fifth cokemaking facility in the United States is currently under construction and when complete is expected to increase our aggregate coke production capacity to approximately 4.2 million tons per year. In addition, we operate a cokemaking facility in Vitória, Brazil, which was constructed based upon our design and has a coke production capacity of approximately 1.7 million tons per year. We also have a preferred stock investment in the project company that owns this facility.

We make substantially all of our coke sales pursuant to long-term take-or-pay coke sales agreements with ArcelorMittal, U.S. Steel and AK Steel, which are three of the largest integrated steelmakers in North America. The take-or-pay provisions in these coke sales agreements require that our customers either take all of our coke production up to a specified tonnage maximum or pay the contract price for any such coke they elect not to accept. These coke sales agreements have an average remaining term of approximately 9 years. To date, our customers have always satisfied their obligations under these agreements. With the exception of our Jewell cokemaking facility, where we mine our own coal, all of our coke sales agreements also provide for the pass-through of actual coal costs, subject to meeting contractual coal-to-coke yields. In addition, the coal cost component of the coke price under the Jewell coke sales agreement reflects a market price for coal based upon third-party coal purchases at the first phase of our Haverhill facility. These features of our coke sales agreements reduce our exposure to coal price changes over the remaining terms of these agreements. In addition, we operate the cokemaking facility in Vitória, Brazil under licensing and operating agreements with affiliates of ArcelorMittal.

Metallurgical coal is the principal raw material for our cokemaking operations. Except for the Jewell cokemaking facility, where we self-source substantially all of the metallurgical coal from our coal mining operations, most of the metallurgical coal used to produce coke at our United States cokemaking facilities is purchased from third parties. We believe there is an ample supply of metallurgical coal available in the United States and worldwide, and we have been able to supply coal to our domestic cokemaking facilities without any significant disruption in coke production. See Raw Materials for a more detailed discussion of our coal purchasing requirements and practices.

Our Cokemaking Technology

We believe that our cokemaking facilities enable us to provide our steelmaking customers with high quality coke at an excellent value when compared to what is offered by by-product cokemaking facilities. Our oven design, commonly referred to as non-recovery technology, is fundamentally different than that of by-product coke ovens, the predominant cokemaking method in the United States and globally. Our ovens are designed to combust the coal s volatile components that are liberated during the cokemaking process, while by-product ovens are designed to recover these volatile components to make coal by-products such as coke oven gas, coal tar and light oil. Our ovens are relatively short and wide (approximately 8 feet tall, 15 feet wide and 40 feet long) with a horizontally-oriented coal charge, while by-product ovens, also called slot ovens, are relatively tall and narrow (from 13 to 23 feet tall, 18 to 24 inches wide and 40 to 60 feet long) with a vertically-oriented coal charge. The schematic below illustrates general design of our ovens and describes the basic cokemaking process.

The fundamental design differences between our cokemaking ovens and by-product cokemaking ovens enable our technology to improve the economic, environmental and technical performance of cokemaking over by-product coke ovens. As a result of our over 45 years of operational experience and research efforts, we have developed many design improvements to our cokemaking process. Our technological advances, which include numerous proprietary and patented features, have created distinct advantages that improve iron and steelmaking economics and enhance environmental performance. Key competitive features of our cokemaking facilities include:

Reduced environmental impact. The Clean Air Act Amendments of 1990 specifically directed the EPA to evaluate our heat recovery coke oven technology as a basis for establishing MACT standards for cokemaking facilities. In addition, each of the three cokemaking facilities that we have built since 1990 have either met or exceeded the applicable BACT or LAER standards, as applicable, set forth by the EPA for cokemaking facilities. By-product coke ovens operate under positive pressure and may emit organic hazardous pollutants, such as benzene, arsenic and cyanide, through cracks in the oven refractory or doors. In contrast, our ovens operate under negative pressure, continuously drawing air into the ovens, and thus containing and destroying these organic hazardous pollutants. Before being discharged, flue gas from our ovens is routed to advanced pollution control systems that remove pollutants at high efficiency. Finally, electricity generated using steam from our cokemaking facilities may reduce regional emissions by decreasing the need for electricity produced from other sources, such as coal-fired power plants.

