

Section 1: 10-Q (FORM 10-Q)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No.: 0-26823

ALLIANCE RESOURCE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1564280
(IRS Employer
Identification No.)

1717 South Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119
(Address of principal executive offices and zip code)

(918) 295-7600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 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 smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 9, 2012, 36,874,949 common units are outstanding.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 188,959	\$ 273,528
Trade receivables	119,608	128,643
Other receivables	564	3,525
Due from affiliates	3,161	5,116
Inventories	73,503	33,837
Advance royalties	7,559	7,560
Prepaid expenses and other assets	8,913	11,945
Total current assets	402,267	464,154
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	2,087,996	1,974,520
Less accumulated depreciation, depletion and amortization	(826,137)	(793,200)
Total property, plant and equipment, net	1,261,859	1,181,320
OTHER ASSETS:		
Advance royalties	30,420	27,916
Due from affiliate	776	—
Equity investments in affiliates	41,652	40,118
Other long-term assets	16,479	18,010
Total other assets	89,327	86,044
TOTAL ASSETS	<u>\$1,753,453</u>	<u>\$ 1,731,518</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	\$ 82,658	\$ 96,869
Due to affiliates	1,015	494
Accrued taxes other than income taxes	19,233	15,873
Accrued payroll and related expenses	33,626	35,876
Accrued interest	6,625	2,195
Workers' compensation and pneumoconiosis benefits	9,511	9,511
Current capital lease obligations	662	676
Other current liabilities	18,830	15,326
Current maturities, long-term debt	33,000	18,000
Total current liabilities	205,160	194,820
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities	671,000	686,000
Pneumoconiosis benefits	56,064	54,775
Accrued pension benefit	27,400	27,538
Workers' compensation	68,222	64,520
Asset retirement obligations	71,103	70,836
Long-term capital lease obligations	2,340	2,497
Other liabilities	7,464	6,774
Total long-term liabilities	903,593	912,940
Total liabilities	<u>1,108,753</u>	<u>1,107,760</u>
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Limited Partners - Common Unitholders 36,874,949 and 36,775,741 units outstanding, respectively	961,739	943,325

General Partners' deficit	(277,203)	(279,107)
Accumulated other comprehensive loss	<u>(39,836)</u>	<u>(40,460)</u>
Total Partners' Capital	<u>644,700</u>	<u>623,758</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u><u>\$1,753,453</u></u>	<u><u>\$ 1,731,518</u></u>

See notes to condensed consolidated financial statements.

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ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except unit and per unit data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
SALES AND OPERATING REVENUES:		
Coal sales	\$ 429,599	\$ 407,685
Transportation revenues	6,585	9,300
Other sales and operating revenues	7,402	6,273
Total revenues	<u>443,586</u>	<u>423,258</u>
EXPENSES:		
Operating expenses (excluding depreciation, depletion and amortization)	273,515	256,118
Transportation expenses	6,585	9,300
Outside coal purchases	14,181	3,789
General and administrative	14,289	12,420
Depreciation, depletion and amortization	43,033	37,862
Total operating expenses	<u>351,603</u>	<u>319,489</u>
INCOME FROM OPERATIONS	91,983	103,769
Interest expense (net of interest capitalized for the three months ended March 31, 2012 and 2011 of \$2,954 and \$145, respectively)	(5,912)	(9,310)
Interest income	93	105
Equity in loss of affiliates, net	(3,778)	—
Other income	215	587
INCOME BEFORE INCOME TAXES	82,601	95,151
INCOME TAX BENEFIT	<u>(367)</u>	<u>(229)</u>
NET INCOME	<u>\$ 82,968</u>	<u>\$ 95,380</u>
GENERAL PARTNERS' INTEREST IN NET INCOME	<u>\$ 25,587</u>	<u>\$ 21,005</u>
LIMITED PARTNERS' INTEREST IN NET INCOME	<u>\$ 57,381</u>	<u>\$ 74,375</u>
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT (Note 7)	<u>\$ 1.54</u>	<u>\$ 1.99</u>
DISTRIBUTIONS PAID PER LIMITED PARTNER UNIT	<u>\$ 0.99</u>	<u>\$ 0.86</u>
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING - BASIC AND DILUTED	<u>36,826,980</u>	<u>36,748,915</u>

See notes to condensed consolidated financial statements.

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ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
NET INCOME	\$82,968	\$95,380
OTHER COMPREHENSIVE INCOME:		
Defined benefit pension plan		
Amortization of actuarial loss	430	122
Total defined benefit pension plan adjustments	430	122
Pneumoconiosis benefits		
Amortization of actuarial loss (gain)	194	(56)
Total pneumoconiosis benefits adjustments	194	(56)
OTHER COMPREHENSIVE INCOME	624	66
TOTAL COMPREHENSIVE INCOME	\$ 83,592	\$ 95,446

See notes to condensed consolidated financial statements.

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ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 114,804	\$ 120,848
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(105,339)	(63,782)
Changes in accounts payable and accrued liabilities	(6,664)	(4,836)
Proceeds from sale of property, plant and equipment	15	54
Purchase of equity investments in affiliate	(4,400)	—
Payments to affiliate for development of coal reserves	(18,000)	—
Advances/loans to affiliate	(776)	—
Other	268	528
Net cash used in investing activities	<u>(134,896)</u>	<u>(68,036)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(171)	(166)
Net settlement of employee withholding taxes on vesting of Long-Term Incentive Plan	(3,734)	(2,324)
Cash contributions by General Partners	150	87
Distributions paid to Partners	(60,722)	(50,995)
Net cash used in financing activities	<u>(64,477)</u>	<u>(53,398)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,569)	(586)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>273,528</u>	<u>339,562</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 188,959</u>	<u>\$ 338,976</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 4,224</u>	<u>\$ 4,058</u>
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Accounts payable for purchase of property, plant and equipment	<u>\$ 18,314</u>	<u>\$ 8,503</u>
Market value of common units issued under Long-Term Incentive and Directors Deferred Compensation Plans before minimum statutory tax withholding requirements	<u>\$ 11,070</u>	<u>\$ 6,572</u>
Assets acquired by capital lease	<u>\$ —</u>	<u>\$ 3,525</u>

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND PRESENTATION

Significant Relationships Referenced in Notes to Condensed Consolidated Financial Statements

- References to “we,” “us,” “our” or “ARLP Partnership” mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to “ARLP” mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to “MGP” mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., also referred to as our managing general partner.
- References to “SGP” mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P., also referred to as our special general partner.
- References to “Intermediate Partnership” mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P., also referred to as our intermediate partnership.
- References to “Alliance Coal” mean Alliance Coal, LLC, the holding company for the operations of Alliance Resource Operating Partners, L.P., also referred to as our operating subsidiary.
- References to “AHGP” mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.
- References to “AGP” mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P.

Organization

ARLP is a Delaware limited partnership listed on the NASDAQ Global Select Market under the ticker symbol “ARLP.” ARLP was formed in May 1999 to acquire, upon completion of ARLP’s initial public offering on August 19, 1999, certain coal production and marketing assets of Alliance Resource Holdings, Inc., a Delaware corporation (“ARH”), consisting of substantially all of ARH’s operating subsidiaries, but excluding ARH. ARH is owned by Joseph W. Craft III, the President and Chief Executive Officer and a Director of our managing general partner, and Kathleen S. Craft. SGP, a Delaware limited liability company, is owned by ARH and holds a 0.01% general partner interest in each of ARLP and the Intermediate Partnership. We lease certain assets, including coal reserves and certain surface facilities, owned by SGP.

We are managed by our managing general partner, MGP, a Delaware limited liability company, which holds a 0.99% and a 1.0001% managing general partner interest in ARLP and the Intermediate Partnership, respectively, and a 0.001% managing member interest in Alliance Coal. AHGP is a Delaware limited partnership that was formed to become the owner and controlling member of MGP. AHGP completed its initial public offering on May 15, 2006. AHGP owns directly and indirectly 100% of the members’ interest of MGP, the incentive distribution rights (“IDR”) in ARLP and 15,544,169 common units of ARLP.

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Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts and operations of the ARLP Partnership and present our financial position as of March 31, 2012 and December 31, 2011 and the results of our operations, comprehensive income and cash flows for the three months ended March 31, 2012 and 2011. All of our intercompany transactions and accounts have been eliminated.

These condensed consolidated financial statements and notes are unaudited. However, in the opinion of management, these financial statements reflect all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results for the periods presented. Results for interim periods are not necessarily indicative of results for a full year.

These condensed consolidated financial statements and notes are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Use of Estimates

The preparation of the ARLP Partnership's condensed consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") of the United States ("U.S.") requires management to make estimates and assumptions that affect the reported amounts and disclosures in our condensed consolidated financial statements. Actual results could differ from those estimates.

2. NEW ACCOUNTING STANDARDS

New Accounting Standards Issued and Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. ASU 2011-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on our condensed consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 removes the presentation options in ASC 220, *Comprehensive Income*, and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Under the two statement approach, the first statement would include components of net income, and the second statement would include components of other comprehensive income ("OCI"). ASU 2011-05 does not change the items that must be reported in OCI. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and its provisions must be applied retrospectively for all periods presented in the financial statements. In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ("ASU 2011-12"), which indefinitely deferred a provision of ASU 2011-05 that

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required entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which OCI is presented. The adoption of ASU 2011-05 did not have a material impact on our condensed consolidated financial statements.

3. CONTINGENCIES

Various lawsuits, claims and regulatory proceedings incidental to our business are pending against the ARLP Partnership. We record an accrual for a potential loss related to these matters when, in management's opinion, such loss is probable and reasonably estimable. Based on known facts and circumstances, we believe the ultimate outcome of these outstanding lawsuits, claims and regulatory proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity. However, if the results of these matters were different from management's current opinion and in amounts greater than our accruals, then they could have a material adverse effect.

4. FAIR VALUE MEASUREMENTS

We apply the provisions of FASB ASC 820, *Fair Value Measurement*, which, among other things, defines fair value, requires enhanced disclosures about assets and liabilities carried at fair value and establishes a hierarchal disclosure framework based upon the quality of inputs used to measure fair value.

Valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our own market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 – Instruments whose significant value drivers are unobservable.

The carrying amounts for cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. At March 31, 2012 and December 31, 2011, the estimated fair value of our long-term debt, including current maturities, was approximately \$748.4 million and \$746.5 million, respectively, based on interest rates that we believe are currently available to us for issuance of debt with similar terms and remaining maturities (Note 5). The fair value of debt, which is based upon interest rates for similar instruments in active markets, is classified as a Level 2 measurement under the fair value hierarchy.

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5. LONG-TERM DEBT

Long-term debt consists of the following, (in thousands):

	March 31, 2012	December 31, 2011
Credit facility	\$ —	\$ —
Senior notes	54,000	54,000
Series A senior notes	205,000	205,000
Series B senior notes	145,000	145,000
Term loan	300,000	300,000
	<u>704,000</u>	<u>704,000</u>
Less current maturities	(33,000)	(18,000)
Total long-term debt	<u>\$671,000</u>	<u>\$ 686,000</u>

Our Intermediate Partnership has a \$142.5 million revolving credit facility (the “ARLP Credit Facility”) which matures September 25, 2012, \$54.0 million in senior notes (“Senior Notes”), \$205.0 million in Series A and \$145.0 million in Series B senior notes (collectively, the “2008 Senior Notes”) and a \$300 million term loan (collectively, the “ARLP Debt Arrangements”), which are guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting our Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by our Intermediate Partnership, the incurrence of additional indebtedness and liens, the sale of assets, the making of investments, the entry into mergers and consolidations and the entry into transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require our Intermediate Partnership to maintain the following: (a) debt to cash flow ratio of not more than 3.0 to 1.0 and (b) cash flow to interest expense ratio of not less than 4.0 to 1.0, in each case, during the four most recently ended fiscal quarters. The ARLP Credit Facility, Senior Notes and the 2008 Senior Notes limit our Intermediate Partnership’s maximum annual capital expenditures, excluding acquisitions (including the purchase price allocated to any equipment, fixed assets, real property or improvements acquired in connection with an acquisition). The amount of any annual limit in excess of actual capital expenditures for that year carries forward and is added to the annual limit of the subsequent year. As a result, the capital expenditure limit for 2012 is approximately \$460.0 million. The debt to cash flow ratio and cash flow to interest expense ratio were 1.22 to 1.0 and 16.2 to 1.0, respectively, for the trailing twelve months ended March 31, 2012. Actual capital expenditures were \$105.3 million for the three months ended March 31, 2012. We were in compliance with the covenants of the ARLP Debt Arrangements as of March 31, 2012.

At March 31, 2012, we had \$11.6 million of letters of credit outstanding with \$130.9 million available for borrowing under the ARLP Credit Facility. We had no borrowings outstanding under the ARLP Credit Facility as of March 31, 2012 and December 31, 2011. We utilize the ARLP Credit Facility, as appropriate, to meet working capital requirements, anticipated capital expenditures, scheduled debt payments or distribution payments. We incur an annual commitment fee of 0.375% on the undrawn portion of the ARLP Credit Facility.

6. WHITE OAK TRANSACTIONS

On September 22, 2011 (the “Transaction Date”), we entered into a series of transactions with White Oak Resources LLC (“White Oak”) and related entities to support development of a longwall mining operation

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currently under construction. The transactions feature several components, including an equity investment in White Oak (represented by “Series A Units” containing certain distribution and liquidation preferences), the acquisition and leaseback of certain reserves and surface rights, a coal handling and services agreement and a backstop equipment financing facility. Our initial investment at the Transaction Date, using existing cash on hand, was \$69.5 million and we committed to additionally fund approximately \$330.5 million to \$455.5 million over the next three to four years, of which \$124.0 million was funded from the Transaction Date through March 31, 2012. We expect to fund these additional commitments using existing cash balances, future cash flows from operations, borrowings under revolving credit facilities and cash provided from the issuance of debt or equity. The following information discusses each component of these transactions in further detail.

Hamilton County, Illinois Reserve Acquisition

Our subsidiary, Alliance WOR Properties, LLC (“WOR Properties”) acquired from White Oak the rights to approximately 204.9 million tons of proven and probable high-sulfur coal reserves, of which 105.2 million tons are currently being developed for future mining by White Oak and certain surface properties and rights in Hamilton County, Illinois (the “Reserve Acquisition”), which is adjacent to White County, Illinois, where our White County Coal, LLC Pattiki mine is located. The asset purchase price of \$33.8 million cash paid at closing was allocated to owned and leased coal rights. WOR Properties also provided \$17.0 million to White Oak for the development of the acquired reserves between the Transaction Date and December 31, 2011. During the three months ended March 31, 2012, WOR Properties provided \$18.0 million to White Oak for development of the acquired coal reserves and has a remaining commitment of \$16.6 million for further development funding and \$54.6 million for additional coal reserve acquisitions.

Equity Investment – Series A Units

Concurrent with the Reserve Acquisition, our subsidiary, Alliance WOR Processing, LLC (“WOR Processing”) made an equity investment of \$35.7 million in White Oak to purchase Series A Units representing ownership in White Oak. WOR Processing also purchased \$7.0 million of additional Series A Units between the Transaction Date and December 31, 2011. During the three months ended March 31, 2012, WOR Processing purchased \$4.4 million of additional Series A Units.

WOR Processing’s ownership and member’s voting interest in White Oak at March 31, 2012 was 7.3% based upon currently outstanding voting units. The remainder of the equity ownership in White Oak, represented by Series B Units, is held by other investors and members of White Oak management.

We continually review all rights provided to WOR Processing and us by various agreements and continue to conclude all such rights are protective or participating in nature and do not provide WOR Processing or us the ability to unilaterally direct any of the four primary activities of White Oak that most significantly impact its economic performance. As such, we recognize WOR Processing’s interest in White Oak as an equity investment in affiliate in our consolidated balance sheets. As of March 31, 2012, WOR Processing had invested \$47.1 million in Series A Units of White Oak equity, which represents our current maximum exposure to loss as a result of our involvement with White Oak. White Oak has made no distributions to WOR Processing or us.

We record WOR Processing’s equity in earnings or losses of affiliates under the hypothetical liquidation at book value method of accounting due to the preferences WOR Processing receives on distributions. For the three months ended March 31, 2012, we were allocated losses of \$4.0 million.

