



Code of Business Conduct and Ethics

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1. INTRODUCTION

This Code of Business Conduct and Ethics (this "**Code**") of James River Coal Company (the "**Company**" or "**we**") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out policies to guide all employees, officers and directors of the Company and its consolidated subsidiaries. All of the Company's employees, officers and directors must conduct themselves according to these policies and seek to avoid even the appearance of improper behavior.

Those persons who violate the policies in this Code will be subject to disciplinary action, up to and including a discharge from the Company and, in some cases, civil liability and criminal prosecution. If you are in a situation that you believe may violate or lead to a violation of this Code, or if you become aware of violations or potential violations of this Code, you must follow the procedures described in Section 14 of this Code. We will not tolerate retaliation for reports made in good faith.

If you have any questions about this Code, you should direct these questions to your supervisor, or the Company's Compliance Officer, Julie Hains at (804) 783-6265.

2. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Obeying the law, both in letter and in spirit, is one of the foundations on which our ethical policies are built. Therefore all employees, officers and directors must respect and obey all applicable governmental laws, rules and regulations. Although not all employees, officers and directors are expected to know the details of these laws, rules and regulations, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel. Such legal compliance includes, without limitation, compliance with the "insider trading" prohibitions set forth in Section 4 of this Code, as well as, when applicable, our separate insider trading policy referenced in Section 4 of this Policy, which applies to our officers, directors and certain other management personnel. Please consult with the Company's Compliance Officer at (804) 783-6265 if you have any questions.

3. CONFLICTS OF INTEREST

The Company respects the rights of employees, officers and directors to manage their personal affairs and investments and does not wish to intrude upon their personal lives. At the same time, employees, officers and directors must act in the best interests of the Company and avoid situations that present a potential or actual conflict between their interests and the interests of the Company.

A "conflict of interest" exists when a person's personal interests conflicts or interferes in any way with the interests of the Company. A conflict situation can arise when an employee, officer or director of the Company takes actions or has

interests that may make it difficult to perform his work objectively and effectively. Conflicts of interest also arise when an employee, officer or director or members of his family, receive improper personal benefits as a result of his position in or with the Company. Loans to, or guarantees of obligations of, employees, officers or directors or their family members also create conflicts of interest. Federal law prohibits loans to the Company's directors and executive officers.

Conflicts of interest are generally prohibited as a matter of Company policy. Exceptions may only be made after the prior review and approval by the Company's Compliance Officer or, in the case of directors or executive officers, by the Audit Committee of the Board of Directors. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult your supervisor or the Company's Compliance Officer. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of his supervisor or the Company's Compliance Officer at (804) 783-6265 or follow the procedures described in Section 14 of this Code.

Examples of Conflicts of Interests:

Outside or Additional Part-Time Work

It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer or supplier. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf. Employees may wish to take on additional part-time work with organizations that are not our competitors, customers or suppliers. While such work in itself does not constitute a conflict of interest, the second job must be strictly separated from the employee's job at the Company.

Relationships with a Competing Business and Certain Other Entities

Engaging in a competing business while employed with the Company is a conflict of interest. In addition, certain relationships with a competing business or an entity that has a material financial or adverse relationship with the Company are also conflicts of interest. For that reason, you may not, without prior approval:

- Engage in any competing business with the Company; or
- Engage in the following activities with a competing business, an entity that has a material financial relationship with the Company or an entity with interests which are adverse to or conflict with, in a material respect, the interests of the Company:
 - serve as a director, officer or as a key person;
 - own more than 10% of the stock or other equity interest; or
 - provide directly consulting, advisory or other services.

The determination of whether a "material financial relationship" exists or whether an interest is adverse to (or in conflict with) the interests of the Company in a material respect will be made on a case-by-case basis by the Compliance Officer, or in the case of directors or executive officers, by the Audit Committee of the Board of Directors.

In addition, directors of the Company should inform the Chairman of the Board prior to accepting appointment to the board of directors or advisory board of any public or private company.