High quality coke. Coke produced from our technology exhibits a large average coke size, high coke cold strength and consistently high coke strength after reaction, or CSR, values. These measures are important means of evaluating the quality of metallurgical coke. Use of metallurgical coke with higher CSR values enhances iron and steel-making economics by improving blast furnace productivity. For greater detail on coke properties, see Industry Overview.

Simpler design and construction. Our advanced ovens offer a simpler design using just 115 brick shapes in construction, compared with over 1,750 shapes for by-product ovens, thereby reducing construction time and costs.

Operational flexibility. Compared to by-product ovens, our horizontal oven design allows our ovens to accept almost any type of metallurgical coal, including expanding coal. This coal blend flexibility yields very high quality coke at low cost.

Lower operating costs. We believe operating costs at our cokemaking facilities are lower than those of other cokemaking facilities owing to the simplicity and reliability of our oven and machinery designs. Our cokemaking facilities also require substantially fewer staff than required by other cokemaking facilities. For example, our Gateway facility employs approximately 85 employees for direct operations and maintenance, whereas a by-product facility of comparable size would require more than 120 employees.

Efficient energy production. With the construction of our Indiana Harbor cokemaking facility in 1998, we pioneered the development of heat recovery cokemaking. In this modern configuration, the cokemaking process waste heat is routed to heat recovery steam generators that cool the flue gas by extracting heat from the gas stream and generating steam. The cooled flue gas is then routed to advanced emission control systems that remove pollutants at high efficiency before discharging the cleaned flue gas from a main stack. The steam from the heat recovery steam generators can be used to provide process steam for use at adjacent facilities or produce electricity when combined with a cogeneration facility. The schematic below illustrates the basic process flow for one of our modern heat recovery facilities.

Table of Contents

A typical heat recovery facility that we designed and operate with 1.1 million tons of coke per year can generate approximately 90 megawatts of electric power per hour. The steam and/or electric power production from our facilities creates almost no incremental environmental pollution.

Coke Customers

We currently sell approximately 3.6 million tons of metallurgical coke annually to three customers in the United States: ArcelorMittal, U.S. Steel and AK Steel. We also operate a cokemaking facility in Brazil that produces approximately 1.7 million tons annually for a Brazilian affiliate of ArcelorMittal. Currently, ArcelorMittal makes up approximately 69 percent of our total sales revenue. We expect this concentration to decrease to approximately 56 percent when the Middletown facility is at full production in 2012. This reduction also reflects the impact of our recent settlement with ArcelorMittal regarding the Jewell coke sale agreement.

Our coke sales to certain U.S. affiliates of ArcelorMittal, U.S. Steel and AK Steel are under long-term take-or-pay agreements that contain substantial default provisions in the event the customer fails to take the required contract volume. We operate the Vitória, Brazil cokemaking facility under a long-term agreement. See Cokemaking Facilities for a more detailed discussion of our coke sales agreements and the operating agreement for the Vitória, Brazil cokemaking facility.

Table of Contents

Cokemaking Facilities

In the United States, we own and operate four cokemaking facilities located in Virginia, Indiana, Ohio and Illinois. We are currently constructing a fifth United States cokemaking facility in Ohio. Internationally, we operate a cokemaking facility in Vitória, Brazil. We also have a preferred stock investment in the project company that owns this facility. The following table sets forth information about the cokemaking facilities we own and/or operate:

Facility		Location	Year of Start Up	Number of Coke Ovens	Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Owned and Operated:						
Jewell		Vansant, Virginia	1962	142	720	Partially used for thermal coal drying
Indiana Harbor		East Chicago, Indiana	1998	268	1,220	Heat for power generation
Haverhill	Phase I	Franklin	2005	100	550	Process steam
	Phase II	Furnace, Ohio	2008	100	550	Power generation
Gateway		Granite City, Illinois	2009	120	650	Steam for power generation
Middletown		Middletown, Ohio	2011 (expected)	100	550	Power generation
Total				830	4,240	
Operated:						
Vitória		Vitória, Brazil	2007	320	1,700	Steam for power generation
Total				1,150	5,940	