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Services Agreement

Simultaneous with the closing of the Reserve Acquisition, WOR Processing entered into a Coal Handling and Preparation Agreement (“Services Agreement”) with White Oak pursuant to which WOR Processing committed to construct and operate a coal preparation plant and related facilities and a rail loop and loadout facility to service the White Oak longwall Mine No. 1. The expected cost to construct the facilities contemplated by the Services Agreement is approximately \$99.5 million and will be expended by WOR Processing over the next three years. In addition, the Intermediate Partnership agreed to loan \$10.5 million to White Oak for the construction of various assets on the surface property, including but not limited to, a bathhouse, office and warehouse (“Construction Loan”). The Construction Loan has a term of 20 years, with repayment scheduled to begin in 2015. White Oak has not used any amounts available under the Construction Loan as of March 31, 2012.

Equipment Financing Commitment

Also on the Transaction Date, the Intermediate Partnership committed to provide \$100.0 million of fully collateralized equipment financing with a five-year term to White Oak for the purchase of coal mining equipment should other third-party funding sources not be available. White Oak had used \$0.8 million of the equipment financing as of March 31, 2012, which is included in Due from Affiliates on our condensed consolidated balance sheet.

7. NET INCOME PER LIMITED PARTNER UNIT

We apply the provisions of FASB ASC 260, *Earnings Per Share* (“FASB ASC 260”), which require the two-class method in calculating basic and diluted earnings per unit (“EPU”). Net income is allocated to the general partners and limited partners in accordance with their respective partnership percentages, after giving effect to any special income or expense allocations, including incentive distributions to our managing general partner, the holder of the IDR pursuant to our partnership agreement, which are declared and paid following the end of each quarter. Under the quarterly IDR provisions of our partnership agreement, our managing general partner is entitled to receive 15% of the amount we distribute in excess of \$0.275 per unit, 25% of the amount we distribute in excess of \$0.3125 per unit, and 50% of the amount we distribute in excess of \$0.375 per unit. Our partnership agreement contractually limits our distributions to available cash; therefore, undistributed earnings of the ARLP Partnership are not allocated to the IDR holder. In addition, our outstanding awards under our Long-Term Incentive Plan (“LTIP”), Supplemental Executive Retirement Plan (“SERP”) and the MGP Amended and Restated Deferred Compensation Plan for Directors (“Deferred Compensation Plan”) include rights to nonforfeitable distributions or distribution equivalents and are therefore considered participating securities. As such, we allocate undistributed and distributed earnings to these outstanding awards in our calculation of EPU.

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The following is a reconciliation of net income used for calculating basic earnings per unit and the weighted average units used in computing EPU for the three months ended March 31, 2012 and 2011, respectively, (in thousands, except per unit data):

	Three Months Ended	
	March 31,	
	2012	2011
Net income	\$ 82,968	\$ 95,380
Adjustments:		
General partner's priority distributions	(24,416)	(19,488)
General partners' 2% equity ownership	<u>(1,171)</u>	<u>(1,517)</u>
Limited partners' interest in net income	57,381	74,375
Less:		
Distributions to participating securities	(498)	(470)
Undistributed earnings attributable to participating securities	<u>(269)</u>	<u>(600)</u>
Net income available to limited partners	\$ 56,614	\$ 73,305
Weighted average limited partner units outstanding – basic and diluted	<u>36,827</u>	<u>36,749</u>
Basic and diluted net income per limited partner unit ⁽¹⁾	<u>\$ 1.54</u>	<u>\$ 1.99</u>

- (1) Diluted EPU gives effect to all dilutive potential common units outstanding during the period using the treasury stock method. Diluted EPU excludes all dilutive potential units calculated under the treasury stock method if their effect is anti-dilutive. For the three months ended March 31, 2012 and 2011, LTIP, SERP and Deferred Compensation Plan units of 377,229 and 410,971 were considered anti-dilutive under the treasury stock method.

8. WORKERS' COMPENSATION AND PNEUMOCONIOSIS

The changes in the workers' compensation liability (including current and long-term liability balances) for each of the periods presented were as follows (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
Beginning balance	\$73,201	\$67,687
Accruals increase	5,923	5,557
Payments	(2,906)	(3,227)
Interest accretion	684	793
Valuation loss	—	155
Ending balance	<u>\$76,902</u>	<u>\$70,965</u>

Certain of our mine operating entities are liable under state statutes and the Federal Coal Mine Health and Safety Act of 1969, as amended, to pay pneumoconiosis, or black lung, benefits to eligible employees and former employees and their dependents. Components of the net periodic benefit cost for each of the periods presented are as follows (in thousands):

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	Three Months Ended	
	March 31,	
	2012	2011
Service cost	\$ 872	\$ 841
Interest cost	576	596
Amortization of net loss (gain)	194	(56)
Net periodic benefit cost	<u>\$ 1,642</u>	<u>\$ 1,381</u>

9. COMPENSATION PLANS

Long-Term Incentive Plan

We have the LTIP for certain employees and officers of our managing general partner and its affiliates who perform services for us. The LTIP awards are grants of non-vested “phantom” or notional units, which upon satisfaction of vesting requirements, entitle the LTIP participant to receive ARLP common units. Annual grant levels and vesting provisions for designated participants are recommended by our President and Chief Executive Officer, subject to review and approval of the compensation committee of the MGP board of directors (the “Compensation Committee”). On January 25, 2012, the Compensation Committee determined that the vesting requirements for the 2009 grants of 9,125 restricted units (net of 500 forfeitures) and the grants issued during the three months ended December 31, 2008 of 135,305 restricted units (net of 5,840 forfeitures) had been satisfied as of January 1, 2012. As a result of this vesting, on February 14, 2012, we issued 93,938 unrestricted common units to the LTIP participants. The remaining units were settled in cash to satisfy the individual tax withholding obligations for the LTIP participants. On February 6, 2012, the Compensation Committee authorized additional grants of up to 106,779 restricted units, all of which were granted during the three months ended March 31, 2012 and will vest on January 1, 2015 subject to satisfaction of certain financial tests. The fair value of these 2012 grants is equal to the intrinsic value at the date of grant, which was \$77.78 per unit. LTIP expense was \$1.5 million and \$1.1 million for the three months ended March 31, 2012 and 2011, respectively. After consideration of the January 1, 2012 vesting and subsequent issuance of 93,938 common units, approximately 2.2 million units remain available for issuance under the LTIP in the future, assuming all grants issued in 2010, 2011 and 2012 currently outstanding are settled with common units and no future forfeitures occur. On April 26, 2012, the Compensation Committee authorized additional grants of up to 8,500 restricted units, none of which have yet been granted.

As of March 31, 2012, there was \$12.9 million in total unrecognized compensation expense related to the non-vested LTIP grants that are expected to vest. That expense is expected to be recognized over a weighted-average period of 1.7 years. As of March 31, 2012, the intrinsic value of the non-vested LTIP grants was \$20.8 million. As of March 31, 2012, the total obligation associated with the LTIP was \$7.1 million and is included in the partners’ capital-limited partners line item in our condensed consolidated balance sheets.

As provided under the distribution equivalent rights provisions of the LTIP, all non-vested grants include contingent rights to receive quarterly cash distributions in an amount equal to the cash distributions we make to unitholders during the vesting period.

SERP and Directors Deferred Compensation Plan

We utilize the SERP to provide deferred compensation benefits for certain officers and key employees. All allocations made to participants under the SERP are made in the form of “phantom” ARLP units.

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Our directors participate in the Deferred Compensation Plan. Pursuant to the Deferred Compensation Plan, for amounts deferred either automatically or at the election of the director, a notional account is established and credited with notional common units of ARLP, described in the plan as “phantom” units.

For both the SERP and Deferred Compensation Plan, when quarterly cash distributions are made with respect to ARLP common units, an amount equal to such quarterly distribution is credited to each participant’s notional account as additional phantom units. All grants of phantom units under the SERP and Deferred Compensation Plan vest immediately.

Amounts that were payable under either the SERP or Deferred Compensation Plan on or prior to January 1, 2011, were paid in either cash or common units of ARLP. Effective for amounts that become payable after January 1, 2011, both the Deferred Compensation Plan and the SERP require that vested benefits be paid to participants only in common units of ARLP, and therefore the phantom units have qualified for equity award accounting treatment since that date. As a result, we reclassified a total of \$9.2 million of obligations for the SERP and the Deferred Compensation Plan from due to affiliates and other long-term liabilities to partners’ capital in our condensed consolidated balance sheets as required under FASB ASC 718, *Compensation-Stock Compensation*, on January 1, 2011. For the three months ended March 31, 2012 and 2011, SERP and Deferred Compensation Plan participant notional account balances were credited with a total of 2,000 and 3,186 phantom units, respectively, and the fair value of these phantom units was \$73.00 and \$69.53, respectively, on a weighted-average basis. Total SERP and Deferred Compensation Plan expense was approximately \$0.2 million for the three months ended March 31, 2012 and 2011, respectively.

As of March 31, 2012, there were 150,705 total phantom units outstanding under the SERP and Deferred Compensation Plan and the total intrinsic value of the SERP and Deferred Compensation Plan phantom units was \$9.1 million. As of March 31, 2012, the total obligation associated with the SERP and Deferred Compensation Plan was \$10.0 million and is included in the partners’ capital-limited partners line item in our condensed consolidated balance sheets.

10. COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COSTS

Eligible employees at certain of our mining operations participate in a defined benefit plan (the “Pension Plan”) that we sponsor. The benefit formula for the Pension Plan is a fixed dollar unit based on years of service. Components of the net periodic benefit cost for each of the periods presented are as follows (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
Service cost	\$ 754	\$ 618
Interest cost	818	788
Expected return on plan assets	(956)	(972)
Amortization of net loss	430	122
Net periodic benefit cost	<u>\$ 1,046</u>	<u>\$ 556</u>

We previously disclosed in our financial statements for the year ended December 31, 2011 that we expected to contribute \$5.4 million to the Pension Plan in 2012. During the three months ended March 31, 2012, we made a contribution payment of \$0.8 million for the 2011 plan year. Additionally, on April 5, 2012, we made a payment of \$2.2 million for the 2011 plan year. We do not expect to make

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any further contributions in 2012 for the 2011 plan year. However, we do expect to make quarterly contributions of \$1.0 million for the remainder of 2012 for the 2012 plan year and, therefore, will contribute approximately \$6.0 million to the Pension Plan in 2012.

11. SEGMENT INFORMATION

We operate in the eastern U.S. as a producer and marketer of coal to major utilities and industrial users. We aggregate multiple operating segments into five reportable segments: the Illinois Basin, Central Appalachia, Northern Appalachia, White Oak and Other and Corporate. The first three reportable segments correspond to the three major coal producing regions in the eastern U.S. Similar economic characteristics for our operating segments within each of these three reportable segments include coal quality, coal seam height, mining and transportation methods and regulatory issues. The White Oak reportable segment includes our activities associated with the White Oak longwall Mine No. 1 development project. These activities currently encompass an equity investment in White Oak, the purchase and funding of development of the White Oak coal reserves and the construction and operation of surface facilities.

The Illinois Basin reportable segment is comprised of multiple operating segments, including Webster County Coal, LLC's Dotiki mining complex, Gibson mining complex which includes Gibson County Coal, LLC's Gibson North mine and the Gibson County Coal (South), LLC ("Gibson South") project, Hopkins County Coal, LLC's Elk Creek mining complex, White County Coal, LLC's Pattiki mining complex, Warrior Coal, LLC's mining complex, River View Coal, LLC's mining complex, the Sebree Mining, LLC ("Sebree") property and certain properties of Alliance Resource Properties, LLC ("Alliance Resource Properties") and ARP Sebree, LLC. The development of the Gibson South mine is currently underway and we are in the process of permitting the Sebree property for future mine development. For information regarding the acquisition of the Onton No. 9 mining complex, which was added to the Illinois Basin segment in April 2012, please see Note 12 below.

The Central Appalachian reportable segment is comprised of two operating segments, the Pontiki Coal, LLC and MC Mining, LLC mining complexes.

The Northern Appalachian reportable segment is comprised of multiple operating segments, including Mettiki Coal, LLC's mining complex, Mettiki Coal (WV) LLC's Mountain View mining complex, two small third-party mining operations (one of which ceased operations in July 2011), the Tunnel Ridge, LLC ("Tunnel Ridge") mine and the Penn Ridge Coal, LLC ("Penn Ridge") property. In May 2010, incidental production began from mine development activities at Tunnel Ridge and longwall production is expected to begin in May 2012. We are in the process of permitting the Penn Ridge property for future mine development.

The White Oak reportable segment is comprised of two operating segments, WOR Properties and WOR Processing. WOR Processing includes both the surface operations at White Oak currently under construction and the equity investment in White Oak. WOR Properties owns coal reserves acquired from White Oak and is committed to fund future development of these reserves by White Oak. The White Oak reportable segment also includes a loan to White Oak for current financial activities related to the acquisition of mining equipment and will include future financing activities for another loan to construct certain surface facilities (Note 6).

Other and Corporate includes marketing and administrative expenses, Alliance Service, Inc. and its subsidiary, Matrix Design Group, LLC ("Matrix Design"), Alliance Design Group, LLC ("Alliance Design") (collectively, Matrix Design and Alliance Design are referred to as the "Matrix Group"), the Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") dock activities, coal brokerage activity, our equity investment in Mid-America Carbonates, LLC and certain properties of Alliance Resource Properties.

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Reportable segment results as of and for the three months ended March 31, 2012 and 2011 are presented below.

	<u>Illinois Basin</u>	<u>Central Appalachia</u>	<u>Northern Appalachia</u>	<u>White Oak (in thousands)</u>	<u>Other and Corporate</u>	<u>Elimination (1)</u>	<u>Consolidated</u>
Reportable segment results as of and for the three months ended March 31, 2012 were as follows:							
Total revenues (2)	\$342,230	\$ 41,166	\$ 47,105	\$ —	\$ 17,104	\$ (4,019)	\$ 443,586
Segment Adjusted EBITDA Expense (3)	201,548	30,754	44,230	135	14,917	(4,103)	287,481
Segment Adjusted EBITDA (4)(5)	136,892	10,210	282	(4,126)	2,399	85	145,742
Total assets (6)	829,320	91,496	492,629	116,886	223,800	(678)	1,753,453
Capital expenditures (7)	54,145	4,101	31,515	24,943	8,635	—	123,339

Reportable segment results as of and for the three months ended March 31, 2011 were as follows:

Total revenues (2)	\$317,587	\$ 47,705	\$ 53,703	\$ —	\$ 9,677	\$ (5,414)	\$ 423,258
Segment Adjusted EBITDA Expense (3)	180,244	33,517	41,314	—	9,659	(5,414)	259,320
Segment Adjusted EBITDA (4)(5)	130,733	13,571	10,315	—	19	—	154,638
Total assets (6)	782,637	84,228	338,755	—	358,761	(1,975)	1,562,406
Capital expenditures	35,441	6,357	21,458	—	526	—	63,782

- (1) The elimination column represents the elimination of intercompany transactions and is primarily comprised of sales from the Matrix Group to our mining operations.
- (2) Revenues included in the Other and Corporate column are primarily attributable to the Matrix Group revenues, Mt. Vernon transloading revenues, administrative service revenues from affiliates and brokerage sales.
- (3) Segment Adjusted EBITDA Expense includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to our customers and consequently we do not realize any gain or loss on transportation revenues. We review Segment Adjusted EBITDA Expense per ton for cost trends.

The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expenses (excluding depreciation, depletion and amortization) (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Segment Adjusted EBITDA Expense	\$287,481	\$259,320
Outside coal purchases	(14,181)	(3,789)
Other income	215	587
Operating expenses (excluding depreciation, depletion and amortization)	<u>\$273,515</u>	<u>\$256,118</u>

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- (4) Segment Adjusted EBITDA is defined as net income before net interest expense, income taxes, depreciation, depletion and amortization and general and administrative expenses. Management therefore is able to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses, which are primarily controlled by our segments. Consolidated Segment Adjusted EBITDA is reconciled to net income as follows (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
Consolidated Segment Adjusted EBITDA	\$145,742	\$154,638
General and administrative	(14,289)	(12,420)
Depreciation, depletion and amortization	(43,033)	(37,862)
Interest expense, net	(5,819)	(9,205)
Income tax benefit	367	229
Net income	<u>\$ 82,968</u>	<u>\$ 95,380</u>

- (5) Includes equity in income (loss) of affiliates for the three months ended March 31, 2012 of \$(4.0) million included in the White Oak segment and \$0.2 million included in the Other and Corporate segment. Includes equity in income of affiliates for the three months ended March 31, 2011 of \$0.3 million included in the Other and Corporate segment.
- (6) Includes investments in affiliates at March 31, 2012 of \$40.0 million included in the White Oak segment and \$1.7 million included in the Other and Corporate segment. Includes investments in affiliates at March 31, 2011 of \$1.5 million included in the Other and Corporate segment.
- (7) Capital expenditures shown above for the three months ended March 31, 2012, includes development funding to White Oak of \$18.0 million (Note 6), which is described as "Payments to affiliate for development of coal reserves" in our condensed consolidated statements of cash flow.