Gifts and Entertainment

The receipt or giving of gifts or favors may be seen as an improper inducement to grant some concession in return to the donor. The Company wants its customers, collaborators, vendors and suppliers to understand that their business relationship with the Company is based on our respective competitive abilities to meet business needs.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any the Company employee, officer or director or any of their family members unless it (a) is not a cash gift, (b) is consistent with customary business practices, (c) is not excessive in value, (d) cannot be construed as a bribe or payoff and (e) does not violate any laws or regulations. Unless it comports with these rules, employees, officers and directors and their family members should not request or accept donations or gifts from customers, collaborators, suppliers or vendors. If you have any question about whether a gift or proposed gift fits within these criteria, you should discuss the matter with your supervisor.

4. INSIDER TRADING

The federal securities laws prohibit the purchase or sale of securities by a person, in breach of a fiduciary duty or other relationship of trust or confidence, while he is aware of material non-public information relating to those securities. The federal securities laws also prohibit persons aware of material non-public information from disclosing it to (or "tipping") any person who might trade in the relevant securities while aware of the information. Even if those to whom you disclose such information do not trade while aware of the material non-public information, you can be responsible for the trades of persons who received material non-public information indirectly from you. **These laws apply to all levels of our employees and their families, not just management.**

It is our policy that employees, officers and directors may not, while aware of any material non-public information about the Company, engage in any transaction involving a purchase or sale of our securities, disclose ("tip") such information to other persons or enter into any other transaction to take advantage of that information. To use material non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal.

Information is "**material**" if its disclosure to the public would affect a reasonable investor's decision to purchase or sell the securities. Information concerning a company's sales, earnings, business potential, dividends, significant acquisitions or mergers, securities transactions and major litigation are typical examples of "**material**" information. They are not, however, the only items which could constitute "**material**" information. Information is "**non-public**" if it is not generally available to the ordinary investor in the marketplace. **Any information which is not available to the ordinary investor and which could reasonably be expected to affect that investor's trading decision is material non-public information.** The term "**securities**" not only includes our common stock, but also includes options and any other securities that we may issue from time to time and any other securities that relate to or derive their value from our securities whether or not issued by us.

Violations of the securities laws are taken very seriously. Violations can be prosecuted even when the amount involved is small or when the "tipper" made no profit at all. Government agencies regularly monitor trading activities. Violations can result in serious criminal and civil penalties against the individuals involved.

Our officers and directors and certain other management personnel and their families are also subject to a separate insider trading policy, the provisions of which supplement and are in addition to this Code.

If you have any question or concerns about your responsibilities under the insider trading laws, contact the Compliance Officer at (804) 783-6265.

5. CORPORATE OPPORTUNITIES

Employees, officers and directors are prohibited from (a) taking for themselves personally opportunities that are discovered through the use of the Company's property, information or position; (b) using the Company's property, information, or position for improper personal gain; and (c) competing with the Company directly or indirectly, without the prior approval of the Compliance Officer, or, in the case of directors and executive officers, the Audit Committee of the Board of Directors. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

6. COMPETITION AND FAIR DEALING

The Company seeks to outperform our competitors fairly and honestly and seeks competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Our employees, officers and directors should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee, officer or director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

7. EQUAL EMPLOYMENT OPPORTUNITY POLICIES

The Company's policies are designed to ensure that all employees are treated fairly and with respect, and that employees treat others with the same respect. It is the Company's policy to prohibit unlawful discrimination on the basis of race, color, religion, sex, pregnancy, age, national origin, disability, veteran status, sexual orientation, marital status or any other factor prohibited by law. This policy applies to all personnel actions, including recruiting, hiring, promotions, compensation, benefits, transfers, layoffs, and termination.

