

CNX GAS CO LLC
Form S-4/A
November 05, 2010
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As filed with the Securities and Exchange Commission on November 5, 2010.

Registration No. 333-169502

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1221
(Primary Standard Industrial
Classification Code Number)

51-0337383
(I. R. S. Employer
Identification No.)

See Table Of Additional Registrants Below

P. Jerome Richey

Executive Vice President Corporate Affairs,

Chief Legal Officer and Secretary

CONSOL Energy Inc.

CNX Center

1000 CONSOL Energy Drive

Canonsburg, PA 15317

724-485-4000

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

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Buchanan Ingersoll & Rooney PC

Lewis U. Davis, Jr.

One Oxford Centre, 20th Floor

301 Grant Street

Pittsburgh, PA 15219

(412) 562-8800

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. "

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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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants 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.

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Exact Name of Additional Registrant	Jurisdiction of Organization	I.R.S Employer Identification #
AMVEST Coal & Rail, L.L.C.	Virginia	54-0696869
AMVEST Coal Sales, Inc.	Virginia	54-1135822
AMVEST Corporation	Virginia	54-0696869
AMVEST Gas Resources, Inc.	Virginia	20-1072935
AMVEST Mineral Services, Inc.	Virginia	54-1560754
AMVEST Minerals Company, L.L.C.	Virginia	54-0696869
AMVEST Oil & Gas, Inc.	Virginia	54-1162979
AMVEST West Virginia Coal, L.L.C.	West Virginia	54-1860378
Braxton-Clay Land & Mineral, Inc.	West Virginia	43-1948819
Cardinal States Gathering Company	Virginia	73-1394037
Central Ohio Coal Company	Ohio	31-4356096
CNX Gas Company LLC	Virginia	31-1782401
CNX Gas Corporation	Delaware	20-3170639
CNX Land Resources Inc.	Delaware	25-1871851
CNX Marine Terminals Inc.	Delaware	25-1385259
Coalfield Pipeline Company	Tennessee	03-0455546
Conrhein Coal Company	Pennsylvania	25-1406541
CONSOL Energy Holdings LLC VI	Delaware	27-2130445
CONSOL Energy Sales Company	Delaware	25-1670342
CONSOL Financial Inc.	Delaware	51-0395375
CONSOL Gas Company	Delaware	55-0534149
CONSOL of Canada Inc.	Delaware	98-0013773
CONSOL of Central Pennsylvania LLC	Pennsylvania	20-5105698
CONSOL of Kentucky Inc.	Delaware	94-2524120
CONSOL of Ohio LLC	Ohio	20-8338255
CONSOL of WV LLC	West Virginia	20-2471235
CONSOL of Wyoming LLC	Delaware	20-8779722
Consol Pennsylvania Coal Company LLC	Delaware	20-8732852
Consolidation Coal Company	Delaware	13-2566594
Eighty-Four Mining Company	Pennsylvania	25-1695903
Fola Coal Company, L.L.C.	West Virginia	54-1860378
Glamorgan Coal Company, L.L.C.	Virginia	54-0696869
Helvetia Coal Company	Pennsylvania	25-1180531
Island Creek Coal Company	Delaware	55-0479426
Keystone Coal Mining Corporation	Pennsylvania	25-1323822
Knox Energy LLC	Tennessee	62-1866097
Laurel Run Mining Company	Virginia	54-0892422
Leatherwood, Inc.	Pennsylvania	25-1604505
Little Eagle Coal Company, L.L.C.	West Virginia	22-3864739
McElroy Coal Company	Delaware	25-1553551
MOB Corporation	Pennsylvania	25-1211093
Mon River Towing, Inc.	Pennsylvania	25-1087222
MTB Inc.	Delaware	25-1674211
Nicholas-Clay Land & Mineral, Inc.	Virginia	55-0719265
Peters Creek Mineral Services, Inc.	Virginia	54-1536678
Reserve Coal Properties Company	Delaware	25-1582519
Rochester & Pittsburgh Coal Company	Pennsylvania	25-0761480
Southern Ohio Coal Company	West Virginia	55-0403282

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TEAGLE Company, L.L.C.	Virginia	54-0696869
TECPART Corporation	Delaware	13-3038238

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Exact Name of Additional Registrant	Jurisdiction of Organization	I.R.S Employer Identification #
Terra Firma Company	West Virginia	20-0869908
Terry Eagle Coal Company, L.L.C.	West Virginia	54-1860378
Terry Eagle Limited Partnership	West Virginia	31-0995566
Twin Rivers Towing Company	Delaware	25-1181155
Vaughn Railroad Company	West Virginia	55-0725216
Windsor Coal Company	West Virginia	13-5488703
Wolfpen Knob Development Company	Virginia	25-1391218

Each additional registrant is a direct or indirect subsidiary of CONSOL Energy Inc. The address and telephone number of each additional registrant's principal office is c/o CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317, telephone (724) 485-4000. The name, address and telephone number of the agent for service for each additional registrant is P. Jerome Richey, Executive Vice President Corporate Affairs and Chief Legal Officer and Corporate Secretary, CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317, telephone (724) 485-4000.

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

SUBJECT TO COMPLETION, DATED November 5, 2010

PRELIMINARY PROSPECTUS

Consol Energy Inc.

Offer to Exchange

\$1,500,000,000 aggregate principal amount of 8.00% Senior Notes Due 2017

for

\$1,500,000,000 aggregate principal amount of 8.00% Senior Notes Due 2017

that have been registered under the Securities Act of 1933, as amended

AND

Offer to Exchange

\$1,250,000,000 aggregate principal amount of 8.25% Senior Notes Due 2020

for

\$1,250,000,000 aggregate principal amount of 8.25% Senior Notes Due 2020

that have been registered under the Securities Act of 1933, as amended

The exchange offer will expire at 5:00 p.m.,

New York City time, on _____, 2010, unless earlier terminated or extended.

CONSOL Energy Inc. hereby offers, upon the terms and subject to the conditions set forth in this prospectus (which constitute the exchange offer), (i) to exchange up to \$1,500,000,000 aggregate principal amount of its registered 8.00% Senior Notes due 2017, which it refers to as the 2017 exchange notes, for a like principal amount of its outstanding 8.00% Senior Notes due 2017, which it refers to as the 2017 original notes and (ii) to exchange up to \$1,250,000,000 aggregate principal amount of its registered 8.25% Senior Notes due 2020, which it refers to as the 2020 exchange notes, for a like principal amount of its outstanding 8.25% Senior Notes due 2020, which it refers to as the 2020 original notes. The term original notes in this prospectus refers collectively to the 2017 original notes and the 2020 original notes, the term exchange notes in this prospectus refers collectively to the 2017 exchange notes and the 2020 exchange notes and the term note or notes in this prospectus refers collectively to the original notes and the exchange notes.

The terms of the exchange notes are substantially identical to the terms of the original notes in all material respects, except that the exchange notes are registered under the Securities Act of 1933, as amended, which is referred to in this prospectus as the Securities Act, and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes.

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The exchange notes will be fully and unconditionally guaranteed by substantially all of our existing and future wholly-owned domestic subsidiaries.

The principal features of the exchange offer are as follows:

The exchange offer is subject to certain conditions described in this prospectus, including that no injunction, order or decree has been issued which would prohibit, prevent or materially impair our ability to proceed with the exchange offer.

All original notes that are validly tendered and not validly withdrawn will be exchanged.

Tenders of original notes may be withdrawn at any time prior to the expiration of the exchange offer.

Neither CONSOL Energy nor any subsidiary guarantor will receive any proceeds from the exchange offer. CONSOL Energy does not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system.

You should consider carefully the Risk Factors beginning on page 10 of this prospectus before participating in the exchange offer.

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. CONSOL Energy and the subsidiary guarantors have agreed that, starting on the expiration date (as defined herein) and ending on the close of business one year after the expiration date, they will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

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

The date of this prospectus is _____, 2010.

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The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies. No person has been authorized to give any information or to make any representations other than those contained in this prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in our affairs or that of our subsidiaries since the date hereof.

This prospectus incorporates important business and financial information about CONSOL Energy and the subsidiary guarantors that is not included in or delivered with this prospectus. CONSOL Energy will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the information incorporated by reference in this prospectus, other than exhibits to such information (unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests for such copies should be directed to CONSOL Energy Inc., CNX Center 1000 CONSOL Energy Drive, Canonsburg, PA 15317-6506, Attn. General Counsel. To obtain timely delivery, you must request the information no later than five business days before _____, 2010, the expiration date of the exchange offer.

The notes initially will be represented by permanent global certificates in fully registered form without coupons and will be deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company, New York, New York, or DTC, as depository.

INDUSTRY AND MARKET DATA

We obtained the market and competitive position data incorporated by reference into this prospectus from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified such data, and we make no representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources. Market and competitive position data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption **Risk Factors** in this prospectus.

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FORWARD-LOOKING STATEMENTS

With the exception of historical matters, the matters discussed in this prospectus and the documents incorporated by reference herein are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words believe, intend, expect, may, should, anticipate, could, estimate, plan, or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this prospectus and the documents incorporated by reference herein speak only as of the date of this prospectus; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

the continued weakness in global economic conditions or in any industry in which our customers operate, or sustained uncertainty in financial markets cause conditions we cannot predict;

an extended decline in prices we receive for our coal and gas affecting our operating results and cash flows;

reliance on customers honoring existing contracts, extending existing contracts or entering into new long-term contracts for coal;

reliance on major customers;

our inability to collect payments from customers if their creditworthiness declines;

the disruption of rail, barge and other systems that deliver our coal;

a loss of our competitive position because of the competitive nature of the coal and gas industries, or a loss of our competitive position because of overcapacity in these industries impairing our profitability;

our inability to hire qualified people to meet replacement or expansion needs;

our inability to maintain satisfactory labor relations;

coal users switching to other fuels in order to comply with various environmental standards related to coal combustion;

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the inability to produce a sufficient amount of coal to fulfill our customers requirements which could result in our customers initiating claims against us;

foreign currency fluctuations could adversely affect the competitiveness of our coal abroad;

the risks inherent in coal mining being subject to unexpected disruptions, including geological conditions, equipment failure, timing of completion of significant construction or repair of equipment, fires, accidents and weather conditions which could impact financial results;

increases in the price of commodities used in our mining operations could impact our cost of production;

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obtaining governmental permits and approvals for our operations;

the effects of proposals to regulate greenhouse gas emissions;

the effects of government regulation;

the effects of stringent federal and state employee health and safety regulations;

the effects of mine closing, reclamation and certain other liabilities;

uncertainties in estimating our economically recoverable coal and gas reserves;

the outcomes of various legal proceedings, which are more fully described in our reports filed under the Securities Exchange Act of 1934;

changes in existing federal and state income tax regulations;

increased exposure to employee related long-term liabilities;

minimum funding requirements by the Pension Protection Act of 2006 (the Pension Act) coupled with the significant investment and plan asset losses suffered during the recent economic decline has exposed us to making additional required cash contributions to fund the pension benefit plans which we sponsor and the multi-employer pension benefit plans in which we participate;

lump sum payments made to retiring salaried employees pursuant to our defined benefit pension plan;

our ability to comply with laws or regulations requiring that we post security for workers' compensation and other statutory requirements;

acquisitions that we recently have made or may make in the future including the accuracy of our assessment of the acquired businesses and their risks, achieving any anticipated synergies, integrating the acquisitions and unanticipated changes that could affect assumptions we may have made;

the anti-takeover effects of our rights plan could prevent a change of control;

risks in exploring for and producing gas;

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new gas development projects and exploration for gas in areas where we have little or no proven gas reserves;

the disruption of pipeline systems which deliver our gas;

the availability of field services, equipment and personnel for drilling and producing gas;

replacing our natural gas reserves which if not replaced will cause our gas reserves and gas production to decline;

costs associated with perfecting title for gas rights in some of our properties;

other persons could have ownership rights in our advanced gas extraction techniques which could force us to cease using those techniques or pay royalties;

our ability to acquire water supplies needed for drilling, or our ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental rules;

the coalbeds and other strata from which we produce methane gas frequently contain impurities that may hamper production;

the enactment of severance tax on natural gas in states in which we operate may impact results of existing operations and impact the economic viability of exploiting new gas drilling and production opportunities;

prior to the Acquisition, the location of a vast majority of our gas producing properties are in three counties in southwestern Virginia, making us vulnerable to risks associated with having our gas production concentrated in one area;

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our ability to effectively integrate the Dominion E&P Business into our historical gas operations;

our hedging activities may prevent us from benefiting from price increases and may expose us to other risks;

our ability to service the indebtedness under our new revolving credit facilities; and

other factors discussed under Risk Factors, in this prospectus.

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PROSPECTUS SUMMARY

Except as otherwise indicated, in this prospectus, CONSOL Energy, the company, we, us and our refer to CONSOL Energy Inc. and its consolidated subsidiaries. This summary highlights selected information contained elsewhere in this prospectus or incorporated by reference into this prospectus. This summary may not contain all of the information that you should consider before exchanging any of the notes. You should read the entire prospectus carefully, including the section entitled Risk Factors in this prospectus and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and our Quarterly Report on Forms 10-Q for the fiscal quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, which are incorporated herein by reference, before making a decision to exchange the original notes for exchange notes.

Business Overview

We are a multi-fuel energy producer and energy services provider serving the electric power generation industry. We produce high-Btu thermal coal used in the electric power generation industry, high-quality metallurgical coal used in steelmaking, and pipeline-quality natural gas from our coalbed methane (CBM), unconventional shale, and conventional gas operations.

We operate two principal business units: coal and gas. Our coal operations include the mining, preparation, and marketing of thermal coal and metallurgical coal and are comprised of four reportable segments: steam coal, high volatile metallurgical, low volatile metallurgical and other coal. For 2009, we produced approximately 57.2 million tons and 2.1 million tons of thermal and metallurgical coal, respectively, which accounted for approximately 6% of the total tons produced in the United States and approximately 13% of the total tons produced east of the Mississippi River. Our historical gas operations relate to our subsidiary, CNX Gas Corporation, which we refer to in this prospectus as CNX Gas, which is one of the largest producers of natural gas in the Appalachian Basin. CNX Gas operations are now comprised of four reportable segments: coalbed methane, conventional, Marcellus and other gas. During 2009, CNX Gas produced 94.4 Bcfe from a combination of CBM, Marcellus Shale, and other gas activities.

For a further discussion of our business, we urge you to read our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and our Current Report on Form 8-K filed on September 21, 2010, which are incorporated by reference in this prospectus. See Where You Can Find More Information.

On April 30, 2010 for approximately \$3.475 billion, we completed the acquisition of the exploration and production business, except for certain assets located in natural gas storage fields, of Dominion Resources, Inc., which we refer to in this prospectus as the Acquisition. We refer to the business acquired pursuant to the Acquisition as the Dominion E&P Business. On May 28, 2010 we acquired the outstanding minority interest of CNX Gas for approximately \$966.8 million (\$991.0 million including options) and CNX Gas became a wholly-owned subsidiary at that time.

Additional Information

CONSOL Energy was organized as a Delaware corporation in 1991. The address of our principal executive offices is CNX Center, 1000 CONSOL Energy Drive, Canonsburg, PA 15317-6505, and our telephone number at our principal executive offices is 724-485-4000.

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Summary of the Exchange Offer

On April 1, 2010, we completed the private placement of original notes in the aggregate principal amount of \$2,750,000,000. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the original notes, dated as of April 1, 2010, referred to in this prospectus as the registration rights agreement, in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the original notes. Below is a summary of the exchange offer.

The Exchange Offers

We are offering to exchange any and all of our 8.00% Senior Notes due 2017 and 8.25% Senior Notes due 2020, all of which have been registered under the Securities Act, for any and all of our outstanding unregistered 8.00% Senior Notes due 2017 and 8.25% Senior Notes due 2020 that were issued on April 1, 2010, respectively. As of the date of this prospectus, there are \$1,500,000,000 aggregate principal amount of 2017 original notes outstanding and \$1,250,000,000 aggregate principal amount of 2020 original notes outstanding. The form and terms of these exchange notes are identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes. The original notes were offered under indentures dated as of April 1, 2010, which we refer to herein collectively as the indentures.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on [], 2010, unless we earlier terminate or extend the exchange offer in our sole discretion.