12. SUBSEQUENT EVENTS

On April 30, 2012, we declared a quarterly distribution for the quarter ended March 31, 2012, of \$1.025 per unit, on all common units outstanding, totaling approximately \$63.0 million (which includes our managing general partner's incentive distributions), payable on May 15, 2012 to all unitholders of record as of May 8, 2012.

On April 2, 2012, Alliance Coal and other subsidiaries of the ARLP Partnership acquired substantially all of Green River Collieries, LLC's ("Green River") coal-related assets located in Webster and Hopkins Counties, Kentucky. The transaction includes the Onton No. 9 mining complex and an estimated 40.0 million tons of coal reserves in the West Kentucky No. 9 coal seam. The Green River acquisition is consistent with our general business strategy and complements our current coal mining operations. A determination of the acquisition date fair values of the assets acquired and liabilities assumed from Green River is pending the completion of an independent appraisal and other evaluations.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Significant relationships referenced in this management's discussion and analysis of financial condition and results of operations include the following:

- References to "we," "us," "our" or "ARLP Partnership" mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to "ARLP" mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to "MGP" mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., also referred to as our managing general partner.
- References to "SGP" mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P., also referred to as our special general partner.
- References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P., also referred to as our intermediate partnership.
- References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the operations of Alliance Resource Operating Partners, L.P., also referred to as our operating subsidiary.
- References to "AHGP" mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.
- References to "AGP" mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P.

Summary

We are a diversified producer and marketer of coal primarily to major United States ("U.S.") utilities and industrial users. We began mining operations in 1971 and, since then, have grown through acquisitions and internal development to become the third largest coal producer in the eastern U.S. We operate eleven underground mining complexes, including the new Tunnel Ridge, LLC ("Tunnel Ridge") mine in West Virginia, in Illinois, Indiana, Kentucky, Maryland and West Virginia. We are constructing a new mine in southern Indiana and operate a coal loading terminal on the Ohio River at Mt. Vernon, Indiana. Also, we have equity investments in White Oak Resources LLC ("White Oak"), we purchase and fund the development of reserves and are constructing surface facilities at White Oak's new mining complex in southern Illinois. As is customary in the coal industry, we have entered into long-term coal supply agreements with many of our customers. For information regarding the acquisition of the Onton No. 9 mining complex, which was added to the Illinois Basin segment in April 2012, please read "Item 1. Financial Statements (Unaudited) – Note 12. Subsequent Events" of this Quarterly Report on Form 10-Q.

We have five reportable segments: Illinois Basin, Central Appalachia, Northern Appalachia White Oak and Other and Corporate. The first three reportable segments correspond to the three major coal producing regions in the eastern U.S. Factors similarly affecting financial performance of our operating segments within each of these three reportable segments include coal quality, coal seam height, mining and transportation methods and regulatory issues are similar within each of these three segments. The White Oak segment includes our activities associated with the White Oak longwall Mine No. 1 development project in southern Illinois which currently encompass an equity investment in White Oak, the purchase, leaseback and funding of development of the White Oak coal reserves and the construction and operation of surface facilities.

- *Illinois Basin* reportable segment is comprised of multiple operating segments, including Webster County Coal, LLC's Dotiki mining complex ("Dotiki"), the Gibson mining complex which includes Gibson County Coal, LLC's Gibson North ("Gibson North") mine and the Gibson

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County Coal (South), LLC (“Gibson South”) project, Hopkins County Coal, LLC’s Elk Creek mining complex, White County Coal, LLC’s Pattiki mine, Warrior Coal, LLC’s mining complex, River View Coal, LLC’s (“River View”) mining complex, the Sebree Mining, LLC (“Sebree”) property and certain properties of Alliance Resource Properties, LLC (“Alliance Resource Properties”) and ARP Sebree, LLC. The development of the Gibson South mine is currently underway and we are in the process of permitting the Sebree property for future mine development. Sebree also includes the new Onton No. 9 mining complex, discussed above.

- *Central Appalachian* reportable segment is comprised of two operating segments, the Pontiki Coal, LLC and MC Mining, LLC (“MC Mining”) mining complexes.
- *Northern Appalachian* reportable segment is comprised of multiple operating segments, including Mettiki Coal, LLC’s mining complex (“Mettiki”), Mettiki Coal (WV), LLC’s Mountain View mining complex, two small third-party mining operations (one of which ceased operations in July 2011), the Tunnel Ridge mine and the Penn Ridge Coal, LLC (“Penn Ridge”) property. In May 2010, incidental production began from mine development activities at Tunnel Ridge and longwall production is expected to begin in May 2012. We are in the process of permitting the Penn Ridge property for future mine development.
- *White Oak* reportable segment is comprised of Alliance WOR Properties, LLC (“WOR Properties”) and Alliance WOR Processing, LLC (“WOR Processing”). WOR Processing includes both the surface operations at White Oak currently under construction and the equity investment in White Oak. WOR Properties owns and controls the coal reserves acquired from White Oak, leases the reserves back to White Oak and is committed to certain funding of future development of these reserves by White Oak. The White Oak reportable segment also includes a loan to White Oak for current financial activities related to the acquisition of mining equipment and will include future financing activities for another loan to construct certain surface facilities.
- *Other and Corporate* reportable segment includes marketing and administrative expenses, Alliance Service, Inc. (“ASI”) and its subsidiary, Matrix Design Group, LLC (“Matrix Design”), Alliance Design Group, LLC (collectively, Matrix Design and Alliance Design Group, LLC are referred to as the “Matrix Group”), the Mt. Vernon Transfer Terminal, LLC (“Mt. Vernon”) dock activities, coal brokerage activity, our equity investment in Mid-America Carbonates, LLC (“MAC”), and certain properties of Alliance Resource Properties.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

We reported net income of \$83.0 million for the three months ended March 31, 2012 (“2012 Quarter”) compared to \$95.4 million for the three months ended March 31, 2011 (“2011 Quarter”). This decrease of \$12.4 million was principally due to delayed shipments of coal export sales, the pass through of losses related to the White Oak development project and higher operating expenses resulting from increased sales and production volumes, which particularly impacted materials and supplies expenses, labor-related expenses, maintenance costs and sales-related expenses, as well as higher depreciation, depletion and amortization and outside coal purchases. Labor-related expenses were further impacted by pay rate increases in the 2012 Quarter compared to the 2011 Quarter. Increased operating expenses also reflect increased incidental production at our Tunnel Ridge mine. The decreases to net income mentioned above were partially offset by improved pricing resulting in a higher quarterly average coal sales price of \$54.99 per ton sold for the 2012 Quarter, as compared to \$54.08 per ton sold for the 2011 Quarter. We had higher tons sold of 7.8 million tons and record tons produced of 8.5 million tons in the 2012 Quarter, compared to 7.5 million tons sold and 8.2 million tons produced in the 2011 Quarter.

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	Three Months Ended March 31,			
	2012	2011	2012	2011
	(in thousands)		(per ton sold)	
Tons sold	7,812	7,538	N/A	N/A
Tons produced	8,512	8,220	N/A	N/A
Coal sales	\$429,599	\$407,685	\$54.99	\$54.08
Operating expenses and outside coal purchases	\$287,696	\$259,907	\$36.83	\$34.48

Coal sales. Coal sales for the 2012 Quarter increased 5.4% to \$429.6 million from \$407.7 million for the 2011 Quarter. The increase of \$21.9 million in coal sales reflected the benefit of increased tons sold (contributing \$14.8 million in additional coal sales) and higher average coal sales prices (contributing \$7.1 million in additional coal sales). These increases were offset partially by lower coal export sales in the Northern Appalachian region in the 2012 Quarter. Average coal sales prices increased \$0.91 per ton sold to \$54.99 per ton in the 2012 Quarter compared to \$54.08 per ton in the 2011 Quarter, primarily as a result of improved contract pricing.

Operating expenses and outside coal purchases. Operating expenses and outside coal purchases increased 10.7% to \$287.7 million for the 2012 Quarter from \$259.9 million for the 2011 Quarter, primarily due to increased coal sales and record production volumes. On a per ton basis, operating expenses and outside coal purchases increased 6.8% to \$36.83 per ton sold. Operating expenses were impacted by various other factors, the most significant of which are also discussed below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, increased 14.7% to \$12.33 per ton in the 2012 Quarter from \$10.75 per ton in the 2011 Quarter. This increase of \$1.58 per ton represents pay rate increases and higher benefit expenses, particularly increased health care costs and retirement expenses, the impact of increased headcount as we continue to hire and train additional employees for our new Tunnel Ridge mine and the impact of lower recoveries at our Dotiki mine reflecting the transition to a new coal seam;
- Materials and supplies expenses per ton produced increased 8.8% to \$12.38 per ton in the 2012 Quarter from \$11.38 per ton in the 2011 Quarter. The increase of \$1.00 per ton produced resulted from an increase in cost for certain products and services, primarily outside services and contract labor used in the mining process (increase of \$0.55 per ton), roof support (increase of \$0.31 per ton), and power used in the mining process (increase of \$0.13 per ton) in addition to the impact of increased incidental production from our new Tunnel Ridge mine;
- Maintenance expenses per ton produced increased 7.0% to \$4.30 per ton in the 2012 Quarter from \$4.02 per ton in the 2011 Quarter. The increase of \$0.28 per ton produced was primarily due to increased maintenance costs at our new Tunnel Ridge mine, increased longwall maintenance costs at our Mettiki mine and increased maintenance costs at our Dotiki mine as it transitions to a new coal seam;
- Mine administration expenses increased \$1.4 million for the 2012 Quarter compared to the 2011 Quarter, primarily due to higher regulatory costs and higher mine administration expenses at our Tunnel Ridge mine;
- Contract mining expenses decreased \$1.2 million for the 2012 Quarter compared to the 2011 Quarter. The decrease primarily reflects the permanent closure of one third-party mining operation in the Northern Appalachian region in July 2011;

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- Production taxes and royalties expenses (which were incurred as a percentage of coal sales prices and volumes) increased \$0.15 per produced ton sold in the 2012 Quarter compared to the 2011 Quarter, primarily as a result of higher average coal sales prices; and
- Outside coal purchases increased to \$14.1 million for the 2012 Quarter compared to \$3.8 million in the 2011 Quarter. The increase of \$10.3 million was primarily attributable to increased coal brokerage activity as well as Mettiki's higher cost per ton of coal purchased.

General and administrative. General and administrative expenses for the 2012 Quarter increased to \$14.3 million compared to \$12.4 million in the 2011 Quarter. The increase of \$1.9 million was primarily due to increases in salary and wage related expenses as well as an increase in contributions to certain industry and advocacy groups.

Other sales and operating revenues. Other sales and operating revenues are principally comprised of Mt. Vernon transloading revenues, Matrix Design revenues and other outside services and administrative services revenue from affiliates. Other sales and operating revenues increased to \$7.4 million for the 2012 Quarter from \$6.3 million for the 2011 Quarter. The increase of \$1.1 million was primarily attributable to increased Matrix Design product sales, partially offset by lower transloading revenues.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to \$43.0 million for the 2012 Quarter from \$37.9 million for the 2011 Quarter. The increase of \$5.1 million was attributable to additional depreciation expense related to the expansion of production capacity at the River View mine and continuing capital expenditures related to various infrastructure improvements and equipment expenditures at various mines.

Interest expense. Interest expense, net of capitalized interest, decreased to \$5.9 million for the 2012 Quarter from \$9.3 million for the 2011 Quarter. The decrease of \$3.4 million was principally attributable to increased capitalized interest and reduced interest expense resulting from our August 2011 principal repayment of \$18.0 million on our original senior notes issued in 1999, which is discussed in more detail below under “–Debt Obligations.”

Equity in loss of affiliates, net. Equity in loss of affiliates, net includes our equity investments in MAC and White Oak. For the 2012 Quarter, equity in loss of affiliates was \$3.8 million, which was primarily attributable to losses of \$4.0 million allocated to us due to our equity investment in White Oak.

Transportation revenues and expenses. Transportation revenues and expenses were \$6.6 million and \$9.3 million for the 2012 and 2011 Quarters, respectively. The decrease of \$2.7 million was primarily attributable to reduced tonnage for which we arrange transportation at certain mines as well as a decrease in average transportation rates in the 2012 Quarter. The cost of transportation services are passed through to our customers. Consequently, we do not realize any gain or loss on transportation revenues.

Income tax benefit. The income tax benefit for the 2012 Quarter was \$0.4 million compared to \$0.2 million for the 2011 Quarter. Income taxes are primarily due to the operations of Matrix Design. The income tax benefit for the 2012 Quarter was due to a net operating loss carryforward related to Matrix Design from prior years as well as a research and development tax credit earned by Matrix Design. The income tax benefit in the 2011 Quarter was due to operating losses from our Matrix Design operation.

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Segment Adjusted EBITDA. Our 2012 Quarter Segment Adjusted EBITDA decreased \$8.9 million, or 5.8%, to \$145.7 million from the 2011 Quarter Segment Adjusted EBITDA of \$154.6 million. Segment Adjusted EBITDA, tons sold, coal sales, other sales and operating revenues and Segment Adjusted EBITDA Expense by segment are (in thousands):

	Three Months Ended March 31,		Increase/(Decrease)	
	2012	2011		
Segment Adjusted EBITDA				
Illinois Basin	\$136,892	\$130,733	\$ 6,159	4.7%
Central Appalachia	10,210	13,571	(3,361)	(24.8)%
Northern Appalachia	282	10,315	(10,033)	(97.3)%
White Oak	(4,126)	—	(4,126)	(1)
Other and Corporate	2,399	19	2,380	(1)
Elimination	85	—	85	(1)
Total Segment Adjusted EBITDA (2)	<u>\$145,742</u>	<u>\$154,638</u>	<u>\$ (8,896)</u>	(5.8)%
Tons sold				
Illinois Basin	6,513	6,174	339	5.5%
Central Appalachia	509	595	(86)	(14.5)%
Northern Appalachia	708	769	(61)	(7.9)%
White Oak	—	—	—	—
Other and Corporate	82	—	82	(1)
Elimination	—	—	—	—
Total tons sold	<u>7,812</u>	<u>7,538</u>	<u>274</u>	3.6%
Coal sales				
Illinois Basin	\$337,980	\$310,008	\$ 27,972	9.0%
Central Appalachia	40,948	46,965	(6,017)	(12.8)%
Northern Appalachia	43,958	50,712	(6,754)	(13.3)%
White Oak	—	—	—	—
Other and Corporate	6,713	—	6,713	(1)
Elimination	—	—	—	—
Total coal sales	<u>\$429,599</u>	<u>\$407,685</u>	<u>\$ 21,914</u>	5.4%
Other sales and operating revenues				
Illinois Basin	\$ 460	\$ 969	\$ (509)	(52.5)%
Central Appalachia	16	123	(107)	(87.0)%
Northern Appalachia	554	917	(363)	(39.6)%
White Oak	—	—	—	—
Other and Corporate	10,391	9,678	713	7.4%
Elimination	(4,019)	(5,414)	1,395	25.8%
Total other sales and operating revenues	<u>\$ 7,402</u>	<u>\$ 6,273</u>	<u>\$ 1,129</u>	18.0%
Segment Adjusted EBITDA Expense				
Illinois Basin	\$201,548	\$180,244	\$ 21,304	11.8%
Central Appalachia	30,754	33,517	(2,763)	(8.2)%
Northern Appalachia	44,230	41,314	2,916	7.1%
White Oak	135	—	135	(1)
Other and Corporate	14,917	9,659	5,258	54.4%
Elimination	(4,103)	(5,414)	1,311	24.2%
Total Segment Adjusted EBITDA Expense (3)	<u>\$287,481</u>	<u>\$259,320</u>	<u>\$ 28,161</u>	10.9%

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- (1) Percentage change was greater than or equal to 100%.
- (2) Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as net income before net interest expense, income taxes, depreciation, depletion and amortization, and general and administrative expenses. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:
- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
 - the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
 - our operating performance and return on investment compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and
 - the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Segment Adjusted EBITDA is also used as a supplemental financial measure by our management for reasons similar to those stated in the previous explanation of EBITDA. In addition, the exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA allows management to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses, which are primarily controlled by our segments.