The following table sets forth the historical coke production by cokemaking facility:

Facility	Cokemaking Capacity	Year Ended December 31 2010 (thousands of tons)	2009(1)	2008
Owned and operated:				
Jewell	720	715	714	722
Indiana Harbor	1,220	1,140	1,164	1,214
Haverhill(2)	1,100	1,103	928	690
Gateway(3)	650	635	62	
Middletown(4) (under construction)	550			
Total	4,240	3,593	2,868	2,626
Operated:				
Vitória	1,700	1,636	1,263	1,581
Total	5,940	5,229	4,131	4,207

(1) In 2009, the Indiana Harbor and a portion of the Haverhill facilities operated at reduced production levels under interim agreements with ArcelorMittal, in exchange for payment from the customer to compensate for the resulting lost margins from coke and energy sales. Consequently, lower production did not materially affect our financial results. At Vitória, we also operated at lower levels at the customer s request which reduced our licensing and operating fees but did not impact our preferred dividend income.

(2) The second phase of the Haverhill facility commenced its operations in July 2008.

(3) The Gateway cokemaking facility commenced its operations in October 2009.

(4) The Middletown cokemaking facility is under construction and currently scheduled to commence operations in the second half of 2011.

Jewell Cokemaking Facility

Our Jewell cokemaking facility is located in Vansant, Virginia on property we own. Coke production began at the Jewell cokemaking facility in 1962 and currently includes 142 coke ovens, all of which were rebuilt between 1989 and 1998. The cokemaking capacity of the Jewell cokemaking facility is approximately 720 thousand tons of coke per year. In contrast to our other cokemaking facilities, Jewell recovers only a small portion of the hot flue gas for use in thermal coal drying and does not use a flue gas desulfurization system.

Substantially all of the metallurgical coal used at our Jewell cokemaking facility is supplied from our coal mining operations. Metallurgical coal is delivered to our Jewell cokemaking facility on a conveyor belt after it is blended at our nearby preparation and blending facilities. The coal supplied to our Jewell cokemaking facility from our coal mining operations is transferred at a price based on coal sales prices to third parties and our other cokemaking facilities.

We sell substantially all of the coke produced at the Jewell cokemaking facility to certain U.S. subsidiaries of ArcelorMittal pursuant to a long-term take-or-pay coke sales agreement that expires in December 2020 (with no renewal rights or obligations). In 2010, we sold 721 thousand tons of the coke we produced at our Jewell cokemaking facility to ArcelorMittal. In addition, we sold approximately 17 thousands tons to our Indiana Harbor cokemaking facility to offset a portion of the production shortfall at this facility.

Under the revised coke sales agreements, entered into in connection with the commercial resolution of a litigation matter concerning the coke price under our Jewell and Haverhill coke sales agreements with ArcelorMittal, effective January 1, 2011, we charge ArcelorMittal for coke at a price per ton of coke that includes the following components:

- a coal cost component based on the annual third-party coal costs at the first phase of the Haverhill cokemaking facility;
- an operating cost component which is adjusted annually based upon an index;
- a fixed cost component;
- a coke transportation cost component representing the pass-through of the coke transportation costs; and
- a tax component representing the pass-through of all applicable taxes, excluding property and income taxes.

For the period from January 1, 2008 through December 31, 2010, under the Jewell coke sales agreement, a component of the coke price attributable to coal was equal to the delivered cost of coal applicable to our sales to ArcelorMittal from our Haverhill facility increased by the application of a fixed adjustment factor.

We make coke sales to ArcelorMittal from Jewell on a delivered basis. As a result, we have entered into a long-term coke transportation contract with a major rail carrier that runs concurrently with the coke sales agreement. The coke transportation contract does not contain a minimum volume commitment.

Indiana Harbor Cokemaking Facility

The Indiana Harbor cokemaking facility is located on property owned by ArcelorMittal. ArcelorMittal is required to provide the partnership with, or provide the partnership access to, certain services required to operate the Indiana Harbor cokemaking facility, including rail services, pursuant to a services agreement. Provided that the partnership continues to produce coke at the Indiana Harbor cokemaking facility, the terms of the services agreement remain in effect through the termination of the ground lease.