Tenders

In order to be exchanged, an original note must be properly tendered and accepted. All original notes that are validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer will be exchanged. By tendering your original notes, you represent that:

you are neither an affiliate (as defined in Rule 405 under the Securities Act) of CONSOL Energy nor a broker-dealer tendering notes acquired directly from us for our own account;

any exchange notes you receive in the exchange offer are being acquired by you in the ordinary course of business;

at the time of commencement of the exchange offer, neither you nor, to your knowledge, anyone receiving exchange notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the original notes or the exchange notes in violation of the Securities Act;

if you are not a participating broker-dealer, you are not engaged in, and do not intend to engage in, the distribution, as defined in the Securities Act, of the original notes or the exchange notes; and

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if you are a broker-dealer, you will receive the exchange notes for your own account in exchange for the original notes that you acquired as a result of your market-making or other trading activities and you will deliver a prospectus in connection with any resale of the exchange notes that you receive. For further information regarding resales of the exchange notes by participating broker-dealers, see the discussion under the caption Plan of Distribution.

Accrued Interest

The exchange notes will bear interest from the most recent date to which interest has been paid on the original notes. If your original notes are accepted for exchange, you will receive interest on the exchange notes and not on the original notes. Any original notes not tendered will remain outstanding and continue to accrue interest according to their terms.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions. We may assert or waive these conditions in our sole discretion. See The Exchange Offer Conditions to the Exchange Offer for more information regarding conditions to the exchange offer.

Procedures for Tendering Original Notes

A tendering holder must, on or prior to the expiration date of the exchange offer, in the case of original notes held in the form of book-entry interests, transmit an agent's message to the exchange agent at the address listed in this prospectus, or in the case of holders of certificated notes, transmit a properly completed and duly executed letter of transmittal together with the certificates representing the original notes to the exchange agent. See The Exchange Offer Procedures for Tendering.

Special Procedures for Beneficial Holders

If you are a beneficial holder of original notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the exchange offer, you should promptly contact the person in whose name your original notes are registered and instruct that person to tender on your behalf. See The Exchange Offer Procedures for Tendering.

Guaranteed Delivery Procedures

You must comply with the applicable guaranteed delivery procedures for tendering if you wish to tender your original notes and:

your original notes are not immediately available;

time will not permit your required documents to reach the exchange agent prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer; or

you cannot complete the procedures for delivery by book-entry transfer prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer.

Withdrawal Rights

Tenders may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date of the exchange offer.

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Acceptance of Original Notes and Delivery of Exchange Notes	Subject to the conditions stated in the section The Exchange Offer Conditions to the Exchange Offer of this prospectus, we will accept for exchange any and all original notes which are properly tendered in the exchange offer before 5:00 p.m., New York City time, on the expiration date of the exchange offer. The exchange notes will be delivered promptly after the expiration date of the exchange offer. See The Exchange Offer Terms of the Exchange Offer .
Regulatory Approvals	Other than the federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the exchange offer.
Material United States Federal Tax Consequences	Your exchange of original notes for exchange notes pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. See Material United States Federal Tax Consequences .
Exchange Agent	The Bank of Nova Scotia Trust Company of New York is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are listed under the heading The Exchange Offer Exchange Agent .
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and certain transfer taxes and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act. We used the net proceeds from the sale of the original notes to finance, in part, the cost of our acquisition of certain oil and gas properties in the Appalachian Basin owned by Dominion Resources, Inc. and to pay related fees and expenses. See Use of Proceeds .
Resales	Based on interpretations by the staff of the Securities and Exchange Commission, or the SEC, as detailed in a series of no-action letters issued to third parties that are not related to us, we believe that the exchange notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as: you are acquiring the exchange notes in the ordinary course of your business; you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in a distribution of the exchange notes; and you are neither an affiliate (as defined in Rule 405 under the Securities Act) of CONSOL Energy nor a broker-dealer tendering notes acquired directly from us for your own account.

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If you are an affiliate of CONSOL Energy, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the exchange notes:

you cannot rely on the applicable interpretations of the staff of the SEC;

you will not be able to tender your original notes in the exchange offer; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Each broker or dealer that receives exchange notes for its own account in exchange for original notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale, or other transfer of the exchange notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the exchange notes.

Furthermore, any broker-dealer that acquired any of its original notes directly from CONSOL Energy:

may not rely on the applicable interpretation of the staff of the SEC's position contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (April 13, 1988), *Morgan, Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991), and *Shearman & Sterling*, SEC no-action letter (July 2, 1993); and

must also be named as a selling holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

As a condition to participation in the exchange offer, each holder will be required to represent that it is not an affiliate of CONSOL Energy or a broker-dealer that acquired the original notes directly from CONSOL Energy.

The SEC has not considered the exchange offer in the context of a no-action letter, and we cannot assure you that the SEC would make similar determinations with respect to the exchange offer. If any of these conditions are not satisfied, or if our belief is not accurate, and you transfer any exchange notes issued to you in the exchange offer without an exemption from registration of your exchange notes from those requirements, or you are a broker-dealer and fail to comply with any applicable prospectus delivery requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.

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Consequences of Not Exchanging Original Notes	Original notes that are not tendered, or that are tendered but not accepted, will be subject to their existing transfer restrictions. We will have no further obligation, except under limited circumstances, to provide for registration under the Securities Act of the original notes. See The Exchange Offer Consequences of Exchanging or Failing to Exchange the Original Notes .
Risk Factors	See Risk Factors and the other information in this prospectus for a discussion of factors you should carefully consider before deciding to exchange the notes.

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Summary of the Terms of the Exchange Notes

The following is a summary of the terms of the exchange notes. The form and terms of these exchange notes are identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes. The exchange notes will be governed by the same indenture as the original notes. When we refer to the terms of note or notes in this prospectus, we are referring collectively to the original notes and the exchange notes. For a more complete description of the terms of the exchange notes, see Description of Exchange Notes in this prospectus.

Issuer CONSOL Energy Inc., a Delaware corporation.

Exchange Notes Offered \$1,500,000,000 aggregate principal amount of 8.00% senior notes due 2017.
\$1,250,000,000 aggregate principal amount of 8.25% senior notes due 2020.

Maturity Date The 2017 exchange notes will mature on April 1, 2017.
The 2020 exchange notes will mature on April 1, 2020.

Interest Interest on the 2017 exchange notes will accrue at a rate of 8.00% per annum. Interest on the 2020 exchange notes will accrue at a rate of 8.25% per annum. Interest on the exchange notes will be payable semi-annually in cash in arrears on April 1 and October 1 of each year, commencing October 1, 2010.

Guarantees The exchange notes will be fully and unconditionally guaranteed on a senior basis by substantially all of our existing wholly-owned domestic subsidiaries, including CNX Gas and its wholly-owned domestic subsidiaries and future wholly-owned domestic subsidiaries.

Ranking The notes and the guarantees will be the Company's and the guarantors' general senior obligations and will:

rank equally in right of payment to all of the Company's and the guarantors' existing and future senior unsecured debt;

rank senior in right of payment to any of the Company's and the guarantors' future debt that is expressly subordinated in right of payment to the notes and the guarantees;

be effectively subordinated to the Company's and the guarantors' secured indebtedness, including indebtedness under our revolving credit facility and CNX Gas' revolving credit facility and our existing 7.875% senior secured notes due 2012, to the extent of

the value of the collateral securing such indebtedness; and

be structurally subordinated to all of the existing and future liabilities, including trade payables, of our subsidiaries that do not guarantee the notes.

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As of September 30, 2010:

we had \$464 million of senior secured indebtedness outstanding on a consolidated basis (excluding \$283 million of letters of credit outstanding under our and CNX Gas revolving credit facilities) and an additional \$1,703 million of unused commitments available to be borrowed under our and CNX Gas revolving credit facilities; and

our non-guarantor subsidiaries had approximately \$24 million of liabilities outstanding, including trade payables, but excluding intercompany obligations.

Optional redemption

On or after April 1, 2014, we may redeem some or all of the 2017 exchange notes at any time at the redemption prices described in the section **Description of the Notes** **Optional Redemption**. On or after April 1, 2015, we may redeem some or all of the 2020 exchange notes at any time at the redemption prices described in the section **Description of the Notes** **Optional Redemption**.

Prior to such dates, we may redeem some or all of the exchange notes at a redemption price of 100% of the principal amount plus accrued and unpaid interest, if any, to the redemption date, plus a **make-whole** premium.

In addition, we may redeem up to 35% of the aggregate principal amount of the exchange notes before April 1, 2013 with the proceeds of certain equity offerings at a redemption price of 108.000% in the case of the 2017 exchange notes and 108.250% in the case of the 2020 exchange notes, of the principal amount plus accrued and unpaid interest, if any, to the redemption date.

Change of control

If we experience certain kinds of changes of control, we must offer to purchase the exchange notes at 101% of their principal amount, plus accrued and unpaid interest. For more details, see the section **Description of the Notes** under the heading **Change of Control**.

Mandatory Offer to Repurchase Following Certain Asset Sales

If we sell certain assets and do not repay certain debt or reinvest the proceeds of such sales within certain time periods, we must offer to repurchase the notes at the prices listed under **Description of Notes** **Limitation on Sales of Assets and Subsidiary Stock**.

Certain covenants

The indentures contain covenants that limit, among other things, our ability and the ability of some of our subsidiaries to:

incur additional debt;

declare or pay dividends, redeem stock or make other distributions to stockholders;

make investments;

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create liens or use assets as security in other transactions;

enter into sale and leaseback transactions;

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merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;

enter into transactions with affiliates; and

sell or transfer certain assets.

These covenants are subject to a number of important qualifications and limitations. See Description of the Notes Certain Covenants.

No established trading market

The exchange notes will not be listed on any securities exchange or on any automated dealer quotation system. We cannot assure you that an active or liquid trading market for the exchange notes will develop. If an active or liquid trading market for the exchange notes does not develop, the market price and liquidity of the exchange notes may be adversely affected.

Risk factors

You should consider carefully the information set forth in the section of this prospectus entitled Risk Factors and all the other information included in or incorporated by reference into this prospectus in deciding whether to participate in the exchange offer.

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RISK FACTORS

You should carefully consider the following risk factors in addition to the other information included in this prospectus before tendering your original notes in the exchange offer. In addition, you should carefully consider the matters discussed under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and in other documents that are subsequently filed with the SEC, which are incorporated by reference into this prospectus. If any of the risks discussed below or in the documents incorporated by reference actually occur, our business, financial condition, prospects, results of operations or cash flow could be materially and adversely affected. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events discussed in the risk factors below or in the documents incorporated by reference will not occur and if such events do occur, you may lose all or part of your original investment in the notes. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Forward Looking Statements.

Risks Related to the Exchange Offer

You may have difficulty selling the original notes that you do not exchange.

If you do not exchange your original notes for exchange notes pursuant to the exchange offer, the original notes you hold will continue to be subject to the existing transfer restrictions. The original notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with applicable state securities laws. We do not anticipate that we will register the original notes under the Securities Act. After the exchange offer is consummated, the trading market for the remaining untendered original notes may be small and inactive. Consequently, you may find it difficult to sell any original notes you continue to hold because there will be fewer original notes of such series outstanding.

If you do not exchange your original notes in the exchange offer, you will no longer be entitled to an increase in interest payments on original notes that the indentures provide for if we fail to complete the exchange offer.

Once the exchange offer has been completed, holders of outstanding original notes will not be entitled to any increase in the interest rate on their original notes that the indentures governing the notes provides for if we fail to complete the exchange offer. Holders of original notes will not have any further rights to have their original notes registered, except in limited circumstances, once the exchange offer is completed.

Some holders of the exchange notes may be required to comply with the registration and prospectus delivery requirements of the Securities Act.

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

In addition, a broker-dealer that purchased original notes for its own account as part of market-making or trading activities must deliver a prospectus when it sells the exchange notes it received in the exchange offer. Our obligation to make this prospectus available to broker-dealers is limited. We cannot assure you that a proper prospectus will be available to broker-dealers wishing to resell their exchange notes.

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Failure to comply with the exchange offer procedures could prevent a holder from exchanging its original notes.

Holders of the original notes are responsible for complying with all exchange offer procedures. The issuance of exchange notes in exchange for original notes will only occur upon completion of the procedures described in this prospectus under The Exchange Offer. Therefore, holders of original notes who wish to exchange them for exchange notes should allow sufficient time for timely completion of the exchange procedure. Neither we nor the exchange agent are obligated to extend the offer or notify you of any failure to follow the proper procedure.

Risks Related to the Exchange Notes

Your right to receive payments on the notes is effectively junior to those creditors who have a security interest in our assets.

Our obligations under the notes and our guarantors' obligations under their guarantees of the notes are unsecured. Our \$1.5 billion revolving credit facility is secured by a security interest in substantially all of our and the guarantors' (excluding CNX Gas and its subsidiaries) domestic tangible and intangible assets. CNX Gas' \$700 million revolving credit facility is secured by substantially all of its and its guarantor subsidiaries' domestic tangible and intangible assets. Our existing \$250 million 7.875% notes due March 2012, which we refer to as the 2012 notes, are secured by a security interest in substantially all of our and the guarantors' (including CNX Gas and its subsidiaries) domestic tangible and intangible assets. If we are declared bankrupt or insolvent, or if we default under our revolving credit facility or such 2012 notes, or if CNX Gas were declared bankrupt or default under its revolving credit facility, the relevant lenders or the trustee for the 2012 notes could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, such secured creditors could foreclose on the pledged assets to the exclusion of holders of the notes, even if an event of default exists under the indentures under which the notes were issued. Furthermore, if such secured creditors foreclose and sell the pledged equity interests in any subsidiary guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes will not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. See Description of Other Indebtedness.

As of September 30, 2010, we had \$250 million of the 2012 notes, \$136 million drawn under our credit facility and \$78 million drawn under CNX Gas' credit facility or approximately \$464 million of senior secured indebtedness on a consolidated basis, which would not have included availability of \$1,703 million under our and CNX Gas' revolving credit facilities after taking into account \$283 million of outstanding letters of credit. In addition, the indentures permit the incurrence of substantial additional indebtedness by us and our restricted subsidiaries in the future, including secured indebtedness.

The notes will be structurally junior to indebtedness of our non-guarantor subsidiaries.

You will not have any claim as a creditor against any of our non-guarantor subsidiaries and indebtedness and other liabilities, including trade payables, of those subsidiaries will effectively be senior to your claims against those subsidiaries. At September 30, 2010, our non-guarantor subsidiaries had \$24 million of outstanding liabilities, including trade payables, but excluding intercompany obligations. In addition, the indentures, subject to certain limitations, permit these subsidiaries to incur additional indebtedness and do not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

Certain of our subsidiaries are not subject to the restrictive covenants in the indentures governing the notes.

Certain of our subsidiaries are not subject to the restrictive covenants in the indentures governing the notes. This means that these entities will be able to engage in many of the activities that we and our restricted

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subsidiaries are prohibited or limited from doing under the terms of the indentures governing the notes, such as incurring additional debt, securing assets in priority to the claims of the holders of the notes, paying dividends, making investments, selling assets and entering into mergers or other business combinations. These actions could be detrimental to our ability to make payments of principal and interest when due and to comply with our other obligations under the notes, and could reduce the amount of our assets that would be available to satisfy your claims should we default on the notes.

A court could void our subsidiaries' guarantees of the notes under fraudulent transfer laws.

Although the guarantees provide you with a direct claim against the assets of the subsidiary guarantors, under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims with respect to a guarantee could be subordinated to all other debts of that guarantor. In addition, a bankruptcy court could void (i.e., cancel) any payments by that guarantor pursuant to its guarantee and require those payments to be returned to the guarantor or to a fund for the benefit of the other creditors of the guarantor.

The bankruptcy court might take these actions if it found, among other things, that when a subsidiary guarantor executed its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

such subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of its guarantee; and

such subsidiary guarantor:

was (or was rendered) insolvent by the incurrence of the guarantee;

was engaged or about to engage in a business or transaction for which its assets constituted unreasonably small capital to carry on its business;

intended to incur, or believed that it would incur, obligations beyond its ability to pay as those obligations matured; or

was a defendant in an action for money damages, or had a judgment for money damages docketed against it and, in either case, after final judgment, the judgment was unsatisfied.

A bankruptcy court would likely find that a subsidiary guarantor received less than fair consideration or reasonably equivalent value for its guarantee to the extent that it did not receive direct or indirect benefit from the issuance of the notes. A bankruptcy court could also void a guarantee if it found that the subsidiary issued its guarantee with actual intent to hinder, delay, or defraud creditors. Although courts in different jurisdictions measure solvency differently, in general, an entity would be deemed insolvent if the sum of its debts, including contingent and unliquidated debts, exceeds the fair value of its assets, or if the present fair saleable value of its assets is less than the amount that would be required to pay the expected liability on its debts, including contingent and unliquidated debts, as they become due.

We cannot predict what standard a court would apply in order to determine whether a subsidiary guarantor was insolvent as of the date it issued the guarantee or whether, regardless of the method of valuation, a court would determine that the subsidiary guarantor was insolvent on that date, or whether a court would determine that the payments under the guarantee constituted fraudulent transfers or conveyances on other grounds.