The following is a reconciliation of consolidated Segment Adjusted EBITDA to net income, the most comparable GAAP financial measure (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
Segment Adjusted EBITDA	\$145,742	\$154,638
General and administrative	(14,289)	(12,420)
Depreciation, depletion and amortization	(43,033)	(37,862)
Interest expense, net	(5,819)	(9,205)
Income tax benefit	367	229
Net income	<u>\$ 82,968</u>	<u>\$ 95,380</u>

- (3) Segment Adjusted EBITDA Expense (a non-GAAP financial measure) includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to our customers and, consequently, we do not realize any gain or loss on transportation revenues. Segment Adjusted EBITDA Expense is used as a supplemental financial measure by our management to assess the operating performance of our segments. Segment Adjusted EBITDA Expense is a key component of EBITDA in addition to coal sales and other sales and operating revenues. The exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA Expense allows management to focus solely on the evaluation of segment operating performance as it primarily relates to our operating expenses. Outside coal purchases are included in Segment Adjusted EBITDA Expense because tons sold and coal sales include sales from outside coal purchases.

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The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expense, the most comparable GAAP financial measure (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
Segment Adjusted EBITDA Expense	\$287,481	\$259,320
Outside coal purchases	(14,181)	(3,789)
Other income	215	587
Operating expense (excluding depreciation, depletion and amortization)	<u>\$273,515</u>	<u>\$256,118</u>

Illinois Basin – Segment Adjusted EBITDA increased 4.7% to \$136.9 million in the 2012 Quarter from \$130.7 million in the 2011 Quarter. The increase of \$6.2 million was primarily attributable to increased tons sold, which increased 5.5% to 6.5 million tons in the 2012 Quarter, as well as improved contract pricing resulting in a higher average coal sales price of \$51.90 per ton sold during the 2012 Quarter compared to \$50.21 per ton sold for the 2011 Quarter. Coal sales increased 9.0% to \$338.0 million in the 2012 Quarter compared to \$310.0 million in the 2011 Quarter. The increase of \$28.0 million reflects the increase in the average coal sales price discussed above and increased tons produced and sold from expansion of production capacity at our River View mine, partially offset by difficult mining conditions affecting production at certain mine operations. Total Segment Adjusted EBITDA Expense for the 2012 Quarter increased 11.8% to \$201.5 million from \$180.2 million in the 2011 Quarter and increased \$1.76 per ton sold to \$30.95 from \$29.19 per ton sold, primarily as a result of certain cost increases described above under consolidated operating expenses, as well as lower coal production and recoveries at our Gibson North and Dotiki mines due to difficult mining conditions, partially offset by increased production at our River View mine.

Central Appalachia – Segment Adjusted EBITDA decreased 24.8% to \$10.2 million for the 2012 Quarter compared to \$13.6 million in the 2011 Quarter. The decrease of \$3.4 million was primarily attributable to lower sales volumes as a result of difficult mining conditions at our MC Mining mine experienced during the 2012 Quarter and the continued impact of losing a production unit at the Pontiki mine due to regulatory action during the 2011 fourth quarter, partially offset by higher coal sales price per ton, which increased to \$80.48 per ton sold in the 2012 Quarter from \$78.98 per ton sold in the 2011 Quarter. Segment Adjusted EBITDA Expense per ton sold during the 2012 Quarter increased to \$60.44 compared to \$56.36 per ton sold in the 2011 Quarter, an increase of \$4.08 per ton sold reflecting certain cost increases described above under consolidated operating expenses, including continued stringent regulatory compliance requirements, as well as lower production volumes described above. Although Segment Adjusted EBITDA Expense per ton sold increased in the 2012 Quarter, Segment Adjusted EBITDA Expense for the 2012 Quarter decreased 8.2% to \$30.8 million from \$33.5 million in the 2011 Quarter primarily as a result of lower coal sales volumes that partially offset the higher expenses per ton described above.

Northern Appalachia – Segment Adjusted EBITDA decreased 97.3% to \$0.3 million for the 2012 Quarter as compared to \$10.3 million in the 2011 Quarter. This decrease of \$10.0 million was primarily attributable to lower coal sales volumes due to export coal shipment delays, as well as a lower average coal sales price of \$62.06 per ton sold for the 2012 Quarter compared to \$65.94 per ton sold for the 2011 Quarter. Total Segment Adjusted EBITDA Expense for the 2012 Quarter increased 7.1% to \$44.2 million from \$41.3 million in the 2011 Quarter and increased \$8.73 per ton sold to \$62.45 from \$53.72 per ton sold, primarily as a result of higher cost per ton of purchased coal, the impact of increased incidental production from our new Tunnel Ridge mine and less coal produced from third-party operations due to one third party operator ceasing production in July 2011, as well as the other cost increases described above under consolidated operating expenses.

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White Oak – Segment Adjusted EBITDA was \$(4.1) million in the 2012 Quarter primarily attributable to losses allocated to us due to our equity interest in White Oak.

Other and Corporate – Segment Adjusted EBITDA increased \$2.4 million in the 2012 Quarter from the 2011 Quarter. This increase was primarily attributable to higher coal brokerage sales and higher Matrix Group safety equipment sales. Segment Adjusted EBITDA Expense increased 54.4% to \$14.9 million for the 2012 Quarter, primarily due to increased outside coal purchases, partially offset by decreased component expenses associated with safety equipment sales by Matrix Group.

Liquidity and Capital Resources

Liquidity

We have historically satisfied our working capital requirements and funded our capital expenditures and debt service obligations from cash generated from operations, cash provided by the issuance of debt or equity and borrowings under revolving credit facilities. We believe that existing cash balances, future cash flows from operations, borrowing under revolving credit facilities and cash provided from the issuance of debt or equity will be sufficient to meet our working capital requirements, anticipated capital expenditures, scheduled debt payments, commitments and distribution payments. Our ability to satisfy our obligations, commitments and planned expenditures will depend upon our future operating performance and access to and cost of financing sources, which will be affected by prevailing economic conditions generally and in the coal industry specifically, which are beyond our control. We expect that part of our financing and liquidity needs will be met through the issuance of debt or equity securities in the near term. Based on our recent operating results, current cash position, anticipated future cash flows and sources of financing that we expect to have available, we do not anticipate any significant liquidity constraints in the foreseeable future. However, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. Please read "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2011.

Cash Flows

Cash provided by operating activities was \$114.8 million for the 2012 Quarter compared to \$120.8 million for the 2011 Quarter. The decrease in cash provided by operating activities was principally attributable to lower net income, a decrease in the change in accounts payable during the 2012 Quarter compared to an increase during the 2011 Quarter and an increase in higher cost per ton coal inventory during the 2012 Quarter as compared to the 2011 Quarter. These decreases in cash provided by operating activities were partially offset by a decrease in trade receivables during the 2012 Quarter as compared to an increase during the 2011 Quarter.

Net cash used in investing activities was \$134.9 million for the 2012 Quarter compared to \$68.0 million for the 2011 Quarter. The increase in cash used in investing activities was primarily attributable to higher mine infrastructure and equipment capital expenditures at the Dotiki and Tunnel Ridge mines as well as increased capital expenditures at other mines and our funding of the White Oak project during the 2012 Quarter.

Net cash used in financing activities was \$64.5 million for the 2012 Quarter compared to \$53.4 million for the 2011 Quarter. The increase in cash used in financing activities was primarily attributable to increased distributions paid to partners in the 2012 Quarter.

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Capital Expenditures

Capital expenditures increased to \$105.3 million in the 2012 Quarter from \$63.8 million in the 2011 Quarter. See “—Cash Flows” above for additional information regarding capital expenditures.

Our anticipated total capital expenditures for the year ending December 31, 2012 are estimated in a range of \$565.0 to \$610.0 million, which includes the acquisition of coal reserves from White Oak, funds provided to develop the reserves and construction of the related surface facilities of approximately \$95.0 to \$110.0 million and the acquisition of the Onton No. 9 mine in April 2012. For information regarding the acquisition of the Onton No. 9 mine, please read “Item 1. Financial Statements (Unaudited) – Note 12. Subsequent Events” of this Quarterly Report on Form 10-Q. Management anticipates funding remaining 2012 capital requirements with cash and cash equivalents (\$189.0 million as of March 31, 2012), cash flows provided by operations and sources of financing that we expect to have available. We will continue to have significant capital requirements over the long-term, which may require us to obtain additional debt or equity capital. The availability and cost of additional capital will depend upon prevailing market conditions, the market price of our common units and several other factors over which we have limited control, as well as our financial condition and results of operations.

Debt Obligations

ARLP Credit Facility. Our Intermediate Partnership maintains the ARLP Credit Facility, a \$142.5 million revolving credit facility that matures September 25, 2012. The ARLP Credit Facility limits our annual capital expenditures, excluding acquisitions (including the purchase price allocated to any equipment, fixed assets, real property or improvements acquired in connection with an acquisition). The capital expenditure limit is \$460.0 million for 2012. Our anticipated capital expenditures after exclusions noted above falls below the capital expenditure limit. The amount of any annual limit in excess of actual capital expenditures for that year carries forward and is added to the annual limit for the subsequent year.

At March 31, 2012, we had \$11.6 million of letters of credit outstanding with \$130.9 million available for borrowing under the ARLP Credit Facility. We had no borrowings outstanding under the ARLP Credit Facility as of March 31, 2012 or December 31, 2011. We utilize the ARLP Credit Facility, as appropriate, to meet working capital requirements, anticipated capital expenditures, scheduled debt payments or distribution payments. We incur an annual commitment fee of 0.375% on the undrawn portion of the ARLP Credit Facility.

Senior Notes. Our Intermediate Partnership has \$54.0 million principal amount of 8.31% senior notes due August 20, 2014, payable in three remaining equal annual installments of \$18.0 million with interest payable semi-annually (“Senior Notes”).

Series A Senior Notes. On June 26, 2008, our Intermediate Partnership entered into a Note Purchase Agreement (the “2008 Note Purchase Agreement”) with a group of institutional investors in a private placement offering. We issued \$205.0 million of Series A senior notes, which bear interest at 6.28% and mature on June 26, 2015 with interest payable semi-annually.

Series B Senior Notes. On June 26, 2008, we issued under the 2008 Note Purchase Agreement \$145.0 million of Series B senior notes (together with the Series A senior notes, the “2008 Senior Notes”), which bear interest at 6.72% and mature on June 26, 2018 with interest payable semi-annually.

Term Loan. On December 29, 2010, our Intermediate Partnership entered into a term loan agreement (the “Term Loan Agreement”) with various financial institutions for a term loan (the “Term Loan”) in the aggregate principal amount of \$300 million. The Term Loan bears interest at a variable rate

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plus an applicable margin which fluctuates depending upon whether we elect the Term Loan (or a portion thereof) to bear interest at the Base Rate or the Eurodollar Rate (as defined in the Term Loan Agreement). We have elected the Eurodollar Rate which, with applicable margin, was 2.25% as of March 31, 2012. Interest is payable quarterly with principal due as follows: \$15 million due per quarter beginning March 31, 2013 through December 31, 2013, \$18.75 million due per quarter beginning March 31, 2014 through September 30, 2015 and the balance of \$108.75 million due on December 31, 2015. We have the option to prepay the Term Loan at any time in whole or in part subject to terms and conditions described in the Term Loan Agreement. Upon a “change of control” (as defined in the Term Loan Agreement), the unpaid principal amount of the Term Loan, all interest thereon and all other amounts payable under the Term Loan Agreement will become due and payable.

The ARLP Credit Facility, Senior Notes, 2008 Senior Notes and the Term Loan (collectively, “ARLP Debt Arrangements”) are guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting our Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by our Intermediate Partnership, the incurrence of additional indebtedness and liens, the sale of assets, the making of investments, the entry into mergers and consolidations and the entry into transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require our Intermediate Partnership to maintain the following: (a) debt to cash flow ratio of not more than 3.0 to 1.0 and (b) cash flow to interest expense ratio of not less than 4.0 to 1.0, in both cases, during the four most recently ended fiscal quarters. The ARLP Credit Facility, Senior Notes and the 2008 Senior Notes limit our Intermediate Partnership’s maximum annual capital expenditures, excluding acquisitions (including the purchase price allocated to any equipment, fixed assets, real property or improvements acquired in connection with an acquisition). The debt to cash flow ratio and cash flow to interest expense ratio were 1.22 to 1.0 and 16.2 to 1.0, respectively, for the trailing twelve months ended March 31, 2012. Actual capital expenditures were \$105.3 million for the 2012 Quarter. We were in compliance with the covenants of the ARLP Debt Arrangements as of March 31, 2012.

Other. In addition to the letters of credit available under the ARLP Credit Facility discussed above, we also have agreements with two banks to provide additional letters of credit in an aggregate amount of \$31.1 million to maintain surety bonds to secure certain asset retirement obligations and our obligations for workers’ compensation benefits. At March 31, 2012, we had \$30.7 million in letters of credit outstanding under agreements with these two banks.

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Related-Party Transactions

We have continuing related-party transactions with our managing general partner, AHGP and SGP and its affiliates. These related-party transactions relate principally to the provision of administrative services to AHGP and Alliance Resource Holdings II, Inc. and their respective affiliates, mineral and equipment leases with SGP and its affiliates and transactions with White Oak and related entities to support development of a longwall mining operation currently under construction.

On March 1, 2012, JC Air, LLC (“JC Air”), a wholly-owned subsidiary of our special general partner, was merged into our subsidiary, ASI. JC Air’s sole assets were two airplanes, one of which was previously subject to a time sharing agreement between SGP Land, LLC, another subsidiary of our special general partner, and us. In consideration for this merger, we paid SGP approximately \$8.0 million cash at closing. Because the transaction was between entities under common control, it was reviewed by the board of directors of our managing general partner (the “Board of Directors”) and its conflicts committee (the “Conflicts Committee”). Based on this review, the Conflicts Committee determined that the transaction reflected market-clearing terms and conditions. As a result, the Board of Directors and the Conflicts Committee approved the transaction as fair and reasonable to us and our limited partners.

Please read our Annual Report on Form 10-K for the year ended December 31, 2011, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related-Party Transactions” for additional information concerning related-party transactions.

New Accounting Standards

New Accounting Standards Issued and Adopted

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (“ASU 2011-04”). ASU 2011-04 amends Accounting Standards Codification (“ASC”) 820, *Fair Value Measurement*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. ASU 2011-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on our condensed consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* (“ASU 2011-05”). ASU 2011-05 removes the presentation options in ASC 220, *Comprehensive Income*, and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Under the two statement approach, the first statement would include components of net income, and the second statement would include components of other comprehensive income (“OCI”). ASU 2011-05 does not change the items that must be reported in OCI. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and its provisions must be applied retrospectively for all periods presented in the financial statements. In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (“ASU 2011-12”), which indefinitely deferred a provision of ASU 2011-05 that required entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which OCI is presented. The adoption of ASU 2011-05 did not have a material impact on our condensed consolidated financial statements.

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Other

Proposed Regulation

On March 27, 2012, the EPA proposed New Source Performance Standards (“NSPS”) for certain GHG (carbon dioxide) emissions from new and modified electricity generation units (“EGUs”). The proposed NSPS set the first numerical limits for carbon dioxide emissions for an entire source category. The proposed NSPS, if promulgated as proposed, would pose significant challenges for the construction of new coal-fired EGUs for some time. The proposed rule does not regulate existing EGUs or new EGUs that already have been permitted. If the rule is finalized as proposed, we would anticipate the rule would be legally challenged.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We have significant long-term coal supply agreements. Virtually all of the long-term coal supply agreements are subject to price adjustment provisions, which permit an increase or decrease periodically in the contract price to principally reflect changes in specified price indices or items such as taxes, royalties or actual production costs resulting from regulatory changes.