Table of Contents

The Indiana Harbor cokemaking facility is located in East Chicago, Indiana on property leased from ArcelorMittal pursuant to a ground lease which runs to October 1, 2029, with a renewal option. Coke production at the Indiana Harbor cokemaking facility began in 1998 and includes 268 coke ovens with a cokemaking capacity of approximately 1.22 million tons of coke per year. Some ovens and associated equipment at our Indiana Harbor cokemaking facility are heaving and settling differentially. This differential movement could reduce production at this facility, and has required us to take corrective action on certain ovens, ancillary equipment and structures. Higher maintenance costs are expected to continue as a result of this condition. An oven repair and maintenance program has been implemented to limit further deterioration to the ovens. As a result of this condition, the facility was unable to meet its contractual minimum coke production level in 2010 and is expected to have a similar shortfall in 2011. We are working with our customer to identify other possible supply sources while we implement operating improvements at the facility. We are currently conducting an engineering study which evaluated the expected physical life of certain coke ovens at our Indiana Harbor cokemaking facility. The engineering study is expected to be completed during the second half of 2011. At this time, the likely outcome of the study cannot be determined, but possible results include additional maintenance spending to continue operations at the current operating levels, a change in the useful life of all or part of the facility, or the impairment of one or more oven batteries which could be followed by capital spending to retain the current facility capacity.

The Indiana Harbor cokemaking facility is owned by a partnership in which two third parties currently hold a combined 34 percent noncontrolling profit-sharing interest. The third parties profit-sharing interests decline to 20 percent in 2016 and then to 10 percent in 2038. One of our subsidiaries is the general partner of the partnership and operates the cokemaking facility on behalf of the partnership.

The partnership purchases substantially all of the metallurgical coal requirements of the Indiana Harbor cokemaking facility from third-party suppliers pursuant to one- to two-year agreements. The purchased coal is delivered to the Indiana Harbor cokemaking facility by multiple rail providers under short-term transportation agreements. Metallurgical coal supplies are received, stored and blended by a coal handling provider pursuant to a coal handling agreement on land subleased to the coal handling provider by the partnership. Subject to a partnership renewal right, the term of the coal handling agreement ends in 2013.

Pursuant to an agreement with an independent power producer, the partnership supplies the hot flue gas produced at the Indiana Harbor cokemaking facility to a contiguous cogeneration plant owned and operated by an independent power producer for use in the generation of steam and electricity. In exchange, the independent power producer reduces the sulfur and particulate content of that hot flue gas to acceptable emission levels. Subject to certain notice and cure rights, in the event that the independent power producer fails to process the flue gas, at the option of the independent power producer, we may acquire or step in and operate certain assets owned by the independent power producer necessary to continue operating the Indiana Harbor cokemaking facility.

The partnership sells substantially all of the coke produced at the Indiana Harbor cokemaking facility to ArcelorMittal (through its main United States subsidiary) under a coke sales agreement that expires at the beginning of October 2013. Under the coke sales agreement, ArcelorMittal is required to purchase on a take-or-pay basis 1.22 million tons of coke annually. If the partnership is unable to meet its supply obligations under the coke sales agreement with ArcelorMittal at the Indiana Harbor cokemaking facility, it is obligated to use commercially reasonable efforts to procure coke which meets the coke quality standards or pay ArcelorMittal for damages related to their procurement of replacement supplies of coke.

Under the coke sales agreement, the partnership charges ArcelorMittal for coke at a price per ton of coke that includes the following components:

- a coal cost component representing the pass-through of coal costs, including transportation and blending services, as adjusted by a coal-to-coke yield standard, determined by periodic yield tests at the facility or as otherwise agreed between the parties;

- an operating cost component representing the pass-through of the expected costs of operating the facility, including under certain circumstances the sharing of operating cost overages and savings;

- a fixed cost component; and

- a tax component reflecting the pass-through of all applicable taxes (excluding income taxes).

The partnership delivers coke directly to ArcelorMittal on a conveyor belt. As a result, the partnership does not have coke transportation agreements.