The indentures governing the notes contain a savings clause intended to limit each subsidiary guarantor's liability under its guarantee to the maximum amount that it could incur without causing the guarantee to be a fraudulent transfer under applicable law. There can be no assurance that this provision will be upheld as intended. In a recent case, the U.S. Bankruptcy Court in the Southern District of Florida found this kind of provision in that case to be ineffective, and held the subsidiary guarantees to be fraudulent transfers and voided them in their entirety.

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If a guarantee is deemed to be a fraudulent transfer, it could be voided altogether, or it could be subordinated to all other debts of the subsidiary guarantor. In such case, any payment by the subsidiary guarantor pursuant to its guarantee could be required to be returned to the subsidiary guarantor or to a fund for the benefit of the creditors of the subsidiary guarantor. If a guarantee is voided or held unenforceable for any other reason, holders of the notes would cease to have a claim against the subsidiary guarantor based on the guarantee and would be creditors only of the Company and any subsidiary guarantor whose guarantee was not similarly voided or otherwise held unenforceable.

We may be unable to purchase the notes upon a change of control.

Upon the occurrence of a change of control, as defined in the indentures governing the notes, we are required to offer to purchase the notes in cash at a price equal to 101% of the principal amount of the notes, plus accrued interest and additional interest, if any. A change of control will constitute an event of default under our revolving credit facility and CNX Gas revolving credit facility that permits the lenders to accelerate the maturity of the borrowings thereunder and may trigger similar rights under our other indebtedness then outstanding. Our revolving credit facility will prohibit us from repurchasing any notes. The failure to repurchase the notes would result in an event of default under the notes. In the event of a change of control, we may not have sufficient funds to purchase all of the notes and to repay the amounts outstanding under our revolving credit facility and CNX Gas revolving credit facility or other indebtedness.

An active trading market may not develop for the exchange notes.

The exchange notes are new issues of securities. There is no active public trading market for the notes. We do not intend to apply for listing of the exchange notes on a security exchange. The liquidity of the trading market in the exchange notes and the market prices quoted for the exchange notes may be adversely affected by changes in the overall market for this type of securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, an active trading market may not develop for the exchange notes, you may not be able to sell the exchange notes, or, even if you can sell the exchange notes, you may not be able to sell them at an acceptable price.

Risks relating to the Acquisition of the Dominion E&P Business

We may not realize the benefits of integrating the Dominion E&P Business.

We are integrating our historic gas operations with the operations of the Dominion E&P Business which we recently acquired. The integration requires substantial management attention and could detract attention from the day-to-day business of our company. We could encounter difficulties in the integration process, such as the need to revisit assumptions about reserves, future production, revenues, capital expenditures and operating costs, including synergies, the loss of key employees or commercial relationships or the need to address unanticipated liabilities. If we cannot successfully integrate our business with the Dominion E&P Business, we may fail to realize the expected benefits of the Acquisition.

Realization of any of these factors could adversely affect our financial condition.

If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on our indebtedness or if we otherwise fail to comply with the various covenants in such indebtedness, including covenants in our and CNX Gas revolving credit facilities, 2012 notes or the notes, we would be in default. This default would permit the holders of such indebtedness to accelerate the maturity of such indebtedness and could cause defaults under our indebtedness, including the notes, or result in our bankruptcy. Such defaults, or any bankruptcy resulting therefrom, could result in a default on any such indebtedness and could delay or preclude payment of principal of, or interest on, such indebtedness, including the notes. Our ability to meet our obligations will depend upon our future performance, which will be subject to prevailing economic conditions, commodity prices, and to financial, business and other factors, including factors beyond our control.

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Risks Related to Our Indebtedness

We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and impair our ability to meet our obligations under the notes.

As of September 30, 2010, we and our subsidiaries had approximately \$3.4 billion of outstanding indebtedness (excluding approximately \$283 million of letters of credit issued for our account). In addition, the terms of our and CNX Gas revolving credit facilities and the Indentures governing the notes permit us to incur additional debt, including up to approximately \$1,703 million that would be available under our and CNX Gas revolving credit facilities on that date, subject to our ability to meet certain borrowing conditions.

Our substantial debt may have important consequences to you. For instance, it could:

make it more difficult for us to satisfy our financial obligations, including those relating to the notes;

require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes, including capital expenditures and acquisitions;

place us at a competitive disadvantage compared with some of our competitors that may have less debt and better access to capital resources; and

limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy.

The agreements governing our various debt obligations impose restrictions on our business and adversely affect our ability to undertake certain corporate actions.

The agreements governing our various debt obligations, including our and CNX Gas revolving credit facilities and the indentures governing the notes include covenants imposing significant restrictions on our business.

These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

incur additional debt;

create liens;

make loans or investments;

enter into certain transactions with affiliates; and

acquire or be acquired by other companies.

Our and CNX Gas revolving credit facilities also require that a number of financial ratios and covenants be met. Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the indentures

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or revolving credit facilities. An event of default under any of our debt agreements could permit some of our lenders, including the lenders under the revolving credit facilities, to declare all amounts borrowed from them to be immediately due and payable, together with accrued and unpaid interest, which could, in turn, trigger defaults under other debt obligations and the commitments of the senior lenders to make further extensions of credit under the revolving credit facilities could be terminated. If we were unable to repay debt to our lenders, or are otherwise in default under any provision governing our outstanding debt obligations, our secured lenders could proceed against us and the subsidiary guarantors and against the collateral securing that debt. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on the notes and repay the principal amount of, or repurchase, the notes or may cause the subsidiary guarantors to be unable to make payments under the guarantees.

To service our indebtedness, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on, and to refinance, our indebtedness, including the notes, and to fund planned capital expenditures, will depend on our ability to generate cash in the future which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations and we may not have available to us future borrowings in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. In these circumstances, we may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. We may not be able to refinance any of our indebtedness, including our credit facilities and the notes, on commercially reasonable terms, or at all. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our payment obligations under unfavorable circumstances. However, we may not be able to secure additional financing on terms favorable to us or at all and, in addition, the terms of our revolving credit facility and the Indentures governing the notes limit our ability to sell assets and also restrict the use of proceeds from such a sale. Moreover, substantially all of our assets have been pledged to secure repayment of indebtedness under our revolving credit facility and CNX Gas revolving credit facility. In addition, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations, including our obligations under the notes.

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This exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes contemplated in this prospectus, we will receive the original notes in like principal amount, the form and terms of which are the same as the form and terms of the exchange notes, except as otherwise described in this prospectus. The original notes surrendered in exchange for exchange notes will be retired and canceled upon consummation of the exchange offer and cannot be reissued. Accordingly, no additional debt will result from the exchange. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and certain transfer taxes and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

We received approximately \$2.70 billion in net proceeds from the offering of \$2.75 billion in aggregate principal amount of the original notes on April 1, 2010, after deducting fees and expenses related to the offering of the original notes. We used the net proceeds from the sale of the original notes to finance, in part, the cost of our acquisition of the Appalachian oil and gas exploration and production business of Dominion Resources, Inc., except for certain assets located in natural gas storage fields, which we refer to in this prospectus as the Dominion E&P Business, and pay related fees and expenses.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES

The table below sets forth our ratio of earnings to combined fixed charges and preference dividends on a consolidated basis for each of the time periods indicated.

(In Thousands)

	Year Ended December 31,					Nine Months Ended September 30,	
	2009	2008	2007	2006	2005	2010	2009
Earnings:							
Income from continuing operations before income taxes	\$ 788,345	\$ 725,595	\$ 428,957	\$ 550,920	\$ 654,684	\$ 329,456	\$ 586,466
Fixed charges, as shown below	69,277	69,402	61,336	50,227	42,979	172,538	50,503
Equity in income of investees	(15,707)	(11,140)	(6,551)	(1,201)	(2,850)	(15,595)	(12,488)
Noncontrolling interest - gas	(27,425)	(43,191)	(25,038)	(29,608)	(9,484)	(11,845)	(20,568)
Adjusted Earnings (Loss)	\$ 814,490	\$ 740,666	\$ 458,704	\$ 570,338	\$ 685,329	\$ 474,554	\$ 603,913
Fixed Charges:							
Interest on indebtedness, expensed or capitalized	\$ 43,290	\$ 48,345	\$ 45,414	\$ 35,818	\$ 31,903	\$ 149,546	\$ 31,637
Interest within rent expense	25,987	21,057	15,922	14,409	11,076	22,992	18,866
Total Fixed Charges	\$ 69,277	\$ 69,402	\$ 61,336	\$ 50,227	\$ 42,979	\$ 172,538	\$ 50,503
Ratio of Earnings to Fixed Charges	11.76	10.67	7.48	11.36	15.95	2.75	11.96

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents our selected historical consolidated financial data for, and as of the end of, each of the periods indicated. The selected historical consolidated financial data for, and as of the end of, each of the years ended December 31, 2009, 2008, 2007, 2006 and 2005 are derived from our audited Consolidated Financial Statements. Certain reclassifications of prior year data have been made to conform to the year ended December 31, 2009 as required by the Noncontrolling Interest Topic of the Financial Accounting Standards Board Accounting Standards Codification. The selected historical annual consolidated financial data for such years does not include the effects of the Acquisition.

The historical statement of operations data, the cash flow data and the other data for the nine months ended September 30, 2010 and 2009, and the historical balance sheet data as of September 30, 2010, have been derived from our unaudited condensed consolidated financial statements incorporated by reference into this prospectus. In the opinion of management, the interim financial information provided herein reflects all adjustments consisting of normal and recurring adjustments necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year. The selected historical consolidated financial data for the nine months ended September 30, 2009 does not include the effects of the Acquisition. The Acquisition is reflected, from acquisition data, for the nine months ended September 30, 2010 and the consolidated balance sheet data as of September 30, 2010.

The selected historical consolidated financial data are not necessarily indicative of the results that may be expected for any future period. You should read the summary historical financial data together with Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference into this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2009, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 and our Current Reports on Form 8-K filed on September 21, 2010.

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	For the Years Ended December 31,					For the Nine Months Ended September 30,	
	2009	2008	2007	2006	2005	2010	2009
Sales Outside	\$ 4,311,791	\$ 4,181,569	\$ 3,324,346	\$ 3,286,522	\$ 2,935,682	\$ 3,650,129	\$ 3,167,002
Sales Purchased Gas	7,040	8,464	7,628	43,973	275,148	8,280	4,102
Sales Gas Royalty Interests	40,951	79,302	46,586	51,054	45,351	46,621	29,741
Freight Outside	148,907	216,968	186,909	162,761	119,811	96,544	94,133
Other Income	113,186	166,142	196,728	170,861	107,131	77,126	88,855
Gain on Sale of 18.5% interest in CNX Gas					327,326		
Total Revenue and Other Income	4,621,875	4,652,445	3,762,197	3,715,171	3,810,449	3,878,700	3,383,833
Cost of Goods Sold and Other Operating Charges (exclusive of depreciation, depletion and amortization shown below)	2,757,052	2,843,203	2,352,000	2,249,776	2,122,259	2,433,449	2,017,735
Acquisition and Financing Fees						64,415	
Purchased Gas Costs	6,442	8,175	7,162	44,843	278,720	6,980	3,023
Gas Royalty Interests Costs	32,376	73,962	39,921	41,879	36,501	43,136	23,317
Freight Expense	148,907	216,968	186,909	162,761	119,811	96,544	94,133
Selling, General and Administrative Expenses	130,704	124,543	108,664	91,150	80,700	107,897	98,084
Depreciation, Depletion and Amortization	437,417	389,621	324,715	296,237	261,851	413,379	323,659
Interest Expense	31,419	36,183	30,851	25,066	27,317	139,613	22,959
Taxes Other Than Income	289,941	289,990	258,926	252,539	228,606	243,831	214,457
Black Lung Excise Tax Refund	(728)	(55,795)	24,092				
Total Costs	3,833,530	3,926,850	3,333,240	3,164,251	3,155,765	3,549,244	2,797,367
Earnings Before Income Taxes	788,345	725,595	428,957	550,920	654,684	329,456	586,466
Income Taxes	221,203	239,934	136,137	112,430	64,339	75,291	169,370
Net Income	567,142	485,661	292,820	438,490	590,345	254,165	417,096
Less: Net Income Attributable to Noncontrolling Interest	(27,425)	(43,191)	(25,038)	(29,608)	(9,484)	(11,845)	(20,568)
Net Income Attributable to CONSOL Energy Inc. Shareholders	\$ 539,717	\$ 442,470	\$ 267,782	\$ 408,882	\$ 580,861	\$ 242,320	\$ 396,528
Earnings Per Share:							
Basic	\$ 2.99	\$ 2.43	\$ 1.47	\$ 2.23	\$ 3.17	\$ 1.15	\$ 2.20
Dilutive	\$ 2.95	\$ 2.40	\$ 1.45	\$ 2.20	\$ 3.13	\$ 1.13	\$ 2.17
Weighted Average Number of Common Shares Outstanding:							
Basic	180,693,243	182,386,011	182,050,627	183,354,732	183,489,908	211,235,893	180,649,268
Dilutive	182,821,136	184,679,592	184,149,751	185,638,106	185,534,980	213,638,176	182,751,922
Dividends Paid Per Share	\$ 0.40	\$ 0.40	\$ 0.31	\$ 0.28	\$ 0.28	\$ 0.30	\$ 0.30

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(In thousands)

	2009	2008	As of December 31,		2005	As of September 30, 2010
			2007	2006		
Working (deficiency) capital	\$ (487,550)	\$ (527,926)	\$ (333,242)	\$ 174,372	\$ 194,578	\$ (539,103)
Total assets	7,775,401	7,535,458	6,333,490	5,663,332	5,071,963	11,721,758
Short-term debt	522,850	722,700	372,900			413,900
Long-term debt (including current portion)	468,302	490,752	507,208	552,263	442,996	3,213,972
Total deferred credits and other liabilities	3,849,428	3,716,021	3,325,231	3,228,653	2,726,563	3,886,210
CONSOL Energy Inc. Stockholders equity	1,785,548	1,462,187	1,214,419	1,066,151	1,025,356	3,106,282

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited proforma combined financial information is based on the historical consolidated financial information of CONSOL Energy, adjusted to reflect the Acquisition of the Dominion Appalachian E&P Business and related financing transactions. The unaudited pro forma income statement of operations gives effect to the following events as if they had occurred on January 1, 2010. The results are not necessarily indicative of future:

The acquisition of the Dominion E&P Business was accounted for using the purchase method of accounting.

Borrowings related to the original notes issued (approximately \$2.75 billion) and proceeds from equity issuance offered (approximately \$1.753 billion; 44,250,000 shares; 42.50 per share) and related issuance fees for both offerings, and related interest expense on bonds as if they were issued on January 1, 2010.

Related income tax pro forma adjustments.

The unaudited pro forma financial information should be read in conjunction with CONSOL Energy's unaudited financial statements for the nine months ended September 30, 2010 and the related notes to the financial statements that are incorporated by reference into this registration statement.

The unaudited pro forma combined financial information is for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that CONSOL Energy or the pro forma combined company would have reported had the acquisition been completed as of the dates set forth in CONSOL Energy's future combined results of operations or financial position. The actual results may differ significantly from that reflected in the unaudited pro forma combined financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma combined financial information and actual results.

Estimates of fair value assigned are preliminary, and may change, which would impact the pro forma results presented.

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CONSOL ENERGY

STATEMENT OF INCOME (LOSS)

(000 OMITTED, EXCEPT PER SHARE DATA)

UNAUDITED

	CEI As Reported Year To Date September 30, 2010	Proforma Adjustments	Proforma Results Year To Date September 30, 2010
Sales Outside	\$ 3,650,129	\$ 67,020 a	\$ 3,717,149
Sales Purchased Gas	8,280		8,280
Sales Gas Royalty Interests	46,621		46,621
Sales Related Parties			0
Freight Outside	96,544		96,544
Other Income	77,126		77,126
Total Revenue and Other Income	3,878,700	67,020	3,945,720
Cost of Goods Sold and Other Operating Charges	2,436,452	30,314a	2,466,766
Acquisition and Financing Fees	64,415		64,415
Purchased Gas Costs	6,980		6,980
Gas Royalty Interests Costs	40,133		40,133
Freight Expense	96,544		96,544
Selling, General and Administrative Expense	107,897		107,897
Depreciation, Depletion and Amortization	413,379	28,687b	442,066
Interest Expense	139,613	57,459c	197,072
Taxes Other Than Income	243,831	3,972a	247,803
Total Costs	3,549,244	120,432	3,669,676
Earnings Before Income Taxes	329,456	(53,412)	276,044
Income Taxes	75,291	(14,752) d	60,539
Net Income	254,165	(38,660)	215,505
Less: Net Income Attributable Non Controlling Shareholders	(11,845)		(11,845)
Net Income Attributable to CONSOL Energy Inc. Shareholders	\$ 242,320	\$ (38,660)	\$ 203,660
Earnings Per Share:			
Basic	\$ 1.15		\$ 0.90e
Dilutive	\$ 1.13		\$ 0.89e
Dividends Paid Per Share	\$ 0.40		\$ 0.40

- a. Adjustments reflect historical operations activity for the Dominion E&P Business using CONSOL Energy's accounting policies, particularly the use of the successful efforts method of accounting. Sales are reflected at the historical average gas price received and costs are reflected under the historical Dominion E&P Business activity converted to successful efforts method of accounting.