We have exposure to price risk for items that are used directly or indirectly in the normal course of coal production such as steel, electricity and other supplies. We manage our risk for these items through strategic sourcing contracts for normal quantities required by our operations. We do not utilize any commodity price-hedges or other derivatives related to these risks.

Credit Risk

Most of our sales tonnage is consumed by electric utilities. Therefore, our credit risk is primarily with domestic electric power generators. Our policy is to independently evaluate each customer’s creditworthiness prior to entering into transactions and to constantly monitor outstanding accounts receivable against established credit limits. When deemed appropriate by our credit management department, we will take steps to reduce our credit exposure to customers that do not meet our credit standards or whose credit has deteriorated. These steps may include obtaining letters of credit or cash collateral, requiring prepayments for shipments or establishing customer trust accounts held for our benefit in the event of a failure to pay.

Exchange Rate Risk

All of our transactions are denominated in U.S. dollars, and as a result, we do not have material exposure to currency exchange-rate risks.

Interest Rate Risk

Borrowings under the ARLP Credit Facility and Term Loan Agreement are at variable rates and, as a result, we have interest rate exposure. Historically, our earnings have not been materially affected by changes in interest rates. We do not utilize any interest rate derivative instruments related to our outstanding debt. We had no borrowings under the ARLP Credit Facility and \$300.0 million outstanding

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under the Term Loan Agreement at March 31, 2012. A one percentage point increase in the interest rates related to the Term Loan Agreement would result in an annualized increase in 2012 interest expense of \$3.0 million, based on borrowing levels at March 31, 2012. With respect to our fixed-rate borrowings, a one percentage point increase in interest rates would result in a decrease of approximately \$15.8 million in the estimated fair value of these borrowings.

As of March 31, 2012, the estimated fair value of the ARLP Debt Arrangements was approximately \$748.4 million. The fair values of long-term debt are estimated using discounted cash flow analyses, based upon our current incremental borrowing rates for similar types of borrowing arrangements as of March 31, 2012. There were no other changes in our quantitative and qualitative disclosures about market risk as set forth in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES

We maintain controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934) as of March 31, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective as of March 31, 2012.

During the quarterly period ended March 31, 2012, there have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q may constitute “forward-looking statements.” These statements are based on our beliefs as well as assumptions made by, and information currently available to, us. When used in this document, the words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “may,” “project,” “will,” and similar expressions identify forward-looking statements. Without limiting the foregoing, all statements relating to our future outlook, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements. These statements reflect our current views with respect to future events and are subject to numerous assumptions that we believe are reasonable, but are open to a wide range of uncertainties and business risks, and actual results may differ materially from those discussed in these statements. Among the factors that could cause actual results to differ from those in the forward-looking statements are:

- changes in competition in coal markets and our ability to respond to such changes;
- changes in coal prices, which could affect our operating results and cash flows;
- risks associated with the expansion of our operations and properties;
- the impact of health care legislation;
- deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions;
- dependence on significant customer contracts, including renewing customer contracts upon expiration of existing contracts;
- changing global economic conditions or in industries in which our customers operate;
- liquidity constraints, including those resulting from any future unavailability of financing;
- customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform;
- customer delays, failure to take coal under contracts or defaults in making payments;
- adjustments made in price, volume or terms to existing coal supply agreements;
- fluctuations in coal demand, prices and availability due to labor and transportation costs and disruptions, equipment availability, governmental regulations, including those related to carbon dioxide emissions, and other factors;
- legislation, regulatory and court decisions and interpretations thereof, including issues related to air and water quality and miner health and safety;
- our productivity levels and margins earned on our coal sales;
- unexpected changes in raw material costs;
- unexpected changes in the availability of skilled labor;
- our ability to maintain satisfactory relations with our employees;
- any unanticipated increases in labor costs, adverse changes in work rules, or unexpected cash payments or projections associated with post-mine reclamation and workers’ compensation claims;
- any unanticipated increases in transportation costs and risk of transportation delays or interruptions;
- greater than expected environmental regulation, costs and liabilities;
- a variety of operational, geologic, permitting, labor and weather-related factors;
- risks associated with major mine-related accidents, such as mine fires, or interruptions;
- results of litigation, including claims not yet asserted;
- difficulty maintaining our surety bonds for mine reclamation as well as workers’ compensation and black lung benefits;
- difficulty in making accurate assumptions and projections regarding pension, black lung benefits and other post-retirement benefit liabilities;
- coal market’s share of electricity generation, including as a result of environmental concerns related to coal mining and combustion and the cost and perceived benefits of alternative sources of energy, such as natural gas, nuclear energy and renewable fuels;

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- uncertainties in estimating and replacing our coal reserves;
- a loss or reduction of benefits from certain tax credits;
- difficulty obtaining commercial property insurance, and risks associated with our participation (excluding any applicable deductible) in the commercial insurance property program;
- difficulty in making accurate assumptions and projections regarding future revenues and costs associated with equity investments in companies we do not control; and
- other factors, including those discussed in “Part II. Item 1A. Risk Factors” and “Part II. Item 1. Legal Proceedings” of this Quarterly Report on Form 10-Q.

If one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those described in any forward-looking statement. When considering forward-looking statements, you should also keep in mind the risks described in "Risk Factors" below. These risks could also cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

You should consider the information above when reading or considering any forward-looking statements contained in:

- this Quarterly Report on Form 10-Q;
- other reports filed by us with the SEC;
- our press releases;
- our website <http://www.arlp.com>; and
- written or oral statements made by us or any of our officers or other authorized persons acting on our behalf.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 3, Contingencies to the Unaudited Condensed Consolidated Financial Statements included in “Part I, Item 1. Financial Statements (Unaudited)” of this Quarterly Report on Form 10-Q herein is hereby incorporated by reference. See also “Item 3. Legal Proceedings” of the Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011 which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q are not our only risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial based on current knowledge and factual circumstances, if such knowledge or facts change, also may materially adversely affect our business, financial condition and/or operating results in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith*
		SEC Form	SEC File No. and Film No.	Exhibit	Filing Date	
10.1 ⁽¹⁾	Base Contract for Purchase and Sale of Coal, dated March 16, 2012, between Seminole Electric Cooperative, Inc. and Alliance Coal, LLC					<input checked="" type="checkbox"/>
10.2 ⁽¹⁾	Contract of Confirmation, effective March 16, 2012, between Seminole Electric Cooperative, Inc., Alliance Coal, LLC and Alliance Resource Partners, L.P.					<input checked="" type="checkbox"/>
10.3	Guaranty by Alliance Resource Partners, L.P.					<input checked="" type="checkbox"/>
31.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 9, 2012, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					<input checked="" type="checkbox"/>
31.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 9, 2012, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					<input checked="" type="checkbox"/>
32.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 9, 2012, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					<input checked="" type="checkbox"/>
32.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 9, 2012, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					<input checked="" type="checkbox"/>
95.1	Federal Mine Safety and Health Act Information					<input checked="" type="checkbox"/>
101	Interactive Data File (Form 10-Q for the quarter ended March 31, 2012 furnished in XBRL). The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed” and, in accordance with Rule 406T of Regulation S-T, is not deemed “filed” or part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under these sections.					<input checked="" type="checkbox"/>

* Or furnished, in the case of Exhibits 32.1 and 32.2.

- (1) Application has been made to the Commission for confidential treatment of certain provisions of this exhibit. Omitted material for which confidential treatment has been requested has been filed separately with the Commission.

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SIGNATURES

Pursuant to the requirements 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, in Tulsa, Oklahoma, on May 9, 2012.

ALLIANCE RESOURCE PARTNERS, L.P.

By: Alliance Resource Management GP, LLC
its managing general partner

/s/ Joseph W. Craft, III

Joseph W. Craft, III
*President, Chief Executive Officer
and Director, duly authorized to sign on behalf of
the registrant.*

/s/ Brian L. Cantrell

Brian L. Cantrell
*Senior Vice President and
Chief Financial Officer*

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Section 2: EX-10.1 (BASE CONTRACT FOR PURCHASE AND SALE OF COAL)

Exhibit 10.1

COVER SHEET

BASE CONTRACT FOR PURCHASE AND SALE OF COAL

This Base Contract for Purchase and Sale of Coal is entered into as of March 16, 2012 (the "Base Effective Date"). The parties to this Base Contract are:

Alliance Coal, LLC, a Delaware limited liability company

Duns Number: 06-454-5726
Contract Number:
U.S. Federal Tax ID Number: 73-0956034

Notices:

1717 South Boulder Avenue, Suite 400, Tulsa, OK 74119
Attn: Vice President – Contract Administration
Phone: 918-295-7619 Fax: 918-295-7360

Invoices and Payments:

1717 South Boulder Avenue, Suite 400, Tulsa, OK 74119
Attn: Accounts Receivable, Senior Accounting Clerk
Phone: 918-295-7638 Fax: 918-295-7357

Scheduling:

549 Mill Street, Hanson, KY 42413
Attn: Manager Field Services & Logistics Support
Phone: 270-249-2425 Cell: 270-836-5474 Fax: 270-667-2031

Wire Transfer or ACH Numbers (if applicable):

BANK: Fifth Third Bank, Cincinnati, OH
ABA: ****
ACCT: ****
Other Details: For account of Alliance Coal, LLC

Wire Transfer or ACH confirmation notice to be delivered to
Attn: Accounts Receivable by fax of 918-295-7357 or

Seminole Electric Cooperative, Inc., a Florida rural electric cooperative corporation

Duns Number: 07-833-2657
Contract Number:
U.S. Federal Tax ID Number: 59-1160409

P. O. Box 272000, Tampa, FL 33688-2000
Attn: Director Fuel Supply
Phone: 813-739-1234 Fax: 813-264-7907

P. O. Box 273000, Tampa, FL 33688-3000
Attn: Accounts Payable, Supervisor of Disbursements
Phone: 813-739-1332 Fax: 813-264-7906

P. O. Box 272000, Tampa, FL 33688-2000
Attn: Director Fuel Supply
Phone: 813-739-1234 Fax: 813-264-7907

BANK: JP Morgan Chase
ABA: ****
ACCT: ****
Other Details: For Acct. of Seminole Electric Cooperative, Inc.

Wire Transfer or ACH confirmation notice to be delivered to
Attn: Accounts Receivable by fax of 813-264-7966 or

By email to cordy.o'dell@arlp.com

by email to psmith@seminole-electric.com

This Cover Sheet, together with the attached General Terms and Conditions, exhibits, and schedules shall be referred to as the "Base Contract". The terms defined in Article 1 and elsewhere in this Base Contract will have the meanings therein specified for the purpose of this Base Contract.

In witness whereof, the Parties have executed this Base Contract in triplicate.

Alliance Coal, LLC

Seminole Electric Cooperative, Inc.

By: /s/ Robert G. Sachse
Name: Robert G. Sachse
Title: Executive Vice President
Date: March 16, 2012

By: /s/ Timothy S. Woodbury
Name: Timothy S. Woodbury
Title: CEO & General Manager
Date: March 16, 2012

**** INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24b-2 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED.

GENERAL TERMS AND CONDITIONS
BASE CONTRACT FOR PURCHASE AND SALE OF COAL

Article 1: Definitions

1.1 (reserved)

1.2 Affiliate means, with respect to any Person, any other Person (other than an individual) that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. For this purpose, control means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

1.3 Analysis Person has the meaning set forth in Section 5.3.3.

1.4 ASTM means the American Society for Testing and Materials.

1.5 Bankruptcy Proceeding means with respect to a Party or entity, such Party or entity (a) makes an assignment or any general arrangement for the benefit of creditors, (b) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy or similar law for the protection of creditors, (c) has such a petition filed against it and such petition is not withdrawn or dismissed within sixty (60) days after such filing, (d) otherwise becomes bankrupt or insolvent (however evidenced), or (e) is unable to pay its debts as they fall due .

1.6 Base Contract Term has the meaning set forth in Article 2.

1.7 Business Day means a day on which Federal Reserve member banks in New York City are open for business unless such day is a Holiday; and a Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Eastern Prevailing Time.

1.8 Buyer means Seminole Electric Cooperative, Inc., a Florida rural electric cooperative corporation.

1.9 Claims mean all claims or actions that directly or indirectly relate to a right or obligation of a party hereunder, and any resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise.

1.10 Coal means any and all of the coal to be sold by Seller and purchased by Buyer which (i) conforms to the Specifications or is otherwise accepted by Buyer under any Confirmation, (ii) contains no synthetic fuels and is substantially free from any extraneous materials, (iii) has a Standard Transportation Commodity Code (STCC) that begins with the first five digits "11-212" as set forth in the CSXT Standard Transportation Commodity Code Tariff STCC 6001-Series, and (iv) is ranked in the category of high volatile bituminous as defined by the ASTM Coal Classification System.

1.11 Commercially Reasonable Efforts means the taking by a Person of such action in accordance with reasonable commercial practices as applied to the particular matter in question to achieve the result as expeditiously as practicable without incurring unreasonable expense.

1.12 Confirmation shall have the meaning set forth in Section 3.2.1.

1.13 Contract Price means the price in \$U.S. per Ton to be paid by Buyer to Seller for the purchase of Coal under a Confirmation.

1.14 Contract Quantity means the quantity of Coal that Seller agrees to sell and deliver to Buyer, and that Buyer agrees to purchase and receive from Seller, pursuant to a Confirmation and specified in the final nomination for a Nomination Period.

1.15 Contract Year shall mean the calendar year of January 1 through December 31.

1.16 Costs means any fees, commissions and other transactional costs and expenses (including Legal Costs) reasonably incurred by a Non-Defaulting Party as a result of any terminated Confirmation(s) arising from default of a Party.

1.17 CSXT means Buyer's Transporter which is CSX Transportation, Inc. and any interconnected railroad required to transport Coal originated at Seller's Delivery Point.

1.18 Defaulting Party has the meaning set forth in Section 10.1.

1.19 Delivery Point means the agreed point(s) of delivery and receipt of the Coal pursuant to a Confirmation. Title to and risk of loss of the Coal shall pass to Buyer as set forth in Section 4.4.

1.20 Delivery Schedule has the meaning set forth in Section 4.3.

1.21 Early Termination Date has the meaning set forth in Section 10.2.

1.22 Eastern Prevailing Time means Eastern Standard Time or Eastern Daylight Time in effect in New York City, New York, as the case may be.

1.23 Event of Default has the meaning set forth in Section 10.1.

1.24 FOB shall have the meaning given to such term in the Uniform Commercial Code of the State of Florida.

1.25 Force Majeure has the meaning set forth in Article 8.

1.26 Gains mean the commercially reasonable present value of any economic benefit (exclusive of Costs) to a Party directly resulting from the cessation of its obligations under a terminated Confirmation.

1.27 Guarantor means the guarantor, if any, of Seller's full and timely performance of Seller's obligations under this Base Contract.

1.28 Holiday means a day recognized as a federal holiday in the United States of America.

1.29 Interest Rate shall be the prime rate of interest (as such rate is reported on the due date) for large U.S. Money Center commercial banks published under "Money Rates" by The Wall Street Journal plus two percent (2%), or the maximum applicable lawful interest rate, whichever is less.

1.30 Legal Costs means the reasonable out-of-pocket expenses, including attorney fees, incurred by a Party by reason of the enforcement of its rights under this Base Contract or any Confirmation.

1.31 Legal Proceedings means any suits, proceedings, judgments, rulings or orders in law or equity by or before any court or governmental authority.

1.32 Losses mean the commercially reasonable present value of any economic loss (exclusive of Costs) to a Party directly resulting from the cessation of its rights and obligations under a terminated Confirmation. .

1.33 MMBtu means one million British thermal units.

1.34 Monthly Shipment Notification Date has the meaning set forth in Section 4.3.

1.35 Monthly Shipment Volume has the meaning set forth in Section 4.3.

1.36 Nomination Period shall mean the period of January 1 through December 31 for scheduling Coal in any Contract Year pursuant to a Confirmation.

1.37 Non-Conforming Shipment has the meaning set forth in Section 6.2.

1.38 Non-Defaulting Party has the meaning set forth in Section 10.2.

1.39 Non-Performing Party means a Party which has failed to deliver or to take delivery of Coal as required under this Base Contract.

1.40 Objecting Person has the meaning set forth in Section 5.3.4.

1.41 Origin(s) means a Delivery Point that is directly served by CSXT located within the rate districts listed in Tariff CSXT 8200-Series, or a successor publication, or Epworth or Sugar Camp on the Evansville Western Railway (“EVWR”).