Each of the coke sales agreement, the agreement with the independent power producer and the coal handling agreement are up for renewal in 2013. With respect to the coke sales agreement, ArcelorMittal has a renewal right at a contract price acceptable to both ArcelorMittal and the partnership. If the coke sales agreement is not renewed, the partnership retains the right to sell coke to third parties, with ArcelorMittal required to provide the services necessary for the partnership to continue operating the facility, including rail access and service, through the expiration of the ground lease (or any renewals). Subject to certain rights of ArcelorMittal under its tolling agreement with the independent power producer, if the partnership and the independent power producer are unable to agree upon a renewal or extension of the partnership s agreement with the independent power producer, the partnership will have the right to purchase the assets of the independent power producer necessary for the continued operation of the Indiana Harbor cokemaking facility. If the parties are unable to agree upon a renewal of the coal handling agreement, the partnership will have the option to purchase all of the equipment, materials and supplies necessary to perform coal handling and blending services for an historical earnings-based purchase price.

Haverhill Cokemaking Facility

Our Haverhill cokemaking facility is located in Franklin Furnace, Ohio on land we purchased for the development of the project. We developed the facility in two phases. The first phase began coke production in 2005 and consists of 100 ovens and a heat recovery system that produces process steam. The second phase began coke production in July 2008 and consists of an additional 100 ovens and a cogeneration facility for the production of electric energy. In total, the Haverhill cokemaking facility has a cokemaking capacity of 1.1 million tons.

We purchase substantially all of the metallurgical coal requirements for the Haverhill cokemaking facility from third-party suppliers pursuant to one- to two-year agreements. We sell substantially all of the coke we produce at our Haverhill cokemaking facility to two customers under long-term coke sales agreements. Approximately 550 thousand tons of coke per year is sold to certain United States subsidiaries of ArcelorMittal and approximately 550 thousand tons of coke per year is sold to AK Steel. Under their respective coke sales agreements, both ArcelorMittal and AK Steel (through a representative on a coal committee) participate in the selection of the coal blends for the coke operations. Purchased coal is blended and delivered to the facility under long-term agreements with a major railroad. These coal transportation and blending agreements are co-terminous with Haverhill s coke sales agreements, and require us to meet certain minimum annual volume commitments that are set at levels slightly below the annual capacity of the first phase of the facility. To the extent these commitments are not achieved, the agreements impose deficit charges for the shortfall volume that are based on a percentage of the applicable transportation rate.

Table of Contents

We sell one half of the coke produced at the Haverhill cokemaking facility to certain United States subsidiaries of ArcelorMittal pursuant to a long-term take-or-pay coke sales agreement that expires in December 2020 (with no renewal rights or obligations). If we are unable to meet our supply obligations under the coke sales agreement with ArcelorMittal at the Haverhill cokemaking facility, we are obligated to use commercially reasonable efforts to procure coke which meets the coke quality standards or pay ArcelorMittal for damages related to their procurement of replacement supplies of coke. Under the coke sales agreement with ArcelorMittal at the Haverhill cokemaking facility, the price per ton of coke includes the following components:

- a coal cost component representing a pass through of coal costs, including transportation and blending services, as adjusted by a coal-to-coke yield standard;
- an operating cost component which is adjusted annually based upon an index;
- a fixed cost component;
- a coke transportation component representing the pass-through of coke transportation costs; and
- a tax component representing the pass-through of all applicable taxes (excluding property and income taxes).

In addition, under the terms of the coke sales agreement, ArcelorMittal is entitled to receive, as a credit to the price of coke, an amount representing a percentage of the realized value of certain applicable nonconventional fuels tax credits, to the extent such credits are available. See Management s Discussion and Analysis of Financial Condition and Results of Operations for an explanation of these credits. In addition, ArcelorMittal is obligated to reimburse us for a portion of government mandated additional expenditures under certain circumstances.

We make coke sales to ArcelorMittal from Haverhill on a delivered basis. As a result, we have entered into a long-term coke transportation contract with a major rail carrier that runs concurrently with this coke sales agreement. The coke transportation contract contains a minimum volume commitment that is set at a level slightly below the supply obligation under this coke sales agreement. To the extent this commitment is not achieved, the agreement imposes deficit charges for the shortfall volume, which are based on a percentage of the applicable transportation rate.