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- b. Depreciation, depletion and amortization reflects the adjusted expense related to the fair value of assets purchased in the acquisition over the applicable gas reserves or the economic useful life (for straight-line assets). The preliminary fair value of assets acquired, in thousands, which resulted in the pro forma depreciation, depletion and amortization adjustment were as follows.

Proven properties	\$ 1,392,456
Unproven properties	1,947,307
Wells and related equipment	126,390
Well closing assets	55,248
Identifies intangibles	16,330
Other miscellaneous	2,952
Total property, plant & equipment	\$ 3,540,683

- c. Interest expense adjustment reflects interest on the bonds that were issued on March 31, 2010 as if they were issued on January 1, 2010 (\$55,781) and the corresponding amortization of related bond issuance costs (\$1,678).
- d. Adjustment reflects the impact on income tax expense for the various pro forma pre tax adjustments.
- e. Pro forma earnings per share was computed using weighted average number of shares as if shares issued in the equity offering were outstanding at January 1, 2010. Historical weighted average shares previously reported were 211,235,893 basic shares and 213,638,176 diluted shares. Pro forma weighted averages shares were 225,669,867 basic shares and 228,072,150 diluted shares.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

The following are summaries of certain indebtedness of CONSOL Energy, and certain of its subsidiaries, and do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of those agreements, each of which has been previously filed with the SEC and are incorporated by reference in this prospectus.

Revolving Credit Facility

We entered into an amended and restated credit agreement dated as of May 7, 2010, which we refer to in this prospectus as the Credit Agreement, for a new senior secured credit facility with certain lenders, with Bank of America, N.A. as syndication agent, and with PNC Bank, National Association as administrative agent, which credit facility we refer to herein as the revolving credit facility. This new revolving credit facility replaced our existing \$1 billion senior secured credit facility which had been entered into effective June 27, 2007.

The Credit Agreement provides for a senior secured revolving credit facility in an aggregate outstanding principal amount of up to \$1.5 billion, including borrowings and letters of credit. In addition to refinancing all outstanding amounts under the prior facility, borrowings under the revolving credit facility may be used, among other things, for general corporate purposes and working capital.

Interest on outstanding indebtedness under the revolving credit facility currently accrues, at the Company's option, at a rate based on either: (a) the greatest of (i) the federal funds open rate plus 0.5%, (ii) PNC Bank, National Association's prime rate, and (iii) the daily LIBOR rate plus 1.0%, plus, in each case, a margin ranging from 1.5% to 2.5% or (b) the LIBOR rate plus a margin ranging from 2.5% to 3.5%.

The applicable margin added to the underlying interest rate fluctuates based on the Company's leverage ratio.

The revolving credit facility matures on May 7, 2014, and requires compliance with conditions precedent that must be satisfied prior to any borrowing as well as ongoing compliance with certain affirmative and negative covenants to which CONSOL Energy and most of its wholly-owned subsidiaries must adhere.

The affirmative covenants include (i) maintenance of existence, (ii) payment of obligations, including taxes, (iii) maintenance of properties, insurance, leases, books and records, permits, coal supply agreements and material contracts, (iv) compliance with laws, (v) use of proceeds, (vi) subordination of intercompany loans, (vii) compliance with anti-terrorism laws, and (viii) granting of collateral. In addition, if CNX Gas (and/or any of its subsidiaries) guarantees CONSOL Energy's 8.25% Senior Notes due 2020 or 8% Senior Notes due 2017, the Company will cause CNX Gas (and/or such subsidiaries) to guarantee the Credit Agreement. CNX Gas and its domestic subsidiaries guaranteed the revolving credit facility effective as of June 16, 2010.

The negative covenants of the revolving credit facility include restrictions on the ability of CONSOL Energy (and its wholly-owned subsidiaries which are parties to the revolving credit facility) (i) to create, incur, assume or suffer to exist indebtedness except in certain circumstances; (ii) to create or permit to exist liens on properties except in certain circumstances; (iii) to guaranty the debt of another party except in certain circumstances; (iv) to make loans or investments in excess of certain amounts except for permitted investments; (v) to make or pay dividends or distributions on CONSOL Energy common stock in excess of an annual rate of \$0.40 per share unless certain conditions are met; (vi) to merge, liquidate, dissolve or to make acquisitions except in certain circumstances; (vii) to dispose of assets in excess of certain amounts subject to certain ordinary course and other exceptions; (viii) to deal with any affiliate except on fair and reasonable arm's length terms; (ix) to create certain subsidiaries and joint ventures; (x) to engage in other businesses; (xi) to change its fiscal year; (xii) other than the Company, to issue additional equity to any person other than the Company or the other loan parties; (xiii) to amend certificates of incorporation, bylaws, or other organizational documents of the loan

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parties; (xiv) to make prepayments on or amendments to the Company's senior notes, (xv) to permit restrictions on upstream dividends and payments to or by loan parties or (xvi) to enter into agreements inconsistent with the Credit Agreement and loan documents. In addition, the Company is obligated to maintain at the end of each fiscal quarter (i) a leverage ratio not greater than 4.75 to 1.0 through March 31, 2013 and from June 30, 2013 and thereafter 4.50 to 1.0, subject to adjustment for certain dispositions; (ii) an interest coverage ratio equal to or greater than 2.0 to 1.0 through December 31, 2010 and 2.5 to 1.0 from March 31, 2011 and thereafter; and (iii) a senior secured leverage ratio not greater than 2.5 to 1.0 through December 31, 2010 and 2.0 to 1.0 from March 31, 2011 and thereafter; all as calculated in accordance with the terms and definitions determining such ratios contained in Credit Agreement. The Credit Agreement also contains various reporting requirements.

The revolving credit facility also contains customary events of default, including a cross-default to certain other debt, breaches of representations and warranties, change of control events and breaches of covenants.

The obligations under the Credit Agreement are guaranteed by the Company's subsidiaries (other than certain subsidiaries) and the obligations are secured by substantially all of the assets of the Company and its subsidiaries, excluding CNX Gas and its subsidiaries and certain other subsidiaries, pursuant to a pledge agreement, security agreement, patent security agreement, as well as various mortgages. In addition, in accordance with the terms of 2012 notes and pursuant to a collateral trust agreement related thereto, this collateral also ratably secures obligations under the 2012 notes.

CNX Gas Credit Facility

CNX Gas and its wholly-owned subsidiaries entered into a credit agreement, which we refer to in this prospectus as the CNX Gas Credit Agreement, dated as of May 7, 2010 for a new senior secured credit facility with certain lenders, with Bank of America, N.A. as syndication agent, and with PNC Bank, National Association as administrative agent. The new CNX Gas senior secured revolving credit facility, which we refer to herein as the CNX Gas revolving credit facility, replaced CNX Gas' existing \$200 million revolving credit facility which had been entered into effective October 7, 2005.

The CNX Gas Credit Agreement provides for a secured revolving credit facility in an aggregate outstanding principal amount of up to \$700 million, including borrowings and letters of credit. In addition to refinancing all outstanding amounts under the existing \$200 million facility, borrowings under the CNX Gas revolving credit facility may be used by CNX Gas for general corporate purposes, including, transaction fees, letters of credit, acquisitions, capital expenditures, exploration and development of hydrocarbon interests and working capital.

The availability under the CNX Gas revolving credit facility, including availability for letters of credit, is generally limited to a borrowing base, which is determined by the required number of lenders in good faith by calculating a loan value of CNX Gas' proved reserves and reducing that number by an equity cushion determined by the lenders required to approve the borrowing base.

Interest on outstanding indebtedness under the CNX Gas revolving credit facility currently accrues, at CNX Gas' option, at a rate based on either: (a) the greatest of (i) the federal funds open rate plus .5%, (ii) PNC Bank, National Association's prime rate, and (iii) the daily LIBOR rate plus 1.0%, plus, in each case a margin ranging from 1.0% to 2.0% or (b) the LIBOR rate plus a margin ranging from 2.0% to 3.0%.

The applicable margin added to the underlying interest rate fluctuates based on the facility utilization percentage.

The CNX Gas revolving credit facility matures on May 6, 2014, and requires compliance with conditions precedent that must be satisfied prior to any borrowing as well as ongoing compliance with certain affirmative and negative covenants to which CNX Gas and its wholly-owned subsidiaries must adhere.

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The affirmative covenants include (i) maintenance of existence, (ii) payment of obligations, including taxes, (iii) maintenance of properties, insurance, intellectual property and books and records, (iv) compliance with laws, leases, pipeline arrangements and other material contractual obligations, (v) use of proceeds, (vi) subordination of intercompany loans, (vii) compliance with anti-terrorism laws and (viii) granting of collateral and access to title information. In addition, if CNX Gas or any of its subsidiaries guarantees CONSOL Energy's credit facility, CONSOL Energy's 8.25% Senior Notes due 2020 or 8% Senior Notes due 2017, CNX Gas will cause CONSOL Energy and its subsidiaries which are parties to CONSOL Energy's credit facility to guarantee the CNX Gas Credit Agreement. CONSOL Energy and such subsidiaries guaranteed the CNX Gas revolving credit facility effective as of June 16, 2010.

The negative covenants of the CNX Gas revolving credit facility include restrictions on the ability of CNX Gas (and its wholly-owned subsidiaries) (i) to create, incur, assume or suffer to exist indebtedness except in certain circumstances; (ii) to create or permit to exist liens on properties except in certain circumstances; (iii) to guaranty the debt of another party except in certain circumstances (which exception includes CNX Gas and its wholly-owned subsidiaries' guarantee of the 2012 Notes; (iv) to make loans or investments in excess of certain amounts except for permitted investments; (v) to make or pay any dividends or distributions to third parties in excess of certain amounts subject to certain conditions; (vi) to merge, liquidate, or dissolve (excluding a merger of a wholly-owned subsidiary of CONSOL Energy into CNX Gas) except in certain circumstances; (vii) to dispose of assets in excess of certain amounts subject to certain ordinary course and other exceptions or to make certain acquisitions; (viii) to deal with any affiliate except on fair and reasonable arm's length terms; (ix) creation of certain subsidiaries and joint ventures; (x) to engage in other businesses; (xi) to change its fiscal year; (xii) other than CNX Gas, to issue additional equity to any person other than CNX Gas or its wholly-owned subsidiaries; (xiv) to amend certificates of incorporation, bylaws, or other organizational documents of the loan parties; (xv) to enter into any hedging agreement other than those permitted by the CNX Gas Credit Agreement in the ordinary course of CNX Gas' business; (xvi) to sell, transfer or convey or voluntarily pool or unitize its proved reserves except in certain circumstances; (xvii) to permit restrictions on upstream dividends and payments to or by loan parties or (xviii) to enter into agreements inconsistent with the CNX Gas Credit Agreement and loan documents. In addition, CNX Gas is obligated to maintain as of the end of each fiscal quarter a leverage ratio of not greater than 3.5 to 1.0 and an interest coverage ratio equal to or greater than 3.0 to 1.0, as calculated in accordance with the terms and definitions determining such ratios contained in CNX Gas Credit Agreement. The CNX Gas Credit Agreement also contains various reporting requirements.

The CNX Gas revolving credit facility also contains customary events of default, including a cross-default to certain other debt, breaches of representations and warranties, change of control events and breaches of covenants.

The obligations of CNX Gas under the CNX Gas Credit Agreement are guaranteed by CNX Gas' wholly-owned subsidiaries and by the Company and its other subsidiaries (other than certain subsidiaries) and the obligations are secured by substantially all of the assets of CNX Gas and its wholly-owned subsidiaries pursuant to a pledge agreement and security agreement, and may be secured in the future by mortgages. In addition, in accordance with the terms of the 2012 Notes, and pursuant to the CNX Gas collateral trust agreement, the CNX Gas collateral also ratably secures the 2012 Notes. CNX Gas and its wholly-owned subsidiaries are also guarantors of the 2012 Notes.

Senior Notes Due 2012

On March 7, 2002, CONSOL Energy issued \$250 million in aggregate principal amount of 7.875% senior notes due March 2012. These existing notes are guaranteed by any of our subsidiaries that incur or guarantee other indebtedness, including all of our subsidiaries that guarantee our revolving credit facility and CNX Gas and its subsidiaries. These existing notes are senior obligations of CONSOL Energy and will rank equally with all other unsecured and unsubordinated indebtedness of the guarantors of these existing notes. Interest is paid on a semi-annual basis. The existing notes may be redeemed, at our option, at a redemption price equal to the greater

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of: (i) 100% of the principal amount of the securities being redeemed on the redemption date or (ii) the principal sum of the present values of the remaining scheduled payments of principal and interest on the existing notes being redeemed, discounted to the redemption date on a semi-annual basis at the Treasury Rate (as defined in the indenture governing the 2012 notes) plus 45 basis points, in each case, plus accrued and unpaid interest.

With certain exceptions, the indenture governing the 2012 notes prohibits any of our subsidiaries from granting a security interest with respect to any indebtedness they incur or guarantee unless the 2012 notes are secured equally and ratably with such other secured debt. The indenture requires CONSOL Energy to cause each of its domestic subsidiaries that incurs or guarantees any indebtedness, to guarantee the 2012 notes, and, if applicable, execute and deliver to the trustee a supplemental indenture, pursuant to which such domestic subsidiary will guarantee payment of the existing notes.

The 2012 notes are secured on an equal and ratable basis with our and CNX Gas credit facilities.

Receivables Credit Facility

In 2007, CONSOL Energy and certain of its U.S. subsidiaries amended their existing trade accounts receivable facility with financial institutions for the sale on a continuous basis of eligible trade accounts receivable. The amended facility allows CONSOL Energy to receive, on a revolving basis, up to \$200 million. The amended facility also allows for the issuance of letters of credit against the \$200 million capacity. In accordance with the facility agreement, CONSOL Energy is able to receive proceeds based upon total eligible accounts receivable at the previous month-end. CONSOL Energy formed CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary for the sole purpose of buying and selling eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sell all of their eligible trade accounts receivable to CNX Funding Corporation. CNX Funding Corporation then sells, on a revolving basis, an undivided percentage interest in the pool of eligible trade accounts receivable to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the trade receivables. CONSOL Energy has agreed to continue servicing the sold receivables for the financial institutions for a fee based upon market rates for similar services.

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THE EXCHANGE OFFER

Purpose of the Exchange Offer

On April 1, 2010, we issued an aggregate principal amount of \$2,750,000,000 of original notes under the indentures in an offering under Rule 144A and Regulation S of the Securities Act that was not registered under the Securities Act. In connection with the issuance and sale of the original notes, we entered into a registration rights agreement with the initial purchasers of the original notes. Under the registration rights agreement, we agreed to file a registration statement regarding the exchange of the original notes for exchange notes which are registered under the Securities Act. We also agreed to use our reasonable best efforts to cause the registration statement to become effective with the SEC and to conduct this exchange offer after the registration statement is declared effective. The form and terms of the exchange notes are substantially identical to the original notes except that the issuance of the exchange notes has been registered under the Securities Act and the transfer restrictions, registration rights and certain additional interest provisions relating to the original notes do not apply to the exchange notes. Under the registration rights agreement, we may be required to make additional payments in the form of additional interest to the holders of the original notes under circumstances relating to the timing of the exchange offer. The registration rights agreement provides that we will be required to pay additional interest to the holders of the original notes if the exchange offer is not consummated as of the 366th day after April 1, 2010 or a shelf registration statement is required to be filed under the registration rights agreement but has not been declared effective on or prior to date required by the registration rights agreement.

The registration rights agreement is filed as an exhibit to the registration statement of which this prospectus forms a part. This summary of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which may be obtained as described under [Where You Can Find More Information](#).

Terms of the Exchange Offer

Upon the terms and conditions described in this prospectus, we will accept for exchange original notes that are properly tendered on or before the expiration date and not withdrawn as permitted below. As used in this prospectus, the term [expiration date](#) means 5:00 p.m., New York City time, on , 2010. However, if we, in our sole discretion, have extended the period of time for which the exchange offer is open, the term [expiration date](#) means the latest time and date to which we extended the exchange offer.