1.42 Party shall mean either Party to this Base Contract as indicated by the context, and “Parties” shall mean both parties to this Base Contract.

1.43 Performing Party means the Party other than the Non-Performing Party.

1.44 Person means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

1.45 Rejection Limits means the quality characteristics for the Coal specified in the relevant Confirmation that give rise to a rejection right of Buyer pursuant to Section 6.2 of this Base Contract and respective provisions of the Confirmation.

1.46 Replacement Price has the meaning set forth in Section 4.6.4.1.

1.47 Sales Price has the meaning set forth in Section 4.6.4.2.

1.48 Sampling Person has the meaning set forth in Section 5.3.1.

1.49 Seller means the Party to a Confirmation obligated to sell and deliver Coal during the Term of the Confirmation.

1.50 ShipCSX means CSXT’s coal scheduling and Unit Train management system.

1.51 Shipment means one Unit Train loaded on any one day in accordance with the applicable Transportation Specifications.

1.52 Shipping Report has the meaning set forth in Section 5.3.4.

1.53 SO₂ means sulfur dioxide.

1.54 SO₂ lbs./MMBtu means pounds sulfur dioxide per MMBtu.

1.55 Source means the mine(s), mining complexes, load out, river dock(s) or other point(s) of origin that Seller and Buyer agree are acceptable origins for the Coal specified in a Confirmation.

1.56 Specifications means the quality characteristics for the Coal subject to a Confirmation on an “as received” basis, using ASTM standards, or as specified in the relevant Confirmation.

1.57 Suspension Limits means the quality characteristics for the Coal specified in the relevant Confirmation that give rise to a suspension right of Buyer pursuant to Section 6.3 of this Base Contract and respective provisions of the Confirmation.

1.58 Taxes means any or all ad valorem, property, occupation, severance, generation, first use, conservation, energy, utility, gross receipts, privilege, sales, use, consumption, excise, lease, Confirmation, and other taxes, governmental charges, licenses, fees, permits and assessments, or increases therein, other than taxes based on net income or net worth.

1.59 Term means the period of time from the date a Confirmation is to commence to the date a Confirmation is to expire.

1.60 Third Party Impositions has the meaning set forth in Section 12.12.

1.61 Ton means 2,000 pounds.

1.62 Transportation Specifications means the agreement(s) or other arrangements made by either Party with its respective Transporter(s), as amended from time to time, covering the requirements for each Shipment.

1.63 Transporter means the entity or entities transporting Coal on behalf of Seller to and at the Delivery Point or on behalf of Buyer from the Delivery Point.

1.64 Unit Train shall mean approximately one hundred (100) railcars loaded together as an intact train in accordance with applicable Transportation Specifications or empty and being transported for delivery to the Source(s) as specified in the relevant Confirmation.

Article 2: Term

2.1 Term. The term of this Base Contract (the “Base Contract Term”) shall commence on the Base Effective Date and shall remain in effect until terminated by either Party upon thirty (30) days prior written notice; provided, however, that such termination shall not affect or excuse the performance of any Party under any provision of this Base Contract that by its terms survives any such termination; and provided further, that this Base Contract and any relevant Confirmations shall remain in effect with respect to any Confirmation(s) entered into on or prior to the date of the termination until each Party has fulfilled all of its obligations with respect to all such Confirmation(s).

Article 3: Transactions

3.1 Obligations for Purchase and Sale of Coal. A transaction shall be evidenced by a Confirmation as provided herein. Each Party agrees that it is legally bound by the terms of a Confirmation, as supplemented by this Base Contract, from the date that a Confirmation setting forth such terms is executed by the Parties (“Confirmation Date”). During the Term, Seller agrees to sell and deliver to Buyer, and Buyer agrees to purchase and accept from Seller, at the Delivery Point, the Contract Quantity specified in accordance with the terms and conditions of the Confirmation and this Base Contract.

3.2 Confirmations.

3.2.1 Execution. The Buyer will prepare and send to the Seller promptly after agreement as to a transaction a written confirmation memorializing the transaction (“Confirmation”) substantially in the form attached hereto as Exhibit A. Each Confirmation will be promptly executed by the Seller, if it accurately sets forth the terms and conditions of the transaction agreed by the Parties, and returned to Buyer. Each Confirmation will list the terms and conditions for the agreed transaction not otherwise covered by this Base Contract, including, without limitation, quantity, term, scheduling, price, source(s), delivery point(s), specifications, and any other relevant terms agreed to by the Parties, including any exceptions to this Base Contract.

3.2.2 Errors. Should the Confirmation not accurately set forth the agreed terms and conditions, the Parties shall use their best efforts to resolve any matters and execute a conforming Confirmation. Once executed by both Parties, the Confirmation shall be deemed correct and binding and conclusive evidence of the transaction agreed to by the Parties.

3.2.3 Inconsistency. In the event of any inconsistency between the provisions of this Base Contract and the terms set forth in a Confirmation, the Confirmation will prevail for the purpose of the relevant transaction.

3.2.4 Single Agreement. Each Confirmation shall supplement and form a part of this Base Contract and shall be read and construed together with this Base Contract and all other applicable Exhibits, which constitute a single integrated agreement between the Parties. All Confirmations are entered into in reliance on the fact that this Base Contract and all Confirmations form a single agreement between the Parties.

3.3 Confirmation Representations. On the Base Effective Date and on the Confirmation Effective Date, each Party represents and warrants to the other the following.

3.3.1 No Violation of Law. The execution, delivery and performance of this Base Contract and the relevant Confirmation have been duly authorized by all necessary corporate or other organizational action on its part and do not violate or conflict with any law applicable to it, its organizational documents or any order or judgment of a court or other agency of government applicable to it or its assets.

3.3.2 Obligations Binding. Its obligations under this Base Contract and each Confirmation are legally valid and binding obligations, enforceable in accordance with their terms.

3.3.3 Approvals and Permits. It has or will timely obtain any and all necessary governmental and other third party permits, approvals and licenses required in connection with the execution, delivery and performance of this Base Contract and any Confirmation.

3.3.4 No Bankruptcy. There are no Bankruptcy Proceedings pending or being contemplated by it or, to its knowledge, threatened against it.

3.3.5 No Legal Proceedings. There are no Legal Proceedings pending against it that materially adversely affect its ability to perform its obligations under this Base Contract and each Confirmation.

Article 4: Forecasting, Scheduling and Delivery

4.1 Annual Forecasting. On or before the immediately preceding July 1st, Seller shall provide Buyer a Nomination Period quantity delivery and quality projection, by Source and by month, necessary to meet Buyer's maximum Contract Quantity specified in the Confirmation(s). Buyer shall then provide Seller with its corresponding Nomination Period quantity projection, by month, on or before July 15th, and subsequently provide Seller an updated projection on or before September 1st. Seller shall then advise Buyer prior to September 15th as to any changes in the September 1st Nomination Period sourcing or quality that will be required. A final quantity nomination, by month, shall then be provided by Buyer to Seller on or before October 1st which shall be considered the Contract Quantity for the next Nomination Period. Notwithstanding the foregoing forecast, in the event that a Force Majeure event occurs, whether affecting Buyer or Seller, between October 1 and December 31, then the Party affected by the event shall have ten (10) days to modify the Contract Quantity for the next Nomination Period to reflect the change to the Contract Quantity as a result of the impact of the forecasted duration of the Force Majeure event. In any event, the actual modification to the Contract Quantity for any Force Majeure excused tonnage shall be calculated as set forth in the Force Majeure provisions in the Confirmation.

4.2 Quarterly Forecasting. On or before thirty (30) days prior to the start of each calendar quarter, Buyer shall provide to Seller in writing a quarterly delivery schedule of Buyer's good faith estimate of Shipments to be scheduled for delivery during the following calendar quarter ("Quarterly Station Forecast"). Within five (5) business days following receipt of Buyer's Quarterly Station Forecast, Seller shall provide to Buyer in writing Seller's good faith estimate of the Shipments from each Source to be made each month in the next calendar quarter ("Quarterly Source Forecast").

4.3 Scheduling. To fulfill the Contract Quantity obligation of the Parties, Buyer will advise Seller on or before the 15th day of each calendar month of the quantity of Coal and estimated number of Unit Trains it desires to load during the succeeding month (the "Monthly Shipment Volume") and Buyer's delivery schedule ("Delivery Schedule"). Seller will then advise Buyer on or before the 20th day of the month of its Sources for the scheduled monthly Shipments and proposed loading dates and Buyer shall advise Seller of the specific transportation arrangements to comply with its Delivery Schedule no later than the 25th of the month (the "Monthly Shipment Notification Date"). The Parties will work together to arrange and receive Shipments to fulfill the Contract Quantity and in accordance with ShipCSX requirements. Buyer and Seller shall exert all Commercially Reasonable Efforts to meet the operational needs of the other Party, taking into consideration the Contract Quantity, Buyer's and Seller's scheduled and unscheduled outages, the availability of rail transportation and Unit Trains, Seller's mine vacation periods and holidays, and the loading, unloading and storage capabilities of each Party. Accordingly, the Parties shall exert all Commercially Reasonable Effort to work toward mutually agreeable Delivery Schedules and make changes in previously established Delivery Schedules if so requested by either Party in order to meet the Contract Quantity requirements or pursuant to Section 4.6.1. The Parties shall provide written notice for scheduled outages and prompt notice of unscheduled outages that will impact delivery. The Parties acknowledge and agree that their respective obligations under this Section 4.3 to meet the operational needs of the other Party do not include changes in Delivery Schedules by either Party in order to take advantage of economic opportunities. If the Parties are not able to agree to a Delivery Schedule, then the quantity of Coal in the Delivery Schedule shall be determined

by dividing the remaining Contract Quantity to be delivered in the Contract Year by the number of remaining months, as adjusted for holidays, and the approximate loading dates shall be determined by Seller subject to the agreement of Buyer and Buyer's Transporter.

4.4 Delivery.

4.4.1 Rail Deliveries. The Coal shall be delivered to Buyer FOB Delivery Point. Title to and risk of loss of the Coal will pass to Buyer upon completion of loading all railcars in each Unit Train and release of the Unit Train to Buyer's Transporter. Buyer shall furnish suitable Unit Trains for loading and delivery of the Coal. Such Unit Trains shall be compatible with the coal loading facilities utilized by Seller and shall be properly prepared to receive Coal. Seller shall maintain facilities at its sources capable of loading coal twenty-four (24) hours per day, seven days per week into a Unit Train in four (4) hours or less, commencing with the placement of the empty Unit Train for loading. Coal haulage or transportation equipment provided by either Seller or Buyer, as the case may be, shall be clean, dry and suitable for the transportation of Coal. If the Delivery Point is at a Source such that the Coal will have been transported by Unit Train prior to delivery, then title to and risk of loss of the Coal will pass to Buyer upon the transfer of the custody and control of the Unit Trains to Buyer or Buyer's Transporter.

4.4.2 Bill of Lading. For each delivery, Seller shall send to Buyer and Buyer's Transporter a bill of lading which shall include the Unit Train number, car numbers, Source, tonnage shipped, shipping date, destination, time loading commenced and finished, and any other information reasonably required by Buyer and agreed to by Seller. Seller shall within twenty-four (24) hours of loading or prior to arrival of the Unit Train at the destination following loading of such Shipment (whichever comes first), send the bill of lading to Buyer by telecopy or other means as agreed to between Buyer and Seller. Seller shall, as soon as is reasonably possible, notify Buyer of any loading deficiencies or delays in loading via telephone or other electronic means with confirmation in writing.

4.4.3 Additional Transportation Charges. If a Party is charged for any increased transportation charges, penalties or other costs, including demurrage, detention or overload charges, attributable to the other Party's failure to timely and appropriately load or unload the Coal in accordance with the terms of the Confirmation or the requirements of Tariff CSXT 8200 and any applicable Transportation Specification, and if such failure is not due to Force Majeure, failure of the other Party or the other Party's railcars or Transporter, such failing Party shall promptly reimburse the other for such actual charges, after written notice thereof. Upon request by either Buyer or Seller, if not prohibited by confidentiality, such Tariffs or Transportation Specifications shall be made available for review by the requesting Party, provided that the disclosing Party shall not be required to disclose pricing information. The requesting Party shall sign an appropriate Confidentiality Agreement if requested by the disclosing Party.

4.4.4 Additives. Seller shall make Commercially Reasonable Efforts to treat the Coal with freeze control agents or other additives as directed by Buyer. Buyer shall thereafter reimburse Seller for the actual cost of materials, including reasonable application costs as charged by the Source for application of the freeze control agents, or other additives. Seller shall invoice Buyer and Buyer shall pay Seller for such freeze conditioning in accordance with the provisions of Section 7.1.

4.5 Alternate Source Coal. Seller shall, by giving timely notice as provided in Section 4.3 above, have the option, subject to Buyer's written approval, not to be unreasonably withheld, to provide the Coal from any alternate source Seller may select ("Alternate Source Coal"). Such alternate source must first be allowed by Buyer's Transporter and/or transportation contracts as an approved Origin and Shipments from an alternate source shall meet all Transportation Specifications. Any such Alternate Source Coal must comply with all Specifications for the Coal to be replaced and be otherwise acceptable to Buyer. Seller shall cooperate with Buyer in Buyer's arranging for alternative transportation to allow the Coal supplied from the alternate source to be delivered to Buyer at the same time and at the same Contract Price on an equivalent \$/MMBtu and adjusted weighted quality adjusted basis (if SO₂ or other quality adjustment is provided in the relevant Confirmations) as if delivery had been made to Buyer from the original Source. Seller shall be solely responsible for any increased transportation, handling, storage and other costs, if any, incurred by Buyer as a result of Seller providing Alternate Source Coal. Seller's right to furnish Alternate Source Coal shall not affect its right to claim a Force Majeure excuse due to events occurring at the Source(s) identified in the Confirmation.

4.6 Failure to Deliver or Receive Coal. Within seven (7) Business Days after the end of each month, the Parties shall compare the Monthly Shipment Volume for that month to the actual quantity delivered in that month to determine if a shortfall exists. If a cumulative shortfall exists in excess of three (3) Unit Trains ("Shortfall Tonnage"), the following provisions shall apply; provided, however, that the Parties shall first attempt to schedule make-up Coal under 4.6.1 prior to using other remedies provided below.

4.6.1 Make-up Coal Scheduling. If Seller is the Non-Performing Party and its non-performance is not excused by Force Majeure, then at Buyer's option the Parties shall agree in writing to schedule make-up Coal deliveries or receipts during the balance of the Contract Year or the next Contract Year and the Contract Price for such make-up Coal shall be the applicable Contract Price at the time the Coal should have been delivered. If Buyer is the Non-Performing Party and its non-performance is not excused by Force Majeure, then at Seller's option the Parties shall agree in writing to schedule make-up Coal deliveries or receipts during the balance of the Contract Year or the next Contract Year and the Contract Price for such make-up Coal shall be the applicable Contract Price at the time the Coal is actually delivered.

4.6.2 Waiver. If requested by the Non-Performing Party, the Performing Party may agree in writing to waive wholly or in part any such Shortfall Tonnage and in that event the Contract Quantity shall be adjusted accordingly. Any such waiver shall not prejudice a Performing Party's right to claim remedies for a Non-Performing Party's subsequent failure to deliver or receive Shipments of Coal.

4.6.3 Force Majeure. If the Non-Performing Party has been affected by a Force Majeure event that wholly or partially caused the Shortfall Tonnage, it may elect to claim excuse for non-performance in accordance with the terms and conditions of the Confirmation. If the Non-Performing Party elects not to claim excuse due to such Force Majeure event, then that shall be deemed a waiver of the Force Majeure excuse for the subject event for that month. Any such waiver, or claim of excuse under this Section 4.6.3, shall not affect the Non-Performing Party's right to claim Force Majeure excuse for subsequent periods even if it is the same continuing Force Majeure event, nor shall such waiver affect a separate Force Majeure event that has not yet caused any Shortfall Tonnage.

4.6.4 Liquidated Damages. In the event that the Shortfall Tonnage is not excused due to an event of Force Majeure and is not resolved under Section 4.6.1 or 4.6.2 above, then the following liquidated damages shall apply.