The Company is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive, including sexual harassment. Actions, words, jokes, comments,

signs, epithets, slurs, pictures, posters, e-mail jokes, faxes, pranks, intimidation, physical contact or violence based on an individual's sex, race, color, national origin, age, religion, disability, sexual orientation, marital status, pregnancy, veteran status, or any other legally protected factor will not be tolerated and are prohibited by this policy. Harassment may include conduct which is not directed at a particular individual, but which occurs in his presence. Inappropriate material transmitted electronically by e-mail or the Internet also constitutes prohibited harassment and will not be tolerated by the Company.

This policy prohibits any form of harassment of employees by managers, supervisors or co-workers, both in the workplace and off the premises, including at social activities conducted or sponsored by the Company. Similarly, the Company will not tolerate harassment, including sexual harassment, of its employees by non-employees with whom the Company employees have a business, service, or professional relationship.

If an employee believes that he has been subjected to discrimination or harassment of any type, the employee should promptly notify their supervisor or the Company's Compliance Officer at (804) 783-6265. Any supervisor who becomes aware of possible discrimination or harassment must immediately advise the Company's Compliance Officer. All reports of discrimination, harassment or retaliation will be investigated promptly and confidentially, to the extent possible.

8. RECORD-KEEPING AND QUESTIONABLE ACCOUNTING OR AUDITING MATTERS

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions and provide an accurate account of our performance. It is a violation of law and the Company policy for any the Company employee to attempt to improperly influence or mislead any accountant engaged in preparing our audit. We are committed to full compliance with all requirements applicable to the Company's public disclosures. We require that our financial and other reporting fairly present the financial condition, results of operations and cash flow of the Company and that it comply in all respects with applicable law, governmental rules and regulations, including generally accepted accounting principles and applicable rules of the U.S. Securities and Exchange Commission and other market and banking regulators.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal and accounting requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained under any circumstances. The accurate and timely reporting of our financial results and financial condition requires that all financial information be recorded promptly and accurately, and that our systems for recording and reporting that information function properly and be subject to regular and thorough evaluations. This policy also applies to all operating reports or records prepared for internal or external purposes, such as quality control reports, or sales projections.

All employees are responsible to report to the Company any questionable accounting, internal accounting controls or auditing matters that may come to their attention, and may report concerns regarding these matters, without fear of retaliation of any kind, to the Compliance Officer at (804) 783-6265, or by calling the Company's Hotline at 866-276-3753. You may request confidentiality when making a report on questionable accounting or auditing matters, and you may submit an anonymous complaint. If you wish to submit an anonymous complaint, please use the Company's Hotline.

Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult our Compliance Officer at (804) 783-6265.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor. Rules and guidelines are available from the Company's Compliance Officer.

9. CONFIDENTIALITY

Employees, officers and directors of the Company must maintain the confidentiality of information entrusted to them by the Company or its customers except when disclosure is either expressly authorized by the Company or required by law. Confidential information includes all non-public information, including information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. The Company expects that each employee, officer and director will preserve the Company's confidential information even after his employment or relationship with the Company ends. In some cases, disclosure of confidential information, even after termination of employment or other relationship, may result in civil liability to the individual. All employees, officers and directors must, upon termination of employment or relationship with the Company, return all confidential information to the Company, including originals and copies, whether in electronic or hard copy.

No Company employee may provide nonpublic corporate information to persons outside the Company, including the

media, unless authorized to do so. In all cases, employees must refer media inquiries to the Company's President, Peter Socha. Only designated Company spokespersons may provide comments to the media.

10. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees, officers and directors should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. All of our assets should be used for legitimate business purposes only. Any suspected incident of fraud or theft should be immediately reported for investigation. Our inventory and equipment should not be used for non-company business, unless the prior approval of your supervisor is obtained.

The obligation of employees, officers and directors to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information violates the Company policy. It could also be illegal and result in civil or even criminal penalties. Employees, officers and directors who have access to proprietary and confidential information are obligated to safeguard it from unauthorized access in accordance with the Company's policy on confidential information (see Section 9 of this Code).