As of the date of this prospectus, \$2,750,000,000 aggregate principal amount of the original notes is outstanding. The original notes were offered under the indentures dated as of April 1, 2010. This prospectus is first being sent on or about , 2010 to all holders of original notes known to us. Our obligation to accept original notes for exchange in the exchange offer is subject to the conditions described under [Conditions to the Exchange Offer](#). We reserve the right to extend the period of time during which the exchange offer is open. We would then delay acceptance for exchange of any original notes by giving oral or written notice of an extension and delay to the holders of original notes as described below. During any extension period, all original notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any original notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the exchange offer. Holders of original notes do not have dissenters' rights of appraisal in connection with the exchange offer.

You may only exchange outstanding notes in denominations of \$2,000 and higher integral multiples of \$1,000.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified under [Conditions to the Exchange Offer](#). In the event of a material change in the

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terms of the offer, we will extend the expiration date, if necessary, so that at least five business days remain in the offer period following notice of the material change. We will give to the exchange agent oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the original notes as promptly as practicable. We will notify you of any extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the business day following the previously scheduled expiration date.

Our acceptance of the tender of original notes by a tendering holder will form a binding agreement upon the terms and subject to the conditions provided in this prospectus. The exchange offer is not being made to holders of original notes in any jurisdiction where the exchange would not comply with the securities or blue sky laws of such jurisdiction.

Procedures for Tendering

The tender to us of original notes by you, as set forth below, and our acceptance of the original notes will constitute a binding agreement between us and you, upon the terms and subject to the conditions set forth in this prospectus.

A tendering holder who holds notes in the form of book-entry interests must, on or prior to the expiration date, transmit an agent's message to the exchange agent at the address listed below under - Exchange Agent. In addition, the exchange agent must receive timely confirmation of book-entry transfer of the original notes into the exchange agent's account at the Depository Trust Company, or DTC, the book-entry transfer facility, along with the agent's message. The term agent's message means a message transmitted to DTC and received by the exchange agent and forming a part of a book-entry transfer.

Only registered holders of certificated original notes may tender certificated notes in the exchange offer. A tendering holder of certificated notes must, on or prior to the expiration date, transmit a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other required documents, to the address listed below under Exchange Agent. In addition, the exchange agent must receive the certificates representing the original notes prior to the expiration date.

If you are a beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and wish to tender, you should promptly instruct the registered holder to tender on your behalf. Any registered holder that is a participant in DTC's book-entry transfer facility system may make book-entry delivery of the original notes by causing DTC to transfer the original notes into the exchange agent's account.

We will determine in our sole discretion all questions as to the validity, form and eligibility of original notes tendered for exchange. This discretion extends to the determination of all questions concerning the timing of receipts and acceptance of tenders. These determinations will be final and binding.

We reserve the right to reject any particular original note not properly tendered, or any acceptance that might, in our judgment or our counsel's judgment, be unlawful. We also reserve the right to waive any conditions of the exchange offer as applicable to all original notes prior to the expiration date. We also reserve the right to waive any defects or irregularities or conditions of the exchange offer as to any particular original note prior to the expiration date. Our interpretation of the terms and conditions of the exchange offer as to any particular original note either before or after the expiration date shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within a reasonable period of time. None of us, the exchange agent or any other person will be under any duty to give notification of any defect or irregularity in any tender of original notes. Nor will we, the exchange agent or any other person incur any liability for failing to give notification of any defect or irregularity.

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By tendering, each holder represents to us that:

the holder is not an affiliate of CONSOL Energy (as defined in Rule 405 under the Securities Act) or a broker-dealer tendering notes acquired directly from us for its own account;

the exchange notes are being acquired in the ordinary course of business of the person receiving the exchange notes, whether or not that person is the holder; and

neither the holder nor the other person has any arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes.

In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes.

However, each holder who is our affiliate (within the meaning of the Securities Act) who intends to participate in the exchange offer for the purpose of distributing the exchange notes or a broker-dealer (within the meaning of the Securities Act) that acquired original notes in a transaction other than as part of its trading or market-making activities and who has arranged or has an understanding with any person to participate in the distribution of the exchange notes:

will not be able to rely on the applicable interpretation by the staff of the SEC set forth in the applicable no-action letters;

will not be able to tender its original notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Each broker or dealer that receives exchange notes for its own account in exchange for original notes, where the original notes were acquired by it as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. However, a broker-dealer may be a statutory underwriter. See Plan of Distribution.

Furthermore, any broker-dealer that acquired any of its original notes directly from us:

may not rely on the applicable interpretation of the staff of the SEC's position contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (April 13, 1988), *Morgan, Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991), and *Shearman & Sterling*, SEC no-action letter (July 2, 1993); and

must also be named as a selling holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

By delivering an agent's message, a beneficial owner (whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee) or holder will be deemed to have irrevocably appointed the exchange agent as its agent and attorney-in-fact (with

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full knowledge that the exchange agent is also acting as an agent for us in connection with the exchange offer) with respect to the original notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest subject only to the right of withdrawal described in this prospectus), to receive for our account all benefits and otherwise exercise all rights of beneficial ownership of such original notes, in accordance with the terms and conditions of the exchange offer.

Each beneficial owner or holder will also be deemed to have represented and warranted to us that it has authority to tender, exchange, sell, assign and transfer the original notes it tenders and that, when the same are accepted for exchange, we will acquire good, marketable and unencumbered title to such original notes, free and

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clear of all liens, restrictions, charges and encumbrances, and that the original notes tendered are not subject to any adverse claims or proxies. Each beneficial owner and holder, by tendering its original notes, also agrees that it will comply with its obligations under the registration rights agreement.

Guaranteed Delivery Procedures

Holders who wish to tender their original notes and

whose original notes are not immediately available;

who cannot deliver their original notes, the letter of transmittal or any other required documents to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer; or

who cannot complete the procedures for delivery by book-entry transfer prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer, may effect a tender if:

the tender is made by or through an eligible guarantor institution;

prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer, the exchange agent receives from such eligible guarantor institution a properly completed and duly executed Notice of Guaranteed Delivery, by facsimile transmission, mail or hand delivery, setting forth the name and address of the holder of the original notes, the certificate number or numbers of such original notes and the principal amount of original notes tendered, stating that the tender is being made thereby, and guaranteeing that, within three business days after the expiration date, a letter of transmittal, or facsimile thereof or agent's message in lieu of such letter of transmittal, together with the certificate(s) representing the original notes to be tendered in proper form for transfer and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent; and

a properly completed and duly executed letter of transmittal (or facsimile thereof) together with the certificate(s) representing all tendered original notes in proper form for transfer, or an agent's message in the case of delivery by book-entry transfer, and all other documents required by the letter of transmittal are received by the exchange agent within three business days after the expiration date.

Acceptance of Original Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all original notes properly tendered, unless we terminate the exchange offer because of the non-satisfaction of conditions. We will issue the exchange notes promptly after acceptance of the original notes. For purposes of the exchange offer, we will be deemed to have accepted properly tendered original notes for exchange when, as and if we have given oral or written notice to the exchange agent, with prompt written confirmation of any oral notice. See "Conditions to the Exchange Offer" below for a discussion of the conditions that must be satisfied before we accept any original notes for exchange.

For each original note accepted for exchange, the holder of the original note will receive an exchange note having a principal amount equal to that of the surrendered original note. The exchange notes will bear interest from the most recent date to which interest has been paid on the original notes. Accordingly, registered holders of exchange notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid on the original notes, from April 1, 2010. Original notes accepted for exchange will cease to accrue interest from and after the date of

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completion of the exchange offer. Holders of original notes whose original notes are accepted for exchange will not receive any payment for accrued interest on the original notes otherwise payable on any interest payment date, the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the original notes.

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In all cases, issuance of exchange notes for original notes will be made only after timely receipt by the exchange agent of an agent's message and a timely confirmation of the book-entry transfer of the original notes into the exchange agent's account at DTC.

Unaccepted or non-exchanged original notes will be returned without expense to the tendering holder of the original notes. The non-exchanged original notes will be credited to an account maintained with DTC promptly after the expiration of the exchange offer.

Book-Entry Transfer

The exchange agent will make a request to establish an account for the original notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC's systems must make book-entry delivery of original notes by causing DTC to transfer those original notes into the exchange agent's account at DTC in accordance with DTC's procedure for transfer. This participant should transmit its acceptance to DTC on or prior to the expiration date. DTC will verify this acceptance, execute a book-entry transfer of the tendered original notes into the exchange agent's account at DTC and then send to the exchange agent confirmation of this book-entry transfer. The transmission of the original notes and agent's message to DTC and delivery by DTC to and receipt by the exchange agent of the related agent's message will be deemed to be a valid tender.

Exchanging Book-Entry Notes

The exchange agent and the book-entry transfer facility have confirmed that any financial institution that is a participant in the book-entry transfer facility may utilize the book-entry transfer facility's Automated Tender Offer Program, or ATOP, procedures to tender original notes. Any participant in the book-entry transfer facility may make book-entry delivery of original notes by causing the book-entry transfer facility to transfer such original notes into the exchange agent's account in accordance with the book-entry transfer facility's ATOP procedures for transfer. However, the exchange for the original notes so tendered will only be made after a book-entry confirmation of the book-entry transfer of original notes into the exchange agent's account, and timely receipt by the exchange agent of an agent's message and any other documents required by the letter of transmittal. Delivery of documents to DTC in accordance with DTC's procedures does not constitute delivery to the exchange agent. The term "agent's message" means a message, transmitted by the book-entry transfer facility and received by the exchange agent and forming part of a book-entry confirmation, which states that the book-entry transfer facility has received an express acknowledgment from a participant tendering original notes that are the subject of such book-entry confirmation that such participant has received and agrees to be bound by the terms of the exchange offer as described in this prospectus, and that we may enforce such terms against such participant.

Withdrawal Rights

Tenders of original notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date.

For a withdrawal of a tender of original notes to be effective, the exchange agent must receive a valid withdrawal request through ATOP from the tendering DTC participant before the expiration date. Any such request for withdrawal must include the VOI number of the tender to be withdrawn and the name of the ultimate beneficial owner of the related original notes in order that such bonds may be withdrawn.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal. Any original notes so withdrawn will be deemed not to have been validly tendered for exchange. No exchange notes will be issued unless the original notes so withdrawn are validly re-tendered. Any original notes that have been tendered for exchange, but which are not exchanged for any reason, will be returned to the tendering holder without cost to the holder. The original notes will be credited to an account maintained with DTC for the original notes. The original notes will be credited to the DTC account promptly after withdrawal,

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rejection of tender or termination of the exchange offer. Properly withdrawn original notes may be re-tendered by following the procedures described under the heading "Procedures for Tendering" above at any time on or before 5:00 p.m., New York City time, on the expiration date.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any original notes, and may terminate or amend the exchange offer, if at any time prior to the expiration date any of the following events occurs:

there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission which, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer;

a change in applicable law prohibits the consummation of such exchange offer; or

any change, or any development involving a prospective change, has occurred or been threatened in our business, financial condition, operations or prospects and those of our subsidiaries taken as a whole that is or may be adverse to us, or we have become aware of facts that have or may have an adverse impact on the value of the original notes or the exchange notes, which in our reasonable judgment in any case makes it inadvisable to proceed with the exchange offer and about which change or development it makes a public announcement.

All conditions will be deemed satisfied or waived prior to the expiration date unless we assert them prior to the expiration date. The foregoing conditions to the exchange offer are for our sole benefit, and we may assert them prior to the expiration date regardless of the circumstances giving rise to any of these conditions, or we may waive them prior to the expiration date in whole or in part in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right.

In addition, we will not accept for exchange any original notes tendered, and no exchange notes will be issued in exchange for any original notes, if at the time the original notes are tendered any stop order is threatened or in effect relating to the registration statement of which this prospectus constitutes a part. We are required to make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a registration statement at the earliest possible moment.

Exchange Agent

We have appointed The Bank of Nova Scotia Trust Company of New York as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus or the related letter of transmittal and notice of guaranteed delivery to the exchange agent addressed as follows:

Delivery To:

The Bank of Nova Scotia Trust Company of New York

By Hand, Registered or Certified Mail, or Overnight Courier:

The Bank of Nova Scotia Trust Company of New York

Attention: Pat Keane

One Liberty Plaza

New York, NY 10006

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By Facsimile: (212) 225-5436

(Eligible Guarantor Institutions only)

To confirm by telephone for more information: (212) 225-5427

(Eligible Guarantor Institutions Only)

All other questions should be addressed to CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, PA 15317-6505, Attn. General Counsel.

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Fees and Expenses

The principal solicitation is being made by mail by the exchange agent. Additional solicitation may be made by telephone, facsimile or in person by our officers and regular employees and by persons so engaged by the exchange agent.

We will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith and pay other registration expenses, including fees and expenses of the trustee under the indenture, filing fees, blue sky fees and printing and distribution expenses. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer.

Accounting Treatment

We will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offer. We will amortize the expense of the exchange offer over the term of the exchange notes in accordance with accounting principles generally accepted in the United States of America.

Transfer Taxes

We will pay all transfer taxes, if any in connection with the exchange of original notes for exchange notes in the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the record holder or any other person, if we are instructed to register exchange notes in the name of, or requested to return any original notes not tendered or not accepted in the exchange offer to, a person other than the registered tendering holder.

Consequences of Exchanging or Failing to Exchange the Original Notes

Holders of original notes who do not exchange their original notes for exchange notes in the exchange offer will continue to be subject to the provisions in the applicable indenture regarding transfer and exchange of the original notes and the restrictions on transfer of the original notes as described in the legend on the original notes as a consequence of the issuance of the original notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the original notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Original note holders that do not exchange original notes for exchange notes in the exchange offer will no longer have any registration rights with respect to such notes.

Based on existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties unrelated to us, and subject to the immediately following sentence, we believe that the exchange notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act, subject to certain representations required to be made by each holder of exchange notes, as set forth below. However, any purchaser of exchange notes who is one of our affiliates (as defined in Rule 405 under the Securities Act) or who intends to participate in the exchange offer for the purpose of distributing the exchange notes:

will not be able to rely on the applicable interpretation of the staff of the SEC;

will not be able to tender its original notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements. See Plan of Distribution.

We do not intend to seek our own interpretation regarding the exchange offer and there can be no assurance that the SEC's staff would make a similar determination with respect to the exchange notes as it has in other interpretations to other parties, although we have no reason to believe otherwise.

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DESCRIPTION OF EXCHANGE NOTES

CONSOL Energy issued the original notes and will issue the exchange notes offered hereby (the Notes) under the Indenture dated as of April 1, 2010 (as supplemented through the date of this prospectus, the Indentures), among CONSOL Energy, the Guarantors and The Bank of Nova Scotia Trust Company of New York, as trustee. The Indentures have been filed as an exhibit to the registration statement of which this prospectus is part. The Indentures comply with the Trust Indenture Act of 1939. The terms of the notes include those stated in the Indentures and those made part of the Indentures by reference to the Trust Indenture Act.

On April 1, 2010, CONSOL Energy issued \$2.75 billion aggregate principal amount of original notes under the Indentures. The terms of the exchange notes will be identical in all material respects to the terms of the original notes, except for certain transfer restrictions and registration and other rights relating to the exchange of the original notes for exchange notes. The Bank of Nova Scotia Trust Company of New York, as trustee, will authenticate and deliver exchange notes for original issue in exchange for a like principal amount of original notes.

Description of Notes

Certain terms used in this description are defined under the subheading Certain definitions. As used in this section, the terms Company, we, us and our refer only to CONSOL Energy Inc., the issuer of the notes, and not to any of its subsidiaries.

The terms of the notes include those stated in the Indentures and those made part of the Indentures by reference to the Trust Indenture Act. The following description is only a summary of the material provisions of the Indentures. We urge you to read the Indentures because they, not this description, define your rights as a holder of the notes. You may request copies of the Indentures and the registration rights agreement at our address set forth under the heading Where You Can Find More Information.

General

The Company issued \$1.5 billion of 8.00% senior notes due 2017 and \$1.25 billion of 8.25% senior notes due 2020 under indentures, dated April 1, 2010, among CONSOL Energy, the Subsidiary Guarantors (as defined below) and The Bank of Nova Scotia Trust Company of New York, as Trustee.

Principal of and interest on the notes will be payable, and the notes may be exchanged or transferred, at our office or agency in the Borough of Manhattan, The City of New York, except that, at our option, payment of interest may be made by check mailed to the address of the Holders as such address appears in the note register.