4.6.4.1 Seller Failure to Deliver. If Seller is the Non-Performing Party, Seller shall pay to Buyer an amount for each ton of the Shortfall Tonnage equal to (A) the commercially reasonable market price at which Buyer is able, or absent an actual purchase within a reasonable time of Seller's failure, would be able (FOB Delivery Point) to purchase or otherwise receive comparable supplies of Coal of comparable quality on an equivalent \$/MMBTU, SO₂ adjusted basis plus (i) costs that would reasonably be incurred by Buyer in purchasing such substitute Coal and (ii) additional transportation charges, if any, reasonably incurred by Buyer as a result of taking delivery of replacement Coal at a location other than FOB Delivery Point ("Replacement Price") minus (B) the Contract Price agreed to for the specific Confirmation; except that if such difference is zero or negative, then neither Party shall have any obligation to make any deficiency payment to the other.

4.6.4.2 Buyer Failure to Accept Delivery. If Buyer is the Non-Performing Party, Buyer shall pay to Seller an amount for each ton of the Shortfall Tonnage equal to (A) the Contract Price applicable to the Shortfall Tonnage plus any storage, transportation or other costs reasonably incurred by Seller in reselling the Coal minus (B) the commercially reasonable market price at which Seller is able, or absent an actual sale within a reasonable time of Buyer's failure, would be able (FOB Delivery Point), to sell or otherwise dispose of the Coal at the time of Buyer's failure, ("Sales Price"); except that if such difference is zero or negative, then neither Party shall have any obligation to make any deficiency payment to the other.

4.6.4.3 Contract Quantity. In the event that liquidated damages are paid under this Section 4.6.4 for a shortfall, then the Contract Quantity shall be reduced accordingly.

4.7 Duty to Mitigate. Both Parties shall make Commercially Reasonable Efforts to mitigate any damages hereunder.

4.8 Payment. Payment of amounts, if any, determined under Section 4.6.4 shall be made in accordance with Article 7. All such determinations shall be made in a commercially reasonable manner and the Performing Party shall not be required to enter into any actual replacement transaction in order to determine the Replacement Price or Sales Price as appropriate.

4.9 Damages Stipulation. Each Party stipulates that the payment obligations set forth in Section 4.8 for the damages incurred are a reasonable approximation of the anticipated harm or loss and acknowledges the difficulty of estimation or calculation of actual damages, and each Party hereby waives the right to contest such payments as unenforceable, an unreasonable penalty or otherwise.

4.10 No Buy Out. The liquidated damages provisions of Section 4.6 are intended to apply in the event that a Party fails to meet its contractual obligations without excuse due to Force Majeure events, despite the Party's reasonable good faith efforts to do so. Nothing in such Section shall be construed as granting a Party the unilateral right to buy out of or to buy down its obligations hereunder, and the limitations of Section 4.6 regarding exclusive remedies and Section 4.9 regarding the reasonableness of liquidated damages shall not be applicable in the event that a Party intentionally fails to perform its obligations under this Base Contract or Confirmation.

4.11 Exclusive Remedy. Subject to Section 4.10, the remedies set forth in Section 4.6 shall be the Performing Party's exclusive remedies for the Non-Performing Party's failure to deliver or receive Shipments of Coal under a Confirmation.

Article 5: Specifications, Weighing, Sampling and Analysis

5.1 Specifications. Seller shall cause all Coal delivered to Buyer to comply with the Specifications, taking into account the tolerances allowed for Non-Conforming Shipments as set forth in Article 6. The remedies for Coal supplied failing to meet the Specifications are set forth in Article 6.

5.2 Unit Train Weighing. Shipments delivered into Unit Trains shall be weighed at Seller's expense by means of a certified batch weighing system, certified belt scale or certified track scale or in the absence of a batch weighing system or track scales for rail weights, official railroad weights. The weights determined thereby (absent manifest error) will be the basis on which invoices will be rendered and payments made.

5.2.1 Testing. Seller shall cause the Source to test, calibrate, and certify its scales at the Source approximately every six (6) months, or more frequently if required by applicable state or federal statute or regulation, to maintain them at a scale accuracy in accordance with the guidelines outlined in the National Bureau of Standards Handbook #44 (H44). Seller shall notify Buyer as soon as it knows the date and time for such testing and calibration. Seller shall retain all records of scale inspection, testing, calibration and certification in accordance with the requirements of Section 7.4.1 and provide copies of same to Buyer.

5.2.2 Inoperative Scales. If the scales at the Source are determined to be inoperative, the weight of such Coal delivered shall be determined by railroad weights, if available. If no railroad weights are available, then the weight of such Coal delivered shall be determined by averaging the lading weight per railcar of the last **** Unit Trains of like railcars under this Base Contract weighed at the Source prior to such breakdown.

5.2.3 Observation/Testing. Buyer shall have the right, but not the duty, to have a representative present at its own risk and expense at any and all times to observe weighing of the Coal, scale testing, calibration, and certification. If either Party should at any time question the accuracy of the scales at the Source, such Party may request a prompt test of such certified batch weighing system, certified belt scale or certified track scale by an independent entity mutually agreed upon by Buyer and Seller. The findings and recommendations of said independent entity shall be binding upon the Parties. If the scales are found to be within H44 tolerance, then Buyer shall pay the costs of the independent test. If the scales are found to be out of H44 tolerance, then Seller shall pay the costs of the independent test, and obtain certification for the scales.

5.3 Sampling and Analysis.

5.3.1 Sampling. The person responsible for the sampling of Coal for each Source mine shall be Seller or Seller's designee, and shall perform sampling of the Coal pursuant to a Confirmation at Seller's expense (the "Sampling Person"). The Sampling Person shall cause a representative Coal sample of each Shipment to be taken by mechanical sampler that is in working condition and that has been dynamically bias tested by an independent certified third party within twelve (12) months prior to delivery. In the event the Sampling Person is not able to obtain a sample with biased tested equipment in proper working condition, the Parties shall confer for purposes of reaching agreement as to an alternative means of sampling. Samples shall be taken on an "as-loaded" basis, and analyzed on an "as-received" basis and all sampling, sample preparation and analysis shall be performed in accordance with the current published applicable ASTM standards. Each Party has the right to have a representative present, upon advance notice and at such Party's sole risk and expense, at the Delivery Point during the loading, weighing and sampling of the Coal.

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5.3.2 Analysis Splits. Each sample shall be riffled and divided into three parts of 2,000 grams each in accordance with the then current ASTM standards and placed in separate moisture/air tight containers. One part of each sample will be analyzed by the Analysis Person; one part shall be retained by the Sampling Person for a period of sixty (60) days or shipped as Buyer directs; and one part shall be retained by the Sampling Person for a period of sixty (60) days to be used for a referee analysis, if necessary.

5.3.3 Analysis Procedures. The entity responsible for Coal quality analysis shall be an independent certified laboratory (the "Analysis Person"). The Analysis Person shall be chosen by good faith agreement of the Parties, and if the Parties fail to agree as to the Analysis Person, then Seller shall select the Analysis Person. The Analysis Person shall, at Seller's expense, perform, on an "as-received" basis, a per Unit Train short proximate analysis, which shall include total moisture, ash, Btu/lbs, sulfur (% and lbs SO₂/mmBtu), HGI, chlorine, and ash fusion (reducing). The Analysis Person shall also perform, on a quarterly "as-received" basis for each Source mine, a composite analysis of all trains loaded at the Source mines to all customers, which shall include the short proximate, ultimate, forms of sulfur, water soluble alkalines, full ash fusion temperatures, ash chemistry and trace element analysis, as more specifically identified in Schedule 7 attached to a Confirmation. At the request of either Buyer or Seller, and at the expense of the requesting Party, additional analyses may be performed.

5.3.4 Analysis Results/Objections. The Sampling Person shall report, or shall cause to be reported, the results of the short proximate analysis to Buyer and Seller along with Shipment number, weight and shipping data ("Shipping Report") within three (3) days of sampling by sending a report electronically to Buyer's Fuel Department at e-mail address at nparvin@seminole-electric.com, and to Seller at e-mail address jboswell@arlp.com. Upon request, the Analysis Person shall send a second electronic copy of the Shipping Report to the Seminole Generating Station. By notice to the Sampling Person within twenty-four (24) hours after delivery of the Shipping Report and in any event prior to unloading of the Coal at the destination, Buyer or Seller may object to the analysis (the "Objecting Person"), and if so, the Sampling Person shall submit the retained sample to an independent testing laboratory selected by and unaffiliated with the Objecting Person for an independent analysis. If the results of the independent analysis for all Specifications are within then current ASTM standard practices for conducting an interlaboratory study to determine the precision of a test method for reproducibility limits, the original short proximate shall control and the costs of the independent analysis shall be paid by the Objecting Person. If such results for any Specification are not within such Reproducibility Limits, the results of the independent analysis shall control and the costs of the independent analysis shall be borne by the non-Objecting Person. All analyses shall be performed in accordance with the then current published applicable ASTM standards.

5.3.5 Use of Analysis. The Sampling Person's samples of Coal representing each Shipment and the analysis thereof shall be used to determine quality adjustments pursuant to Section 6.1 (including inert penalty calculations and monthly weighted average Btu/lb, sulfur, moisture, and ash premium/penalty calculations) and any rejection, suspension or cancellation rights pursuant to Sections 6.2, 6.3 or 6.4.

5.3.6 Rounding and Significant Digits. All calculations will use floating decimals with the final operation being rounded to the significant digits to the right of the decimal place as follows:

Btu/lb. will be zero (0)	nn,nnn.
Grindability will be zero (0)	nn.
Tons will be two (2)	nn,nnn.nn
Invoice Dollars for payment will be two (2)	nnn,nnn.nn
Parts per million (ppm) will be two (2)	nn.nn
All ratios will be two (2)	nn.nn
All percents (%) will be two (2)	nn.nn
All degrees Fahrenheit (°F) will be zero (0)	n,nnn.
SO ₂ lbs/MMBtu will be two (2)	nn.nn
Price in Dollars per ton will be four (4)	nn.nnnn
Quality Dollars per ton will be three (3)	n.nnn

Items not specified above will use the industry standards for significant digits to the right of the decimal place.

5.4 Beneficiated or Washed Coal. Seller shall provide an analysis indicating Btu/lb, moisture, Sulfur, and ash on all raw Coal which is subjected to beneficiation and/or washing to produce Coal meeting the Specifications. Within five (5) Business Days following the end of a each calendar month in which Shipments were made, Seller shall send or have the Sampling Person send Buyer, by electronic e-mail, a report showing the preceding monthly weighted average raw quality for Coal which was subject to beneficiation or washing for Buyer. Said report shall indicate the percentage of beneficiated Coal contained in Shipments to Buyer.

Article 6: Quality Adjustments; Rejection, Suspension and Cancellation Rights

6.1 Quality Adjustments. If Coal delivered under a Confirmation varies from the Specifications and Buyer does not exercise its rejection and/or suspension rights, quality adjustments shall be calculated pursuant to the formulas set forth in the relevant Confirmation. Within ten (10) days after the end of each month during the Term for each Confirmation, the quality adjustments for each Confirmation shall be netted against each other and the net quality adjustment for all Shipments during such month shall be determined by Seller. Buyer shall pay Seller the net positive adjustment, if any, or Seller shall credit Buyer the net negative adjustment, if any, on the next invoice (or pay such amount to Buyer in the event no further invoices are due) in accordance with the billing and payment terms of Article 7.

6.2 Rejection Rights. If any Shipment triggers any of the Rejection Limits set forth in a Confirmation (a “Non-Conforming Shipment”), then Buyer shall have the option, exercisable by notice to Seller within two (2) Business Days of Buyer’s receipt of the Shipping Report, of either (a) rejecting such Non-Conforming Shipment at the Delivery Point or in route, but prior to unloading from Transporter’s equipment, or (b) accepting any Non-Conforming Shipment with a Contract Price adjustment agreed to between Seller and Buyer. If Buyer fails timely to exercise its rejection rights under this Section 6.2 as to a Shipment, Buyer shall be deemed to have waived such rights to reject with respect to that Shipment only. Buyer’s failure to timely exercise such notice does not however, constitute a waiver of its right to any penalty adjustment provided for herein or in the relevant Confirmation with respect to such Non-Conforming Shipment. If Buyer timely rejects the Non-Conforming Shipment, title, if already passed, shall revert to Seller. Seller shall then be responsible for promptly transporting the rejected Coal to an alternative destination determined by Seller and, if applicable, promptly unloading such Coal. Seller shall reimburse Buyer for all reasonable costs and expenses associated with the transportation, storage, handling and removal of the Non-Conforming Shipment. Seller shall, at Buyer’s election, provide a Shipment to make up for the Non-Conforming Shipment within a reasonable period of time and pursuant to Section 4.6.1 above, provided that Buyer gives written notice to Seller of its election within two (2) Business Days after Buyer’s notice of rejection of the Non-Conforming Shipment.

6.3 Suspension Rights. Suspension rights shall be determined on a monthly weighted average basis for all coal shipped from all Sources. If any such determination triggers any of the Suspension Limits set forth in a Confirmation, then Buyer may upon written notice to Seller suspend the receipt of future Shipments (except Shipments already loaded or in transit to Buyer) under such Confirmation. A waiver by Buyer of the suspension right for any Shipment(s) shall not constitute a waiver for subsequent Shipments. If Seller, within ten (10) days of its receipt of such notice, provides adequate assurances in writing to Buyer that future Shipments under the Confirmation will not trigger any of the Suspension Limits and Buyer has accepted such assurances (such acceptance not to be unreasonably withheld), Shipments shall resume and any tonnage deficiencies during such suspension period shall be made up within the Term at Buyer’s option. If (i) Seller fails to provide such acceptable assurances within such ten (10) day period, or after such assurances are provided and at any time within a period of **** thereafter, should Seller fail to meet the Suspension Limits for which there was a prior suspension under such Confirmation, then such failure shall constitute an Event of Default with respect to such Confirmation.

6.4 Cancellation Rights. Cancellation rights shall be determined on a weighted average basis for all coal shipped from all Sources during any sixty (60) day period, or during any period in which at least **** tons of Coal is received, whichever is greater. If any such determination 1) triggers any of the Cancellation Limits set forth in a Confirmation; or 2) concludes that there are unforeseen adverse burning characteristics of the Coal at Buyer’s Generating Station, which cannot be corrected by Buyer with an expenditure of funds deemed by Buyer, in its sole discretion, to be prudent and reasonable, then Buyer may upon providing fifteen (15) days written notice to Seller suspend the receipt of future Shipments (except Shipments already loaded or in transit to Buyer) under such Confirmation. A waiver by Buyer of the suspension right for any Shipment(s) shall not constitute a waiver for subsequent Shipments. If Seller, within thirty (30) days of its receipt of such notice, provides adequate assurances in writing to Buyer that future Shipments under the Confirmation will not trigger any of the Cancellation Limits and will not contain any such adverse burning characteristics and Buyer has accepted such assurances (such acceptance not to be unreasonably withheld), Shipments shall resume and any tonnage deficiencies during such suspension period shall be made up within the Term at Buyer’s option. If Seller fails to provide such acceptable assurances within such thirty (30) day period, or after such assurances are provided and if, within **** from the date of such notice of adequate assurances, should Seller fail to meet the Cancellation Limits for which there was a prior suspension under such Confirmation, or delivers Coal that has such adverse burning characteristics, then

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Buyer may terminate the Confirmation, in which event neither Party shall have any further rights or obligations under the Confirmation other than those with respect to performance required hereunder prior to the effective date of such termination. If Buyer does not elect to terminate, performance of the Confirmation shall be resumed. A waiver by Buyer of the termination right for any Shipment(s) shall not constitute a waiver for subsequent Shipments.

6.5 Exclusive Remedies. The price adjustments and remedies set forth in this Section 6 (including pursuit of remedies for an Event of Default under Section 6.3) shall be Buyer's sole and exclusive remedies for Seller's failure to deliver Coal conforming to the specifications of Section 5.1.