The hot flue gas from the first phase of the Haverhill cokemaking facility is used to produce steam that is provided to a chemical manufacturing plant owned by Sunoco and is either purchased and used at the chemical manufacturing plant or condensed by Sunoco. See Commercial Agreements Steam Agreement under Arrangements between Sunoco and our Company.

We sell one half of the coke produced at the Haverhill cokemaking facility to AK Steel. Subject to certain limited termination rights further described below, our coke sales agreement with AK Steel expires at the end of 2022, with two automatic, successive renewal periods unless a party provides prior written notice to terminate the agreement at the end of the respective term or renewal term. We are required to produce and deliver, and AK Steel is required to purchase, on a take-or-pay basis, approximately 550 thousand tons of coke per year. The coke sales agreement and the energy sales agreement with AK Steel are subject to early termination by AK Steel beginning in November 2014 under limited circumstances and provided that AK Steel has given at least two years notice of its intention to terminate the agreements and certain other conditions are met. If we are unable to meet our supply obligations under the coke sales agreement with AK Steel at the Haverhill cokemaking facility, we are obligated to use commercially reasonable efforts to procure coke that meets the coke quality standards set forth in the coke sales agreement or pay AK Steel for damages related to their procurement of replacement supplies.

Table of Contents

Under the coke sales agreement with AK Steel at the Haverhill cokemaking facility, we sold coke at a fixed price during the fourth quarter of 2009 and all of 2010. Beginning January 1, 2011, the price per ton of coke includes the following components:

- a coal cost component representing a pass-through of coal costs (including transportation and blending services), as adjusted by a coal-to-coke yield standard;

- an operating cost component representing the pass-through of the expected costs of operating the facility, including under certain circumstances the sharing of operating cost overages and savings;

- a fixed cost component; and

- a tax component representing the pass-through of all applicable taxes (excluding income taxes).

In addition, under the terms of the coke sales agreement, AK Steel is entitled to receive credit for an agreed upon portion of any applicable nonconventional fuels tax credits. Coke sales to AK Steel under the Haverhill coke sales agreement are delivered to AK Steel in railcars or trucks at the Haverhill cokemaking facility. AK Steel makes its own arrangements for the transportation of the purchased coke to its blast furnaces.

The second phase of the Haverhill cokemaking facility includes a cogeneration plant that uses the hot flue gas to generate electric power, one half of which is sold to AK Steel at a fixed price under an energy sales agreement and the balance is sold by us into the regional electric power market. The cogeneration plant generates approximately 46 megawatts of electric power per hour on average. The Haverhill cogeneration facility is interconnected to the regional transmission system in the PJM LLC, or PJM, regional transmission operator area. As such, the facility participates in the energy and capacity markets administered by PJM. PJM coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, representing over 163 thousand megawatts of generating capacity, making it the largest centrally dispatched grid in North America.

In August 2009, concurrent with the execution of our current coke sales agreement with AK Steel, we reached mutual agreement with affiliates of OAO Severstal to terminate the 15-year take-or-pay coke sales agreement that was entered into in February 2007, prior to the construction of the second phase of the Haverhill facility.

Gateway Cokemaking Facility

Our Gateway cokemaking facility is located in Granite City, Illinois on property purchased from U.S. Steel for the development of the project. Coke production at the Gateway cokemaking facility began in October 2009 and includes 120 coke ovens with cokemaking capacity of approximately 650 thousand tons of coke.

We purchase substantially all of our metallurgical coal requirements for our Gateway cokemaking facility from third-party suppliers pursuant to one- to two-year agreements. Under our Gateway coke sales agreement with U.S. Steel, U.S. Steel participates (through a representative on a coal committee) in the selection of the coal blends that we use to produce coke at our Gateway cokemaking facility. Purchased coal is first delivered by multiple rail or barge operators under short-term agreements to a nearby coal terminal and blending facility owned by a third party. The individual coals are then blended by the terminal owner and delivered to the Gateway cokemaking facility by truck. The coal handling, blending and coal blend transportation services are provided by the third party terminal owner pursuant to a long-term agreement that is co-terminous with our Gateway coke sales agreement.