The Notes will be issued only in fully registered form, without coupons, in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. No service charge shall be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Subject to the covenants described below under Certain covenants and applicable law, the Company may issue additional 2017 Notes, which we refer to as the Additional 2017 Notes, and additional 2020 Notes, which we refer to as the Additional 2020 Notes and, together with the Additional 2017 Notes, the Additional Notes, in each case, under the Indentures in unlimited principal amounts. The 2017 Notes and any Additional 2017 Notes subsequently issued under the Indentures would be treated as a single class for all purposes under the Indentures, in each case including, without limitation, waivers, amendments, redemptions and offers to purchase. The 2020 Notes and any Additional 2020 Notes subsequently issued under the Indentures would be treated as a single class for all purposes under the Indentures, in each case including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indentures and this Description of the notes, references to the notes include any Additional Notes actually issued.

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Terms of the notes

2017 Notes

The \$1.5 billion aggregate principal amount of 2017 Notes are unsecured senior obligations of the Company. The 2017 Notes will mature on April 1, 2017 and bear interest at 8.00% per annum from the date of original issuance, or from the most recent date to which interest has been paid or provided for, payable semiannually to Holders of record at the close of business (whether or not a Business Day) on the March 15 or September 15 immediately preceding the interest payment date on April 1 and October 1 of each year, beginning October 1, 2010. Interest on overdue principal and (to the extent permitted by law) on overdue installments of interest will accrue at 1% per annum in excess of such rate. Interest on the 2017 Notes will be computed on the basis of a 360-day year of twelve 30-day months.

2020 Notes

The \$1.250 billion aggregate principal amount of 2020 Notes are unsecured senior obligations of the Company. The 2020 Notes will mature on April 1, 2020 and bear interest at the rate per annum of 8.25% from the date of original issuance, or from the most recent date to which interest has been paid or provided for, payable semiannually to Holders of record at the close of business (whether or not a Business Day) on the March 15 or September 15 immediately preceding the interest payment date on April 1 and October 1 of each year, beginning October 1, 2010. Interest on overdue principal and (to the extent permitted by law) on overdue installments of interest will accrue at 1% per annum in excess of such rate. Interest on the 2020 Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Optional redemption

2017 Notes

Except as set forth in the following two paragraphs, the 2017 Notes will not be redeemable at the option of the Company prior to April 1, 2014. Thereafter, the 2017 Notes will be redeemable, at our option, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at the following redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest (including additional interest, if any) to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on April 1 of the years set forth below:

Period	Redemption Price
2014	104.000%
2015	102.000%
2016 and thereafter	100.000%

Prior to April 1, 2013, we may at our option on one or more occasions redeem the 2017 Notes (which includes Additional 2017 Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the 2017 Notes (which includes Additional 2017 Notes, if any) originally issued at a redemption price (expressed as a percentage of principal amount) of 108%, plus accrued and unpaid interest (including additional interest, if any) to the redemption date, with the net cash proceeds from one or more Stock Offerings; *provided* that at least 65% of such aggregate principal amount of 2017 Notes (which includes Additional 2017 Notes, if any) remains outstanding immediately after the occurrence of each such redemption (excluding 2017 Notes held, directly or indirectly, by the Company or its Affiliates) and each such redemption occurs within 60 days after the date of consummation of the related Stock Offering.

In addition, at any time prior to April 1, 2014, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, the Company may redeem the 2017 Notes, in

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whole but not in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium, plus accrued and unpaid interest (including additional interest, if any), if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

2020 Notes

Except as set forth in the following two paragraphs, the 2020 Notes will not be redeemable at the option of the Company prior to April 1, 2015. Thereafter, the 2020 Notes will be redeemable, at our option, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at the following redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest (including additional interest, if any) to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on April 1 of the years set forth below:

Period	Redemption price
2015	104.125%
2016	102.750%
2017	101.375%
2018 and thereafter	100.000%

Prior to April 1, 2013, we may at our option on one or more occasions redeem the 2020 Notes (which includes Additional 2020 Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the 2020 Notes (which includes Additional 2020 Notes, if any) originally issued at a redemption price (expressed as a percentage of principal amount) of 108.250%, plus accrued and unpaid interest (including additional interest, if any) to the redemption date, with the net cash proceeds from one or more Stock Offerings; *provided* that at least 65% of such aggregate principal amount of 2020 Notes (which includes Additional 2020 Notes, if any) remains outstanding immediately after the occurrence of each such redemption (excluding 2020 Notes held, directly or indirectly, by the Company or its Affiliates) and each such redemption occurs within 60 days after the date of consummation of the related Stock Offering.

In addition, at any time prior to April 1, 2015, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, the Company may redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium, plus accrued and unpaid interest (including additional interest, if any), if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection

In the case of any partial redemption, selection of the notes for redemption will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no note of \$2,000 in original principal amount or less shall be redeemed in part. If any note is to be redeemed in part only, the notice of redemption relating to such note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of such initial note.

Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

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Mandatory redemption; offers to purchase; open market purchases

We are not required to make any mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, we may be required to offer to purchase notes as described under the captions **Change of control** and **Certain covenants** **Limitation on sales of assets and subsidiary stock**. We may at any time and from time to time purchase notes in the open market or otherwise.

Guarantees

The Subsidiary Guarantors, jointly and severally, as primary obligors and not merely as sureties, will irrevocably, fully and unconditionally guarantee on a senior basis the performance and the punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, all of the obligations of the Company under the Indentures and the notes (all such obligations guaranteed by the Subsidiary Guarantors being herein called the **Guaranteed Obligations**). The Company derives a substantial portion of its operating income and cash flow from its subsidiaries, including the Subsidiary Guarantors.

Each Subsidiary Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero. See **Risk Factors** **Risks Related to the Exchange Notes** **A court could void our subsidiaries' guarantees of the notes under fraudulent transfer laws**.

Pursuant to the Indentures, a Subsidiary Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person to the extent described below under **Certain covenants** **Merger and consolidation** ; *provided, however*, that if such Person is not the Company, the Subsidiary Guarantor's obligations under the Indentures and its Subsidiary Guarantee must be expressly assumed by such other Person. However, upon the sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor (in each case other than to the Company or an Affiliate of the Company) in compliance with the covenant described below under **Limitation on sales of assets and subsidiary stock**, such Subsidiary Guarantor will be released and relieved from all its obligations under its Subsidiary Guarantee. See **Certain covenants** **Merger and consolidation**.

Ranking

The indebtedness evidenced by the notes and the Subsidiary Guarantees will be unsecured, general obligations of the Company and the relevant Subsidiary Guarantor, as the case may be, senior in right of payment, as set forth in the Indentures, to the payment of any future Indebtedness of the Company or the relevant Subsidiary Guarantor, as the case may be, that is expressly subordinated in right of payment to the notes or the Subsidiary Guarantees. The notes and Subsidiary Guarantees will be *pari passu* in right of payment with all existing and future unsecured senior obligations of the Company or the relevant Subsidiary Guarantor, as the case may be. The notes and Subsidiary Guarantees will be effectively subordinated to Secured Indebtedness of the Company and the applicable Subsidiary Guarantor, to the extent of the value of the assets securing such Indebtedness, including the obligations of the Company under, and such Subsidiary Guarantor's guarantee, if any, of the Company's obligations with respect to, the Credit Facilities and the 2012 Notes.

At September 30, 2010, the Company and the Subsidiary Guarantors would have had approximately \$464 million of secured indebtedness outstanding (excluding \$283 million of letters of credit outstanding under the Credit Facilities) and an additional \$1,703 million of unused commitments available to be borrowed under the

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Credit Facilities. In addition, our non-guarantor Subsidiaries would have had approximately \$24 million of liabilities, including trade payables, but excluding intercompany obligations.

Although the Indentures contain limitations on the amount of additional Indebtedness that the Company and the Subsidiary Guarantors may incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Secured Indebtedness. See Certain covenants Limitation on indebtedness.

The operations of the Company are currently conducted through its Subsidiaries and not all of its Subsidiaries guarantee the notes.

The notes will be effectively subordinated to all existing and future obligations, including Indebtedness, of any Restricted Subsidiaries that do not guarantee the notes and of any Unrestricted Subsidiaries. Claims of creditors of these Subsidiaries, including trade creditors, will generally have priority as to the assets of these Subsidiaries over the claims of the Company and the holders of the Company's Indebtedness, including the notes. CNX Funding Corporation (a Receivables Subsidiary) is an Unrestricted Subsidiary. The notes are structurally subordinated to the liabilities of the Unrestricted Subsidiaries.

Same day settlement and payment

We will make payments in respect of the notes (including principal, premium, if any, and interest, if any) by wire transfer of immediately available funds to the accounts specified by the holder. The notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds.

Change of control

(a) Upon the occurrence of any of the following events (each a Change of Control), each Holder shall have the right to require that the Company repurchase such Holder's notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any (including additional interest, if any), to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date), in accordance with the terms contemplated in paragraph (b) below:

- (1) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have beneficial ownership of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company (for the purposes of this clause (1), such person shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such person is the beneficial owner (as defined in this clause (1)), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent corporation);
- (2) during any period of two consecutive years from and after the Issue Date, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;
- (3) the shareholders of the Company shall have approved any plan of liquidation or dissolution of the Company; or

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- (4) (a) all or substantially all of the assets of the Company and the Restricted Subsidiaries are sold or otherwise transferred to any Person other than a Wholly-Owned Subsidiary or (b) the Company consolidates or merges with or into another Person or any Person consolidates or merges with or into the Company, in either case under this clause (4), in one transaction or a series of related transactions in which immediately after the consummation thereof Persons beneficially owning (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, Voting Stock representing in the aggregate a majority of the total voting power of the Voting Stock of the Company immediately prior to such consummation do not beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, Voting Stock representing a majority of the total voting power of the Voting Stock of the Company or the surviving or transferee Person.
- (b) Within 30 days following a Change of Control, the Company shall mail a notice to each Holder with a copy to the Trustee stating: (1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any (including additional interest, if any), to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date); (2) the circumstances and relevant facts regarding such Change of Control; (3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and (4) the instructions determined by the Company, consistent with this covenant, that a Holder must follow in order to have its Notes purchased.
- (c) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this covenant by virtue thereof.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the Company and the initial purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Company would decide to do so in the future. Subject to the limitations discussed below, the Company

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Expired or cancelled

Outstanding as of September 30, 2008

	1,434,997
\$	6.14
	163,500
\$	3.45

The following table summarizes information about stock warrants outstanding and exercisable as of September 30, 2008.

Exercise Price	Outstanding September 30, 2008	Weighted Average Remaining	Number exercisable
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			Life in Years	
\$	2.00	500,000	0.83	500,000
\$	3.50	184,997	0.03	184,997
\$	12.50	750,000	2.50	750,000
		1,434,997		1,434,997

Out of the 1,434,997 outstanding warrants, 1,434,997 shares were exercisable as of September 30, 2008. The remaining Class A Warrants represent the right to purchase an aggregate of 750,000 shares of Common Stock of the Company granted with the Securities Purchase Agreement, at an exercise price of \$12.50 per share, and have the following additional characteristics:

The Class A Warrants issued in our January 2008 Offering described in Note 8 above, represent the right to purchase an aggregate of 750,000 shares of common stock, at an exercise price of \$12.50 per share, and have the following additional characteristics:

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

9. Outstanding Warrants and Options (Continued)

- The Class A Warrants are exercisable beginning on the six-month anniversary of the closing of the January 2008 Offering and will expire July 31, 2011.
- Commencing on one-year anniversary of the Closing Date, in the event the Warrant Shares may not be freely sold by the holders of the Class A Warrants due to the Company's failure to satisfy its registration requirements, and an exemption for such sale is not otherwise available to the Warrant-holders under Rule 144, the Class A Warrants will be exercisable on a cashless basis.
- The Exercise Price and number of Warrant Shares will be subject to adjustment for standard dilutive events, including the issuance of Common stock, or securities convertible into or exercisable for shares of Common stock, at a price per share, or conversion or exercise price per share less than the Class A Warrant exercise price of \$12.50 per share.
- At anytime following the date a Registration Statement covering the Warrant Shares is declared effective, we will have the ability to call the Class A Warrants at a price of \$0.01 per Class A Warrant, upon thirty (30) days prior written notice to the holders of the Class A Warrants, provided (i) the closing price of the Common stock exceeded \$18.75 for each of the ten (10) consecutive trading days immediately preceding the date that the call notice is given by the Company, and (ii) the Company has attained an Adjusted EPS of at least \$1.75 per share for the fiscal year ending December 31, 2008, as set forth in our audited financial statements of the Company.
- If, among other things, we fail to cause a Registration Statement covering the Warrant Shares to be declared effective prior to the applicable dates set forth in the Registration Rights Agreement, the expiration date of the Class A Warrants shall be extended one day for each day beyond the Effectiveness Deadlines.
- If a Warrant-holder exercises its Put Right under the Put Agreement (as previously defined above), such Warrant-holder's right to exercise the Class A Warrants shall be suspended, pending the satisfaction of our obligations to pay the Warrant-holder the applicable Repurchase Price. Upon receipt of the Repurchase Price in full by the Warrant-holder, the Warrant-holder's right to exercise the Class A Warrants shall automatically and permanently terminate and expire, and the Class A Warrants shall be immediately cancelled on the books of the Company.

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2008.

Exercise Price	Outstanding September 30, 2008	Weighted Average		Exercisable Options	Unvested Options
		Remaining Life in Years			
\$ 3.00	50,000	0.03		50,000	-
\$ 3.65	113,500	3.25		54,150	59,350
	163,500			104,150	59,350

10. Inventories

The Company values its inventories at the lower of cost and market method. Inventories are accounted for using the first-in, first-out method. Inventories include packing materials, raw materials, supplemental materials, work-in-process, and finished products.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

10. Inventories (Continued)

As of September 30, 2008 and December 31, 2007, inventories consist of the following:

	September 30, 2008	December 31, 2007
Raw Material	\$ 312,583	\$ 252,318
Supplemental Material	329,860	32,296
Work-in-Process	455,373	57,337
Finished Products	705,613	29,721
Total Inventories	\$ 1,803,429	\$ 371,672

11. Property and Equipment

As of September 30, 2008 and December 31, 2007, Property and Equipment, net consist of the following:

	September 30, 2008	December 31, 2007
Buildings	\$ 9,836,358	\$ 2,861,011
Machinery and equipment	3,822,125	1,568,958
Land use rights	1,929,368	563,469
Transportation equipment	787,737	318,779
Furniture and equipment	228,419	96,501
Construction in progress	2,113,957	2,113,957
Total Property and Equipment	18,717,963	7,522,675
Less: Accumulated Depreciation	(965,087)	(661,243)
Property and Equipment, Net	\$ 17,752,876	\$ 6,861,432

For the nine months ended September 30, 2008 and 2007, depreciation expense totaled \$290,716 and \$191,740 respectively. In addition, depreciation included in cost of goods sold for the nine months ended September 30, 2008 and 2007 was \$186,986 and \$67,339, respectively.

12. Intangible Assets

As of the nine months ended September 30, 2008 and December 31, 2007, the Company's net unamortized intangible assets consist of:

	September 30, 2008	December 31, 2007
Patents	\$ 6,423,530	\$ 1,599,814
Distribution rights and customer lists	758,047	333,200
Total Intangible Assets, net	\$ 7,181,577	\$ 1,933,014

Amortization expense for the nine months ended September 30, 2008 and 2007 was \$232,659, and \$164,071 respectively.

Patents are amortized over the life of the patent of ten years and the distribution rights and customer lists are amortized over ten years.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

13. Taxes Payable

Taxes payable consists of the following:

	September 30, 2008	December 31, 2007
Value Added Tax, net	\$ 1,278,550	\$ 612,602
Enterprise Income Tax	2,683,570	940,819
City Tax	31,380	4,789
Other Taxes and additions	48,730	8,978
Total Taxes Payable	\$ 4,042,230	\$ 1,567,188

14. Land Use Rights Purchase Agreement

During the second quarter in 2007 TDR entered into an agreement with the Development and Construction Administration Committee of Harbin Song Bei New Development district to purchase the land use rights for 50 years for development of a new biotech engineering project. Terms of the agreement called for a deposit of 30% of the total land price within 15 days after signing the agreement, 40% payment 7 days prior to the start of construction and the balance of 30% 7 days after getting the formal land use right.

The project consists of two phases:

- (1) Construction of main workshop, R&D center and office using land area of 30,000 square meters. Construction started in May 2007 and is projected to be completed by end of 2008.
- (2) Construction of Second workshop and show room using land area of 20,000 square meters. Construction is expected to start in September 2008 and is projected to be completed by December 2009.

TDR has committed to the Development and Construction Administration Committee of the Harbin Song Bei New Development District that the minimum investment per square meter will be \$394.

As of September 30, 2008 and December 31, 2007, the Company has deposits totaling \$8,003,205 related to the acquisition of these land use rights.