11. USE OF NETWORKS, E-MAIL AND INTERNET SERVICES

The Company provides to certain of its employees access to computers, computer networks, e-mail systems and Internet services that are provided solely to help us do our work. Incidental and occasional personal use is permitted, so long as such use does not interfere with the Company's needs and operations, is not for personal gain or for any other improper purpose, and does not otherwise violate this policy.

All information that is stored on or has passed through the Company's servers or other equipment, including but not limited to all e-mails, voicemails, records of Internet access, and documents created on any Company computer, is the exclusive property of the Company. Employees have no right or expectation of privacy with regard to their use of electronic resources or with regard to information that is stored on Company servers, that is received, created, sent, or accessed by the user, or to which the user is given access.

The Company, in its sole discretion, may at any time without notice inspect and monitor an employee's use of any and all electronic resources, including e-mail messages and Internet use. The Company may review an employee's deleted e-mail messages and the Websites accessed by an employee. The encryption, labeling of an e-mail or document as private, deletion of an e-mail or document or any other such action does not diminish the Company's rights or ability to monitor this activity. Employees are advised that the Company backs up the network and that messages deleted from one PC are not necessarily deleted from the network and back-up files.

Due to the potential for security breaches, employees must not download software from the Internet, unless prior approval has been obtained. Likewise, employees must exercise extreme caution in downloading and executing any files attached to e-mail. If an attachment is not clearly business-related and/or expected from a known source, it should not be opened or executed and should be immediately forwarded to the Company's Information Technology Department.

Employees may use software only in accordance with its licensing agreement, and without the prior authorization of the Company, users may not (1) install any software on Company-owned computer equipment, (2) install Company-owned software on any non-Company-owned computer equipment or (3) provide copies of Company-owned or licensed software to anyone.

12. PAYMENTS TO GOVERNMENT PERSONNEL

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any jurisdiction.

In addition, the United States Government has a number of laws and regulations regarding business gratuities that may be accepted by United States Government personnel. The promise, offer or delivery to an official or employee of the United States Government of a gift, favor or other gratuity in violation of these rules would not only violate the Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's Compliance Officer can provide guidance to you in this area regarding specific issues.

13. WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS

Any waiver of this Code for our executive officers or directors may be made only by the Audit Committee of the Board of Directors.

14. REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

If you believe that actions have taken place, may be taking place or may be about to take place that violate or would violate this Code, you must bring the matter to the attention of the Company. You may report violations or potential violations of this Code to your supervisor and discuss with your supervisor any questions you may have about the best course of action in a particular situation. Any supervisor who receives a report of a violation or potential violation of this Code must report it immediately to the Company's Compliance Officer.

In addition, you may report violations or potential violations of this Code by any of the following methods:

- In writing either by internal mail or U.S. mail addressed to the Company's Compliance Officer, Julie Hains.
- By e-mail to julie.hains@jamesrivercoal.com.
- By calling the Company's Hotline at 866-276-3753

We would prefer you identify yourself to facilitate our investigation of any report. However, you may choose to remain anonymous. If you identify yourself to the recipient of your report, but request that your identity be kept confidential, we will use reasonable efforts to protect your identity, and any retaliation for reports of misconduct by others made in good faith will not be tolerated. We will also use reasonable efforts to protect the identity of the person about or against whom an allegation is brought, unless and until it is determined that a violation has occurred. Any person involved in any investigation in any capacity of a possible misconduct must not discuss or disclose any information to anyone outside of the investigation unless required by law or when seeking his own legal advice, and is expected to cooperate fully in any investigation.

Any use of these reporting procedures in bad faith or in a false or frivolous manner will be considered a violation of this Code. Further, you should not use the Company's Hotline for personal grievances not involving this Code.

Employees are expected to cooperate fully in the Company's investigation of complaints. No employee will be subject to, and it is the Company's policy to strictly prohibit, any form of discipline or retaliation for reporting incidents of discrimination or harassment, cooperating in an investigation, or pursuing any claim of discrimination or harassment. Any employee who is found to have engaged in discrimination, unlawful harassment or retaliation will be subject to discipline, up to and including termination.

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