We sell substantially all of the coke produced at the Gateway cokemaking facility to U.S. Steel under a coke sales agreement that runs through 2025 (with a five-year renewal at the option of U.S. Steel). Under the coke sales agreement, U.S. Steel is required to purchase on a take-or-pay basis a specified minimum of our coke production from the facility representing substantially all of the coke production from the facility and has an

Table of Contents

option to purchase any production above such minimum. If we are unable to meet our supply obligations under the Gateway coke sales agreement, we are required to use commercially reasonable efforts to procure coke that meets the coke quality standards or pay U.S. Steel for damages related to their procurement of replacement supplies of coke. Under the coke sales agreement, we produce steam using the flue gases from the coke ovens which is sold at a fixed price to U.S. Steel. If we fail to meet certain steam volume and temperature requirements, we are subject to liquidated damages for the shortfall.

Under the coke sales agreement, the price per ton of coke includes the following components:

- a coal cost component representing a pass-through of coal costs (including transportation and blending services), as adjusted by a coal-to-coke yield standard;
- an operating cost component representing the pass-through of the expected costs of operating the facility, including under certain circumstances the sharing of operating cost overages and savings;
- a fixed cost component; and
- a tax component representing the pass-through of all applicable taxes (excluding income taxes).

In addition, under the terms of the coke sales agreement, U.S. Steel is entitled to receive, as a credit to the price of coke, an amount representing a percentage of the realized value of certain applicable nonconventional fuels tax credits, to the extent such credits are available. In addition, U.S. Steel is obligated to reimburse us for a portion of government-mandated additional expenditures under certain circumstances.

We deliver coke directly to U.S. Steel on a conveyor belt. As a result, we do not have coke transportation agreements related to our Gateway facility.

Middletown Cokemaking Facility

We expect the Middletown cokemaking facility to cost in the aggregate approximately $410 million and be completed in the second half of 2011. Expenditures through December 31, 2010 are $242.2 million. We expect that our Middletown cokemaking facility will have cokemaking capacity of approximately 550 thousand tons of coke per year and provide, on average, 44 megawatts of electric power per hour.

We will sell substantially all of the production from our Middletown cokemaking facility to AK Steel pursuant to a coke sales agreement that runs for 20 years from its completion and start up (with successive renewal periods unless otherwise terminated by either party prior to the applicable renewal). Under the coke sales agreement, AK Steel (through a representative on a coal committee) will participate in the selection of the coal blends for the coke operations. Purchased coal will be first delivered by multiple rail or barge operators under short-term agreements to a coal terminal and blending facility owned by a major terminal operator. The individual coals will then be blended by the terminal owner and delivered to the Middletown cokemaking facility by a major rail carrier using dedicated rail cars. Both the coal handling and blending services and coal blend transportation services will be provided pursuant to long-term agreements which are co-terminous with the coke sales agreement. In addition, the coal handling and blending agreement and the coal blend transportation agreement contain minimum volume commitments that are set at levels slightly below the annual capacity of the Middletown cokemaking facility and, if not met, require us to pay deficit charges. If we are unable to meet our supply obligations under the Middletown coke sales agreement, we are obligated to use commercially reasonable efforts to procure coke that meets the coke quality standards or pay AK Steel for damages related to their procurement of replacement supplies.

Under the coke sales agreement, the price per ton of coke includes the following components:

- a coal cost component coke representing a pass-through of coal costs (including transportation and blending services), as adjusted by a coal-to-coke yield standard;

Table of Contents

- an operating cost component representing the pass-through of the expected costs of operating the facility, including under certain circumstances the sharing of operating cost overages and savings;

- a fixed cost component; and

- a tax component representing all applicable taxes (excluding income taxes).

In addition, under the terms of the coke sales agreement, AK Steel is entitled to receive credit for an agreed upon portion of any applicable nonconventional fuels tax credits. Also, under certain circumstances, AK Steel is obligated to reimburse us for certain agreed upon government-mandated additional expenditures.

We will deliver coke directly to AK Steel via conveyor. As a result, we do not have coke transportation agreements related to our Middletown facility.