15. Commitments and Contingencies

The formulation, manufacturing, processing, packaging, labeling, advertising, distribution and sale of external use Chinese medicine such as those sold by the Company are subject to regulations by one or more federal agencies. The principal federal agencies include the State Food and Drug Administration of the Government of the Peoples Republic of China, the Food and Drug Administration (the "FDA"), Heilongjiang Provincial Food and Drug Administration of the People's Republic of China (PFDA), National Biology Products Inspection Institute (NBPI) and the National Food and Drug Administration (NFDA) of the People's Republic of China and, to a lesser extent, the Consumer Product Safety Commission. These activities are also regulated by various governmental agencies for the countries, states and localities in which the Company's products are sold.

Although management believes that the Company is in material compliance with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with the applicable statutes, laws, rules and regulations will not be challenged by governing authorities or private parties, or that such challenges will not lead to material adverse effects on the Company's financial position, results of operations, or cash flows.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

15. Commitments and Contingencies (Continued)

The Company, like any other distributor or manufacturer of products is exposed to the inherent risk of product liability claims in the events of possible injuries caused by the use of its products. The Company does not have liability insurance with respect to product liability claims; the insurance environment of China is neither sufficient nor mature. Inadequate insurance or lack of contractual indemnification from parties supplying raw materials or marketing its products, and product liabilities related to defective products could have a material adverse effects on the Company.

The Company is not involved in any legal matters arising in the normal course of business. While incapable of estimation, in the opinion of the management, the individual regulatory and legal matters in which the Company might be involved in the future are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the information contained in the our consolidated financial statements and the notes thereto appearing elsewhere herein and in the risk factors and "Forward Looking Statements" summary set forth in the forepart of our Annual Report for the year ended December 31, 2007. This quarterly report on Form 10-Q contains forward-looking statements that are afforded the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. Readers should carefully review the risk factors disclosed in our Annual Report for the year ended December 31, 2007 and other documents filed by us with the SEC.

DISCUSSION

We primarily generate revenues, through our China based indirect subsidiaries described below, in the development, manufacture, marketing and sale of over-the-counter, branded nutritional supplements and over-the-counter plant and herb based pharmaceutical and medicinal products. Our principal products are external use Traditional Chinese Herbal Remedies/Medicines commonly referred to in the industry as "TCM." We have evolved into an integrated manufacturer, marketer and distributor of external use Chinese medicine products sold primarily in China and through Chinese domestic pharmaceutical chains and have been expanding our worldwide sales effort as well. We sell both our own manufactured products, as well as medicinal and pharmaceutical products manufactured by others in China.

We achieved continuing growth on the sale of both our own product line and a contract service line of manufacturer's products which we sell through our distribution channels. For the three months ended September 30, 2008, total revenue was \$29,699,282, a 77% increase over the same period in 2007, and net income was \$9,943,435, or \$0.60 per share compared to net income of \$5,446,271, or \$0.44 per share on a diluted basis in the same period in 2007. For the nine months ended September 30, 2008, total revenue was \$65,861,304, an 80% increased over the same period in 2007, and net income was \$21,919,013, or \$1.39 per share compared to net income of \$11,227,915, or \$0.90 per share on a diluted basis in the same period in 2007.

All of our business is conducted through our wholly-owned subsidiary, ACPG which, in turn, wholly owns Harbin Tian Di Ren Medical Science and Technology Company (referred to herein as "TDR"), a company organized in the PRC and TDR's subsidiaries.

TDR, formerly known as "Harbin City Tian Di Ren Medical Co.," was originally formed in 1994 and maintained its principal executive office in Harbin City of Heilongjiang Province, in the PRC. TDR was reorganized and incorporated as a limited liability company on December 29, 2000, under the "Corporation Laws and Regulations" of the PRC. At the time of the TDR Acquisition by ACPG in December of 2005, TDR had two wholly-owned subsidiaries, Harbin First Bio-Engineering Company Limited and Kangxi Medical Care Product Factory, until July, 2006, when the two were merged, with Harbin First Bio-Engineering Company Limited ("First" or "Harbin Bio Engineering") as the surviving subsidiary of TDR.

We have also recently organized Harbin Tian Qing Biotech Application Company as a wholly-owned PRC subsidiary of TDR, to conduct research and development in the areas of tissue and stem cell banks, which is described in more detail below.

Recent Developments

On April 3, 2008, TDR completed an acquisition pursuant to an Equity Transfer Agreement dated February 22, 2008, between TDR and Heilongjiang Tianlong Pharmaceutical, Inc., ("Tianlong"), a corporation with a multitude of SFDA approved medicines and new medicine applications, organized under the laws of the PRC which is in the business of manufacturing external-use pharmaceuticals. Our TDR subsidiary previously acquired the Beijing sales office of Tianlong in mid-2006. Pursuant to the Equity Transfer Agreement, TDR acquired 100% of the issued and outstanding capital stock of Tianlong from Tianlong's sole stockholder Wu Jiechen, a resident of China, in consideration for an aggregate purchase price of approximately \$8.3 million, consisting of (i) approximately \$8.0 million in cash, and (ii) approximately \$300,000 of shares of our common stock (23,850 shares, \$.001 par value per share).

On April 18, 2008, TDR consummated a share acquisition pursuant to an Equity Transfer Agreement with the shareholders of Heilongjiang Haina Pharmaceutical Inc., a recently formed corporation organized under the laws of the PRC (“Haina”) licensed as a wholesaler of TCD, bio-medicines, bio-products, medicinal devices, antibiotics and chemical medicines. Haina did not have an established sales network and was acquired for its primary asset, a Good Supply Practice (GSP) license (License No. A-HLJ03-010) issued by the Heilongjiang office of the SFDA. The SFDA recently started issuing such licenses to resellers of medicines that maintain certain quality controls. The GSP license was issued as of December 21, 2006 and will expire on January 29, 2012 and will enable us to expand our sales of medicinal products without having to go through a lengthy license application process.

Pursuant to the Equity Transfer Agreement, TDR acquired 100% of the issued and outstanding capital stock of Haina Pharmaceutical from its three stockholders in consideration for payment of 3,000,000 RMB (approximately \$427,838). TDR has been overseeing the operations of Haina Pharmaceutical since January of 2008 as part of its due diligence prior to closing of this acquisition.

On June 9, 2008, TDR entered into a Merger and Acquisition Agreement (the “Acquisition Agreement”) with Peng Lai Jin Chuang Pharmaceutical Company, a corporation organized under the laws of the PRC (“Jin Chuang”), which was recently organized to develop, manufacture and distribute pharmaceutical, medicinal and diagnostic products in the PRC. Pursuant to the Acquisition Agreement, on September 5, 2008, TDR acquired all of the assets of Jin Chuang in consideration for an aggregate of approximately (i) \$2.5 million in cash, and (ii) 381,606 shares of common stock of our common stock, with a fair value of approximately \$4.6 million at \$12 per share.

Summary of Our Research and Development Activities

We currently conduct all of our research and development (“R&D”) activities, either internally or through collaborative arrangements with universities and research institutions in the PRC. We have our own research, development and laboratory facilities located at TDR’s principal headquarters in the city of Harbin, Heilongjiang Province’ PRC.

Additionally, we have established several long-term partnerships with well-known universities and enterprises in the PRC. We have built a gene medicine laboratory through a collaborative effort with Harbin Medical University; established a cell laboratory with North East Agricultural University; and founded a monoclonal antibody laboratory with Jilin University. The foregoing are more fully described in our annual report Form 10-KSB for the year ended December 31, 2007.

In collaboration with Harbin Medical University, we have completed a laboratory experimental study pertaining to Endothelin-1, which is required prior to clinical trials, and we are currently applying for approval to enter clinical experiments. This medicine has been recognized by the PRC as the “Top Category in New Medicine.” In order to qualify as the “Top Category in New Medicine,” a company must have intellectual property rights, high technology involvement, strong innovation, and the medicine must be the first of its kind to be introduced to the PRC. We hold the intellectual property rights pertaining to this technology, and we have obtained an invention patent to this intellectual property in the PRC. Under our partnership arrangements with other universities and research institutions, we will generally hold the intellectual property rights to any developed technology.

At present, our ongoing research is divided into five general areas: (1) the development of an enzyme linked immune technique to prepare extraneous diagnostic kits (see table below); (2) the development of an enzyme linked gold colloid technique to prepare extraneous rapid diagnostic test strip; (3) the development of a gene recombination technique to prepare gene drug; (4) the development of a biology protein chip for various tumor diagnostic applications; and (5) the development of a cord blood stem cell bank, as more fully described in other reports of the Company.

We currently have eight biological products under development: an HIV detection kit; a uterus cancer diagnostic kit; a breast cancer diagnostic kit; a liver cancer diagnostic kit; a rectum cancer diagnostic kit; a gastric cancer diagnostic kit; a gene recombination drug; and a multi-tumor marker protein chip detection kit. We are also working to establish additional sales networks and cell banks covering domestic and international markets.

Testing Kits and Other Products in Production

We also have three products: AMI Diagnostic Kit, Human Urinary Albumin Elisa Kit and Early Pregnancy Diagnostic Kit that passed the final stages of national inspection in 2006 or 2007. These diagnostic kits are being sold through drug stores, hospitals, examination stations and independent sales agents throughout the PRC. We also plan to market these products in Vietnam, Indonesia, Philippines and eventually in Africa. We expect our sales in this product category to increase in mid 2008.

Our AMI Diagnostic Kit, which entered markets in 2007, is used for early diagnosis of Myocardial Infarction (MI), also known as heart disease. All the test kits require users to place a blood or urine sample on the marker and a positive (+) or negative (-) reaction signal will result, showing if a user should consult his or her doctor for further testing. According to the China Medical Newspaper, Several million people die from MI every year. MI often occurs to people who are, but not limited to, smokers, over-weight and diabetic. There are approximately 8 million new MI patients in China every year. Recent medical studies have shown that heart failure or heart attacks are increasing among younger people in China. This is a result from a more modern life style, the fast pace of city life and increased pressure from work or school. The use of AMI Diagnostic Kits will help in early detection that can help in reducing these statistics.

We are continuing our marketing efforts with respect to these testing kits which we anticipate will result in continued increased sales of these products in 2008.

Significant Accounting Estimates and Policies

The discussion and analysis of our financial condition and results of operations is based upon our financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities. On an on-going basis, we evaluate our estimates including the allowance for doubtful accounts, the salability and recoverability of our products, income taxes and contingencies. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Property and equipment are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, we must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the recoverable amount is less than the carrying amount, an impairment charge must be recognized based on the fair value of the asset.

As part of the process of preparing our financial statements, we are required to estimate our income taxes. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent that we establish a valuation allowance or increase this allowance in a period, we must include a tax provision or reduce our tax benefit in the statements of operations. We use our judgment to determine our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We believe, based on a number of factors including historical operating losses, we will not realize the future benefits of a significant portion of our net deferred tax assets and we have accordingly provided a full valuation allowance against our deferred tax assets. However, various factors may cause those assumptions to change in the near term.

We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes in laws and regulations on a regular basis and update the assumptions and estimates used to prepare our financial statements when we deem it necessary.

We have determined the significant principles by considering accounting policies that involve the most complex or subjective decisions or assessments. Our most significant accounting policies are those related to intangible assets and research and development.

Intangible assets - Intangible assets consist of patents, distribution rights and customer lists. Patent costs are being amortized over the remaining term of the patent. Distribution rights and customer lists are being amortized over 10 years.

Intangible assets are accounted for in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Intangible assets with finite useful lives are amortized while intangible assets with indefinite useful lives are not amortized. As prescribed by SFAS 142, goodwill and intangible assets are tested periodically for impairment. We adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. Accordingly, we review our long-lived assets, including property and equipment and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of our long-lived assets, we evaluate the probability that future undiscounted net cash flows will be less than the carrying amount of the assets. Impairment costs, if any, are measured by comparing the carrying amount of the related assets to their fair value.

Research and development—Research and development expenses include the costs associated with our internal research and development as well as research and development conducted by third parties. These costs primarily consist of salaries, clinical trials, outside consultants, and materials. All research and development costs are expensed as incurred.

Third-party expenses were reimbursed under non-refundable research and development contracts, and are recorded as a reduction to research and development costs in the statement of operations.

We recognize in-process research and development in accordance with FASB Interpretation No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method* and the AICPA Technical Practice Aid, Assets Acquired in a Business Combination to be used in Research and Development Activities: A Focus on Software, Electronic Devices, and Pharmaceutical Industries. Assets to be used in research and development activities, specifically, compounds that have yet to receive new drug approval and would have no alternative use, should approval not be given, are immediately charged to expense when acquired.

For the nine and three months ended September 30, 2008, we incurred \$4,719,554 and \$2,677,142, respectively, in research and development expenditures. For the nine and three months ended September 30, 2007, such costs were \$1,751,624 and \$1,355,784.

RESULTS OF OPERATIONS

Three months ended September 30, 2008 as compared to Three months ended September 30, 2007

Our principal business operations are conducted through our wholly owned subsidiary, TDR, and TDR's wholly-owned subsidiaries.

	2008	September 30 Variance	2007
REVENUES			
Product Sales (net of sales allowance)	\$ 28,159,828	127%	\$ 12,410,839
Contract Sales	1,539,454	(65)%	4,359,731
Total revenues	\$ 29,699,282	77%	16,770,570
COST OF GOOD SOLD			
Cost of good sold	7,366,059	101%	3,669,012
Gross Profit	\$ 22,333,223	70%	\$ 13,101,558

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Total revenues increased by 77% in the three months ended September 30, 2008 compared to 2007. The \$12.9 million increase in sales is attributable to strong performances from our sales distribution channels.

Product sales increased by 127% in the three months ended September 30, 2008, to \$28,159,828 from \$12,410,839 in 2007. This growth in sales is attributable to volume and our efforts to continue to develop our distribution channels by hiring additional direct territory managers and sales agents to assure that our products and their associated benefits are seen by those making or influencing the purchasing decisions.

Contract sales of non-manufactured products amounted to \$1,539,454 in the three months ended September 30, 2008, or a significant decrease of \$2,820,277 from sales of \$4,359,731 in 2007. In 2008, TDR began to discontinue contract sales as part of its strategic goals.

Sales by Product Line

A break-down of our sales by product line for the three months ended September 30 2008 and 2007 is as follows:

<i>Product category</i>	Three Months Ended September 30,						
	2008			2007			<i>Period-on- period Quantity Variance</i>
	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	
Spray	1,100,174	\$ 2,927,030	10%	1,164,187	\$ 3,032,301	18%	(64,013)
Plaster	1,463,453	3,285,092	11%	271,250	375,712	2%	1,192,203
Ointment	2,416,174	3,728,555	13%	1,038,798	934,603	6%	1,377,376
Cleaning Liquid	473,040	683,225	2%	854,042	568,577	3%	(381,002)
Lose weight Series	2,071,000	8,050,588	27%	838,000	4,577,936	27%	1,233,000
Antihypertension	292,260	1,620,953	6%	366,300	1,823,282	11%	(74,040)
Contract products	1,032,713	1,539,454	5%	2,354,974	4,359,731	26%	(1,322,261)
Biochemical products	679,209	2,407,927	8%	505,026	1,098,429	7%	174,183
Tianlong products	3,374,982	5,456,458	18%	-	-	-%	3,374,982
Total	12,903,005	\$ 29,699,282	100%	7,392,577	\$ 16,770,570	100%	5,510,428

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A break-down of our sales by product line for the three months ended June 30, 2008 and 2007 is as follows:

<i>Product category</i>	Three Months Ended June 30,						
	2008			2007			<i>Period-on-period Quantity Variance</i>
	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	
Spray	1,135,436	\$ 3,100,075	14%	1,045,658	\$ 2,587,016	18%	89,778
Plaster	849,287	2,012,726	8%	152,226	408,364	3%	697,061
Ointment	3,538,944	6,559,479	28%	464,170	807,126	6%	3,074,774
Cleaning Liquid	550,237	796,469	3%	380,716	487,920	3%	169,521
Lose weight Series	1,086,170	6,013,639	25%	404,109	4,270,031	29%	682,061
Antihypertension	153,030	1,259,624	5%	218,320	2,102,988	14%	(65,290)
Contract products	1,250,670	1,861,225	8%	2,020,422	3,573,381	24%	(769,752)
Biochemical products	429,943	2,145,355	9%	177,950	408,421	3%	251,993
Total	8,993,717	\$ 23,748,592	100%	4,863,571	\$ 14,645,247	100%	4,130,146

A break-down of our sales by product line for the three months ended March 31 2008 and 2007 is as follows:

<i>Product category</i>	Three Months Ended March 31,						
	2008			2007			<i>Period-on-period Quantity Variance</i>
	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	
Spray	723,142	\$ 1,870,457	15%	534,729	\$ 1,349,377	26%	188,413
Plaster	126,623	356,053	3%	101,099	269,893	5%	25,524
Ointment	1,163,937	1,476,118	12%	417,680	618,889	12%	746,257
Cleaning Liquid	353,423	495,714	4%	245,810	296,365	6%	107,613
Lose weight Series	261,100	1,984,588	16%	9,127	64,503	1%	251,973
Antihypertension	136,969	1,419,747	11%	93,187	886,171	17%	43,782
Contract products	1,525,670	2,974,847	24%	952,481	1,691,548	33%	573,189
Biochemical products	278,320	1,835,905	15%	19,622	2,371	0%	258,698
Total	4,569,184	\$ 12,413,430	100%	2,373,735	\$ 5,179,116	100%	2,195,449

There were various changes in the break-down of sales among our product lines over the three months ended September 30, 2008 as we continue to develop new products and expand into new markets. As shown in the table above, sales volume for all product increased as compared to the three months ended September 30, 2007. To maintain our competitiveness in the PRC markets, unit selling prices were moderately reduced in 2008. However, the Company was able to negotiate a lower purchase price from our suppliers which negated the decrease in the selling prices of our products. Overall, the Company was able to maintain our 2007 product gross margins of 77% in the year 2008.

Cost of Goods Sold and Product Gross Margin

	Three months ended September 30,		
	2008	Variance	2007
Total sales	\$ 29,699,282	77%	\$ 16,770,570
Cost of goods sold	\$ 7,366,059	101%	\$ 3,669,012
Product gross margin	75%		78%

Operating Expenses.

The following table summarizes the changes in our operating expenses from \$6,511,757 to \$10,582,118 for each of the periods ended September 30, 2007 and 2008, respectively:

	Three months ended September 30,		
	2008	Variance	2007
Operating Expenses			
Research and Development	\$ 2,677,142	97%	\$ 1,355,784
Selling, General and Administrative	7,596,953	49%	5,100,408
Depreciation and amortization	308,023	454%	55,565
Total operating expenses	\$ 10,582,118	63%	\$ 6,511,757

Selling, general and administrative expenses for the three months ended September 30, 2008 increased approximately \$2.5 million over the same period in 2007. The higher selling, general and administrative expenses were primarily attributable to the increased costs of marketing our products for sale to generate our increased product sales from \$16,770,570 in 2007 to \$29,699,282 in 2008.

Research and development expenses were \$2,677,142 in the three months ended September 30, 2008 compared to \$1,355,784 for 2007. The increased R&D expenses in 2008 were primarily due to additional clinical trials and development of patents for additional Company sale products.

Nine months ended September 30, 2008 as compared to nine months ended September 30, 2007

Our principal business operations are conducted through our wholly-owned subsidiary, TDR, and TDR's subsidiaries.

	September 30		
	2008	Variance	2007
REVENUES			
Product Sales (net of sales allowance)	\$ 59,460,285	120%	\$ 26,968,400
Contract Sales	6,401,019	(34)%	9,626,533
Total revenues	65,861,304	80%	36,594,933
COST OF GOOD SOLD			
Cost of good sold	15,748,801	94%	8,104,355
Gross Profit	\$ 50,112,503	76%	\$ 28,490,578

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Total revenues increased by 80% in the nine months ended September 30, 2008 compared to the same period in 2007. The \$29.3 million increase in revenues is attributable to strong performances from our sales distribution channels .

Product sales increased by 120% in the nine months ended September 30, 2008, to \$59,460,285 from \$26,968,400 in 2007. This growth in sales is attributable to volume and our efforts to continue to develop our distribution channels by hiring additional direct territory managers and sales agents to assure that our products and their associated benefits are seen by those making or influencing the purchasing and product sales decisions.

Contract sales amounted to \$6,401,019 in the nine months ended September 30, 2008, or a significant decrease of \$3,225,514 from sales of \$9,626,533 for the same period in 2007. In 2008, TDR began to discontinue contract sales as a part of its strategic goals.

Sales by Product Line

A break-down of our sales by product line for the nine months ended September 30 2008 and 2007 is as follows:

<i>Product category</i>	Nine Months Ended September 30,						
	2008			2007			<i>Period-on- period Quantity Variance</i>
	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	<i>Quantity (Kilogram)</i>	<i>Sales USD</i>	<i>% of Sales</i>	
Spray	2,280,775	\$ 7,443,877	11%	2,744,574	\$ 6,974,614	19%	(463,799)
Plaster	2,252,996	5,157,642	8%	388,950	1,057,907	3%	1,864,046
Ointment	6,451,274	9,504,277	14%	1,401,249	2,366,021	6%	5,050,025
Cleaning Liquid	1,265,008	1,808,189	3%	1,053,547	1,354,749	4%	211,461
Lose weight Series	3,418,270	16,033,286	24%	832,236	8,894,353	24%	2,586,034
Antihypertension	582,259	4,306,398	7%	494,657	4,826,468	13%	87,602
Contract sales	3,809,053	6,401,019	10%	5,327,877	9,626,533	26%	(1,518,824)
Bio-chemical Products	1,387,472	6,398,220	10%	450,085	1,494,289	4%	937,387
Tianlong Products	5,585,406	8,808,400	13%	-	-	-%	5,585,406
Total	27,032,513	\$ 65,861,308	100%	12,693,175	\$ 36,594,933	100%	14,339,338

There were various changes in the break-down of sales among our product lines over the nine months ended September 30, 2008 due to developing new products and our expansion into new markets. As shown in the table above, sales volume for all product increased as compared to the nine months ended September 30, 2007. To maintain our competitiveness in the PRC markets, unit selling prices were moderately reduced .in 2008. However, the Company was able to negotiate a lower price from our suppliers which partially negated the lower sale prices for our products. Overall, the Company's gross margins were 76% for the nine months ended September 30, 2008 as compared to 78% for the same period in the prior year.

Cost of Goods Sold and Product Gross Margin

	Nine Months Ended September 30,			
	2008		Variance	2007
Total sales	\$ 65,861,304	80%	\$	36,594,933
Cost of goods sold	\$ 15,748,801	94%	\$	8,104,355
Product gross margin		76%		78%

Operating Expenses

The following table summarizes the changes in our operating expenses from \$14,826,514 to \$23,383,736 for each of the nine month periods ended September 30, 2007 and 2008, respectively:

Operating Expenses	September 30		
	2008	Variance	2007
Research and Development	\$ 4,719,554	169%	\$ 1,751,624
Selling, General and Administration	18,140,807	42%	12,798,383
Depreciation and amortization	523,375	89%	276,507
Total operating expenses	\$ 23,383,736	58%	\$ 14,826,514

Selling, general and administrative expenses for the nine months ended September 30, 2008 increased by approximately \$5.3 million over the same period in 2007. Increased costs were primarily attributable to higher marketing costs used to generate our increased revenues from \$36,594,933 in 2007 to \$65,861,304 in 2008.

Research and development expenses were \$4,719,554 for the nine months ended September 30, 2008 compared to \$1,751,624 for the same period in 2007. The increased R&D expenses in 2008 were primarily due to additional clinical trials and development of patents.

2008 Outlook

We expect our total revenues in 2008 to increase by 80% versus 2007, to approximately \$90.0 million, with increases in sales of all categories of our products. Sales are expected to increase approximately \$0.82 million in Spray products, \$7.23 million in Plaster products, \$9.0 million in Ointment products, \$0.68 million in Cleaning Liquid products, and \$23.17 million in miscellaneous health and beauty products manufactured by others (including, Lose Weight Series, Anti-hypertension products, Bio-chemical products, Tianlong products and Jin Chuang products). We expect our cost of sales will increase approximately \$9.8 million, gross profit will increase approximately \$31.0 million, and gross margin will be at 77%.

The increase in the Company's 2008 financial estimates is primarily due to anticipated strong results from an advertising campaign for our sales products launched in the second quarter of 2008, as well as expected contributions from the various business acquisitions made in 2008.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our cash and cash equivalents position, our working capital, and our cash flow activity as of the end of, and for each of, nine months periods ended September 30, 2008 and 2007:

	2008	2007
As of September 30:		
Cash, cash equivalents and marketable securities	\$ 50,948,530	\$ 6,982,621
Working capital	\$ 52,962,780	\$ 10,330,854
Inventories	\$ 1,803,429	\$ 978,314
Three Months Ended September 30:		
Cash provided by (used in):		
Operating activities	\$ 26,688,531	\$ 10,210,212
Investing activities	\$ (11,708,556)	\$ (10,170,560)
Financing activities	\$ 24,532,132	\$ (395,416)

As of September 30, 2008, cash and cash equivalents were \$50,948,530 as compared to \$6,982,621 at September 30, 2007. The increase of approximately \$44.0 million in 2008 was primarily due to our increase in net income of approximately \$10.7 million (\$11,227,915 to \$21,919,013 for each of the nine months ended September 30, 2007 and 2008, respectively) and the receipt of net proceeds of approximately \$23.5 million from the 2008 issuance of 2,500,000 shares of common stock.

The Company's current ratio was 6.82, versus 2.89 and the quick ratio was 6.61 versus 2.70 at September 30, 2008 and 2007, respectively. Management endeavors to ensure that funds are available to take advantage of new investment opportunities and that funds are sufficient to meet future liquidity and capital needs. Management considers current working capital and borrowing capabilities adequate to cover the Company's current operating and capital requirements for the full year 2008.

At September 30, 2008, there are no restrictive bank deposits pledged as security.

Cash flows provided by operating activities was approximately \$26.7 million for the nine months ended September 30, 2008 compared to \$10.2 million for the same period in 2007. The increase in cash provided by operating activities of approximately \$16.5 million is primarily attributable to the increase of revenues from approximately \$36.6 million to \$65.9 million for each of the periods ended September 30, 2007 and 2008, respectively.

Our working capital position at September 30, 2008 was approximately \$53.0 million, compared to \$10.3 million at September 30, 2007. The increased working capital position in 2008 was principally due to higher net income generated in 2008 versus 2007 (\$21.9 million versus \$11.3 million, respectively) and the 2008 capital raising activities which generated net proceeds of approximately \$23.5 million.

Our inventory position amounted to approximately \$1.8 million at September 30, 2008, as compared to \$1.0 million at September 30, 2007. The increased inventory position primarily results from our business acquisition of Tianlong in 2008.

Currency Exchange Fluctuations

All of our revenues and majority of the expenses during the nine months ended September 30, 2008 were denominated primarily in Renminbi ("RMB"), the currency of China, and was converted into US dollars at the exchange rate of approximately 6.99886 RMB to 1 U.S. Dollar. In the third quarter of 2005, the Renminbi began to rise against the US dollar. There could be no assurance that RMB-to-U.S. dollar exchange rates will remain stable. A devaluation of RMB relative to the U.S. dollar would adversely affect our business, financial condition and results of operations. We do not engage in currency hedging.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are currently material or reasonably likely to be material to our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and interim chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of September 30, 2008. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and interim chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and interim chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our third quarter of fiscal 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The Company regularly reviews its internal controls and plans on updating and expanding the same as an accelerated filer.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any pending legal proceedings.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In the three-month period ended September 30, 2008, and subsequent period through the date hereof, we did not engage in any unregistered sales of equity securities other than as set forth below:

Acquisition of Peng Lai Jin Chuang Pharmaceutical Company

On September 5, 2008, Harbin Tian Di Ren Medical Science and Technology Company, a wholly-owned subsidiary of American California Pharmaceutical Group, Inc., our wholly-owned subsidiary, acquired 100% of the equity of Peng Lai Jin Chuang Pharmaceutical Company, a corporation organized under the laws of the PRC, in consideration for a purchase price of \$7.1 million, consisting of (a) \$2.5 million in cash, and (b) 384,606 shares of our common stock (valued at \$12.00 per share). We previously reported this transaction in a Form 8-K filed with the SEC on September 11, 2008.

We believe that this transactions is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2), or Regulation D promulgated thereunder, as a transaction by an issuer not involving a public offering.

Exercises of Warrants and Stock Options

Between July 1, 2008 and September 30, 2008, we issued an aggregate of 471,889 shares of our common stock to eight persons in connection with their exercise of outstanding warrants of ours, at an exercise price of \$3.50 per share.

In addition, as of September 16, 2008, one warrant holder exercised warrants to purchase 500,000 shares of our common stock on a cashless basis, pursuant to the terms of the warrant agreement it had with us. In connection with the cashless exercise, the warrant holder was deemed to have paid an amount equal to the difference between the exercise price (\$2.00 per share) and the average closing price of a share of our common stock during the ten (10) trading days ending on the date of exercise (\$12.67 per share). As a result of such cashless exercise, we issued an aggregate of 421,055 shares of our common stock to the warrant holder and its designees.

Since October 1, 2008, we issued (a) an aggregate of 200,000 shares of our common stock to twenty-four persons in connection with their exercise of outstanding warrants of ours, at an exercise price of \$3.50 per share, and (b) 50,000 shares of our common stock to one person in connection with his exercise of outstanding stock options of ours, at an exercise price of \$3.00 per share.

In addition, as of October 4, 2008, one warrant holder exercised warrants to purchase 200,000 shares of our common stock on a cashless basis, pursuant to the terms of the warrant agreement he had with us. In connection with the cashless exercise, the warrant holder was deemed to have paid an amount equal to the difference between the exercise price (\$2.00 per share) and the average closing price of a share of our common stock during the ten (10) trading days ending on the date of exercise (\$11.85 per share). As a result of such cashless exercise, we issued an aggregate of 166,245 shares of our common stock to the warrant holder. Under his warrant agreement, the warrant holder still holds warrants to purchase an additional 300,000 shares of our common stock, which may be exercised in whole, or in part, for cash, or on a cashless basis.

We believe that these transactions are exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2), or Regulation D promulgated thereunder, as transactions by an issuer not involving a public offering.

Item 3. Defaults Upon Senior Securities.

In the three-month period ended September 30, 2008, and subsequent period through the date hereof, we did not default upon any senior securities.

Item 4. Submission of Matters to a Vote of Security Holders.

In the three-month period ended September 30, 2008, and subsequent period through the date hereof, we did not submit any matters to a vote of our stockholders, except as follows:

On September 30, 2008 (the "Record Date"), we obtained the written consent of the holders of 8,158,251 shares of our common stock, which as of the Record Date represented 51.3% of our outstanding voting securities, to increase our number of authorized shares of common stock from twenty million (20,000,000) shares to fifty million (50,000,000) shares. The increase will take effect at such time as we file a Certificate of Amendment (the "Amendment") to our Articles of Incorporation with the Secretary of State of the State of Nevada. Under Section 14(c) of the Exchange Act and Rule 14c-2 promulgated thereunder, the Amendment cannot be effected until 20 days after the date that a Definitive Information Statement is sent to our stockholders of record as of the Record Date. A Preliminary Information Statement was filed with the Securities and Exchange Commission ("SEC") on October 3, 2008. A Definitive Information Statement was filed with the SEC on October 17, 2008, and mailed to our stockholders on or around October 20, 2008. We expect the effective date of the Amendment to be on or around November 10, 2008.

Item 5. Other Information.

There was no information we were required to disclose in a report on Form 8-K during the three-month period ended September 30, 2008, or subsequent period through the date hereof, which was not so reported, except as follows:

Acquisition of Peng Lai Jin Chuang Pharmaceutical Company

On June 9, 2008, Harbin Tian Di Ren Medical Science and Technology Company, a wholly-owned subsidiary of American California Pharmaceutical Group, Inc., our wholly-owned subsidiary, entered into an acquisition agreement with Peng Lai Jin Chuang Pharmaceutical Company ("Jin Chuang"). In connection with this transaction, Jin Chuang represented that its assets had a value of approximately \$10.1 million. This was a non-binding estimate used as a basis for negotiation. Ultimately, the agreed upon purchase price for Jin Chuang was \$7.1 million. The transaction was consummated as of September 5, 2008. On September 11, 2008, we filed a Form 8-K in which we stated that, within 75 days of the closing, we would file an amendment to include (a) audited financial statements for Jin Chuang for the periods specified in Rule 3-05(b) of Regulation S-X, and (b) the pro forma financial information required under Article 11 of Regulation S-X. Subsequently, we hired an independent appraisal firm to complete an appraisal of Jin Chuang, which reflected that the acquired assets had a fair value of approximately \$7.2 million. Therefore, we have determined that we are not required to file the audited financial statements and/or pro forma information referred to above.

Listing on Nasdaq

As of September 14, 2008, we terminated our listing on the American Stock Exchange and became listed on the Nasdaq Global Market.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
31.2	Certification of Interim Principal Financial and Accounting Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer)*
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Interim Principal Financial and Accounting Officer)*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA SKY ONE MEDICAL, INC.

Dated: November 7, 2008

By:

/s/ Liu Yan-Qing
Liu Yan-Qing
President and Chief Executive Officer

Dated: November 7, 2008

By:

/s/ Zhang Yukun
Zhang Yukun
Interim Chief Financial Officer