Article 7: Settlements

7.1 Billing and Payment.

7.1.1 Invoicing and Payment. After the delivery of each Shipment during the Term for each Confirmation, Seller shall provide an invoice setting forth the aggregate Contract Price owed to Seller for the Coal actually delivered to Buyer at the Delivery Point. During the Term for each Confirmation, Seller shall also provide a monthly or quarterly invoice, as necessary under applicable Sections, setting forth: (i) any quality adjustments and supporting calculations determined pursuant to Section 6.1; (ii) any transportation or other charges owed by Buyer or Seller to the other pursuant to this Base Contract; (iii) any amounts due pursuant to Section 4.6; and (iv) any Early Termination Payment pursuant to Section 10.3. No later than ten (10) Business Days after receipt of a Party's invoice (or if such day is not a Business Day, the immediately following Business Day), the receiving Party shall pay, by wire transfer in immediately available United States funds, the amount set forth on such invoice along with the necessary information enabling reconciliation to the relevant Shipment.

7.1.2 Invoice Disputes. If the receiving Party in good faith reasonably disputes an invoice, it shall provide a written explanation specifying in detail the basis for the dispute and pay any undisputed portion no later than the due date. If any amount disputed by the receiving Party is subsequently determined to be due, it shall be paid within ten (10) Business Days of such determination along with interest accrued at the Interest Rate from the original due date until the date paid.

7.1.3 Failure to Timely Pay. If any Party fails to pay amounts under this Base Contract when due and such payment is not remedied within five (5) Business Days after written notice thereof (provided the payment is not subject to good faith dispute as described in Section 7.1.2), in addition to the rights and remedies provided in this Base Contract, the aggrieved Party shall have the right to: (i) suspend performance under this Base Contract until such amounts plus interest at the Interest Rate have been paid, and/or (ii) exercise any remedy available at law or in equity to enforce payment of such amount plus interest at the Interest Rate.

7.2 Netting and Set off. If under any Confirmation the Parties are required to pay any amount on the same day or in the same month, then such amounts with respect to each Party may be aggregated and the Parties may discharge their obligations to pay through netting, in which case the Party, if any, owing the greater aggregate amount may pay to the other Party the difference between the amounts owed. Each Party reserves to itself all rights, setoffs, counterclaims, combination of accounts, liens and other remedies and defenses which such Party has or may be entitled to (whether by operation of law or otherwise).

7.3 Record Keeping. Each Party shall maintain accurate records and books of account showing all payments, price revisions, credits, debits, weights, analyses and all other data relating to Coal sales and purchases made pursuant to this Base Contract. Such records shall be retained for a period at least as long as the time necessary to enable each Party's audit rights set forth below in Section 7.4.1.

7.4 Audit.

7.4.1 Audit Rights. Up to two (2) times per Contract Year, each Party shall have the right at its sole expense during normal working hours and upon reasonable prior written notice to the other, to audit, through its agents, employees or any independent auditor or consultant, the appropriate records and books of the other pertaining to Shipments or other matters occurring within the previous four (4) Contract Years, for the purpose of reviewing the determination of Contract Price, production or severance taxes, royalties, invoice payments, or the other Party's performance or nonperformance under this Base Contract. If any such audit discloses that any error has occurred and, as a result thereof, an overpayment or an underpayment has been made, the amount thereof shall promptly be paid to the Party to whom it is owed by the other Party, provided that each Party hereto has the right to contest the results of such audit under Article 11. Rights of the Parties under this Section shall survive for a period of four (4) years after such termination of a Confirmation or this Base Contract.

7.4.2 Cost Adjustment Provisions. The cost adjustment provisions for which actual cost audit is appropriate with regard to determination of Contract Price are indices, annual or quarterly price adjustments, royalties, production or severance taxes/fees, governmental adjustments as provided for in the Confirmation.

7.4.3 Confidential Information. Any information obtained through such review shall be confidential and under no circumstances shall be disclosed to any third person unless required by legal process or governmental authority. The party requesting an independent audit shall direct its legal counsel, auditors or consultants similarly to protect the information reviewed.

7.4.4 Audit Limitation. Nothing in Section 7.4 shall bar any rights of the Parties under this Base Contract, other than the four (4) year audit limitation.

Article 8: Force Majeure

Force Majeure events and relief shall be as provided for in the Confirmation.

Article 9: Legislative and Regulatory Changes

9.1 Rules. The Parties acknowledge that this Base Contract is predicated in part on the laws, court orders or decisions, regulations, and orders of regulatory authorities in effect on the Base Effective Date (“Rules”) and on the anticipated cost of complying with the Rules.

9.2 Changes. The Parties recognize that after the Base Effective Date, legislative or regulatory bodies or courts may enact new Rules, make changes in Rules in effect on the Base Effective Date, or change the interpretation or enforcement of the Rules (collectively “Rule Changes”). The effect of such Rule Changes could be: (i) to make it commercially impracticable or uneconomical for Buyer to utilize some or all of the Coal; or, (ii) to substantially increase Seller’s costs in producing the Coal.

9.3 Mitigate or Terminate. If any of the effects described above occur, the Parties shall make reasonable efforts to avoid or mitigate the effects of the Rule Changes; provided, however, the initiation, conduct, and termination of any Legal Proceedings shall in all events be within the sole discretion of the Party affected by the Rule Changes. If actions taken by the Parties do not avoid or mitigate the effect of the Rule Changes, or if in the affected Party’s good faith judgment no steps are feasible that would enable compliance with the Rule Changes at a reasonable cost, then either Party shall have the right to terminate any affected Confirmation without penalty or further obligation upon not less than sixty (60) days’ prior written notice to the other Party. Written notice shall include sufficient documentation to allow the other Party to verify the noticing Party’s compliance with the requirements of this Article.

9.4 Reduced Volume of Coal. If Buyer, in its commercially reasonable judgment, can mitigate the effects of the Rule Changes by utilizing reduced volumes of Coal, the Parties shall negotiate in good faith to amend affected Confirmations as necessary or appropriate, to account for the Rule Changes. If such good faith negotiations do not result in an amendment being executed within sixty (60) days, Buyer may terminate the affected Confirmations without penalty or further obligation upon not less than thirty (30) days’ written notice.

9.5 Modified Specifications of Coal. If Buyer, in its commercially reasonable judgment, determines that it can mitigate the effects of the Rule Changes by utilizing Coal with different specifications or qualities, the Parties shall negotiate in good faith to amend the affected Confirmations as necessary or appropriate, to account for the Rule Changes. If such good faith negotiations do not result in an amendment being executed within sixty (60) days, Buyer may terminate the affected Confirmations without penalty or further obligation upon not less than thirty (30) days written notice.

Article 10: Events of Default, Non-Performance, Remedies and Limitation of Liability

10.1 Events of Default. An event of default (“Event of Default”) with respect to a Party (the “Defaulting Party”) shall mean any of the following:

10.1.1 Failure to Pay. The failure of Defaulting Party to pay when due any required payment where such failure is not remedied within five (5) Business Days after written notice thereof (provided the payment is not subject to a good faith dispute as described in Section 7.1.2).

10.1.2 Failure of Other Obligations. The failure of the Defaulting Party to comply with its other material obligations under a Confirmation or this Base Contract (except to the extent constituting a separate Event

of Default hereunder and except for (a) such Party's obligations to deliver or receive Coal, under circumstances where the remedies provided for in Section 4.6 are applicable, and (b) Seller's failure to supply Coal that conforms to the Specifications requirement of Section 5.1, for which price adjustment under Section 6.1, or the remedies in Section 6.2, are Buyer's exclusive remedy), where such failure continues uncured for twenty (20) Business Days after written notice thereof; provided, that if it shall be impracticable or impossible to cure such failure within such twenty (20) Business Day period, the cure period shall be extended for an additional period (not to exceed twenty (20) days) reasonably necessary to remedy such failure subject to the condition that during the additional period the Defaulting Party shall be diligently pursuing a cure for the failure.

10.1.3 Bankruptcy. The Defaulting Party shall be subject to a Bankruptcy Proceeding.

10.1.4 Failure of Guarantor. The failure of a Party's Guarantor to perform any covenant in its guaranty, such guaranty expires, is terminated or ceases to guarantee the obligations of such Party under this Base Contract or any Confirmation, or such Guarantor becomes subject to a Bankruptcy Proceeding.

10.1.5 Suspension of Shipments. An event described in the last sentence of Section 6.3 has occurred with respect to a Confirmation.

10.1.6 Breach of Representation. Any representation or warranty made by a Party herein shall prove to be untrue in any material respect when made.

10.2 Early Termination. Upon the occurrence and during the continuance of an Event of Default, as to the Defaulting Party, the other Party (the "Non-Defaulting Party") may, in its sole discretion, (a) accelerate and liquidate the Parties' respective obligations under the Confirmations that gave rise to the Event of Default by establishing, and notifying the Defaulting Party of, a termination date (which shall be no earlier than twenty (20) days and no later than thirty (30) days after the date of such notice) on which the Confirmation shall terminate and be liquidated pursuant to Section 10.3 ("Early Termination Date"), and/or (b) withhold any payments due to the Defaulting Party until such Event of Default is cured, and/or (c) suspend performance of its obligations under this Base Contract and the Confirmation subject to the Event of Default until such Event of Default is cured; provided, however, that in no event shall any withholding of payment or suspension of performance under this Section 10.2 continue for longer than fifteen (15) Business Days with respect to any single Confirmation unless an Early Termination Date shall have been declared and notice thereof given pursuant to this Section 10.2. The foregoing notwithstanding, if the Event of Default is other than the ones described in Sections 10.1.1, 10.1.2 or 10.1.5 above, the Non-Defaulting Party may, in its sole discretion, elect to establish an Early Termination Date and terminate all (but not less than all) Confirmation(s) under this Base Contract and pursue both the remedies provided for in Section 4.6 for damages accrued prior to the Early Termination Date and to liquidate pursuant to Section 10.3 for all remaining Coal that has yet to be delivered under the Confirmations. If notice of an Early Termination Date is given under this Section 10.2, the Early Termination Date will occur on the designated date, whether or not the relevant Event(s) of Default is then continuing. Any rights of a Non-Defaulting Party under this Section 10.2 shall be in addition to such Non-Defaulting Party's other rights under this Article 10.

10.3 Early Termination Payment. If an Early Termination Date is established, the Non-Defaulting Party shall in good faith calculate its Gains or Losses, and Costs, resulting from the termination of the terminated Confirmation(s), aggregate such Gains or Losses, and Costs, with respect to all terminated Confirmations into a single net amount, and then notify the Defaulting Party of the net amount owed or owing. If the Non-Defaulting Party's aggregate Losses and Costs exceed its aggregate Gains, the Defaulting Party shall, within five (5) days of its receipt of such notice pay the net amount to the Non-Defaulting Party, including interest at the Interest Rate from the Early Termination Date until paid. If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, then no payment shall be required. The Non-Defaulting Party shall determine its Gains or Losses, and Costs, as of the Early Termination Date, or, if that is not possible, at the earliest date thereafter that is reasonably possible. If an Event of Default occurs, the Non-Defaulting Party may (at its election) set off any or all amounts which the Defaulting Party owes to the Non-Defaulting Party (under this Base Contract and the terminated Confirmation(s)) against any or all amounts which the Non-Defaulting Party owes to the Defaulting Party (under this Base Contract and the terminated Confirmation(s)). The Non-Defaulting Party shall make Commercially Reasonable Efforts to mitigate any costs and damages that it is entitled to hereunder and act at all times in a commercially reasonable manner. The Defaulting Party shall have the right to audit (through a third party independent auditor mutually agreed to by the Parties) the calculation of all such Gains, Losses and Costs.

10.4 Remedies; No Waiver. Except as otherwise specifically provided herein or in a Confirmation, upon an Event of Default, each Party shall have all rights and remedies available in law or equity (including termination). Failure of a Party to exercise any remedies on default for any period or periods shall not operate as an estoppel or as a waiver, or prevent it at any subsequent time from electing to exercise any rights as to any subsequent default hereunder.

10.5 Expenses. The Defaulting Party will, on demand, indemnify and hold harmless the Non-Defaulting Party for and against all reasonable out-of-pocket expenses, including Legal Costs, incurred by the Non-Defaulting Party by reason of the enforcement and protection of its rights under this Base Contract or any Confirmation by reason of an Event of Default or an early termination of a Confirmation, including, but not limited to, costs of collection.

10.6 Limitation of Liability. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS BASE CONTRACT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS HEREIN PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE NON-PERFORMING OR DEFAULTING PARTY'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS OTHERWISE PROVIDED IN THIS BASE CONTRACT. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY HEREIN PROVIDED, THE NON-PERFORMING OR DEFAULTING PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS, OR BUSINESS INTERRUPTION DAMAGES, WHETHER BY STATUTE, IN TORT OR IN CONTRACT, UNDER THIS BASE CONTRACT, ANY CONFIRMATION, ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT EXCEPT AS OTHERWISE PROVIDED IN THIS BASE CONTRACT, THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE IS SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

Article 11: Dispute Resolution

11.1 Dispute Resolution. In the event the Parties are unable to resolve any dispute relating to this Base Contract or any Confirmation (except a dispute which only can be resolved through an action for injunctive relief, which always may be pursued in a court of competent jurisdiction), such dispute shall be resolved by binding, self-administered arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A single arbitrator shall be selected by the Parties within sixty (60) days after a written demand for arbitration is made. Demand for arbitration shall be made within a reasonable time after the dispute has arisen, and in no event shall it be made after the date when institution of Legal Proceedings based on such dispute would be barred by the applicable statute of limitations. If the Parties cannot agree on the arbitrator within sixty (60) days after a written demand is made, then either Party may file a motion or application with the Chief Judge (or Acting Chief Judge) of the United States District Court for the Middle District of Florida to appoint the arbitrator. Any arbitrator chosen shall be a disinterested party. The arbitrator shall resolve any submitted dispute in accordance with the laws of the State of Florida. Venue for arbitration shall be Hillsborough County, Florida. The arbitrator's reasoned opinion shall be in writing, separately and specifically stating the findings of fact and conclusions of law on which the decision is based, and shall be rendered within one hundred eighty (180) days following selection of the arbitrator unless the Parties mutually agree to extend said time. Each Party shall be entitled to discovery in accordance with the Federal Rules of Civil Procedure. Only damages allowed pursuant to this Base Contract may be awarded, and the arbitrator shall have no authority to award equitable relief or treble, exemplary or punitive damages of any type under any circumstances regardless of whether such damages may be available under Florida law. The decision of the arbitrator shall be final, and a judgment based thereon may be sought in a court of competent jurisdiction. Any expenses incurred in connection with hiring the arbitrator and administering the arbitration shall be shared and paid equally between the Parties. Each Party shall bear its own costs, including attorney and expert witness fees, incurred in connection with the arbitration.

Article 12: Miscellaneous

12.1 Successors and Assigns; Assignment. This Base Contract shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. However, no Party shall assign this Base Contract or any Confirmation or any of its rights or obligations hereunder or under any Confirmation without the prior written consent of the other Party. Notwithstanding the foregoing, any Party may, without the need for consent from the other Party, (a) transfer, sell, pledge, encumber or assign this Base Contract and/or any Confirmation or the accounts, revenues or proceeds hereof or thereof in connection with any financing or other financial arrangements; (b) transfer or assign this Base Contract and/or any Confirmation to an Affiliate of such Party as long as the Affiliate is at least as creditworthy as the assignor; or (c) transfer or assign this Base Contract and/or any Confirmation to any Person succeeding to all or substantially all of the assets of such Party by way of merger, reorganization or otherwise and if such Person succeeding has a creditworthiness equal to or higher than that of such Party; provided, however, that no such actions shall in any way relieve the assignor or the Guarantor from liability for full performance under this Base Contract and the Confirmations. Any such assignee shall assume and agree to be bound by the terms and conditions of this Base Contract and such Confirmations.

12.2 Warranties. OTHER THAN THOSE EXPRESSLY PROVIDED IN THIS BASE CONTRACT OR IN A CONFIRMATION, SELLER MAKES NO OTHER REPRESENTATION OR WARRANTY, WRITTEN OR ORAL, EXPRESS OR IMPLIED, IN CONNECTION WITH THE SALE AND PURCHASE OF COAL HEREUNDER. ALL WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE ARE SPECIFICALLY EXCLUDED. SELLER MAKES NO WARRANTY CONCERNING THE SUITABILITY OF COAL DELIVERED HEREUNDER FOR USE IN ANY FACILITIES.

12.3 Indemnification. Seller shall indemnify, save, hold harmless and defend Buyer, Buyer's member cooperatives, affiliates and subsidiaries, successors, assigns and each of their respective trustees, officers, employees, agents and representatives (collectively, "Buyer Indemnified Parties") from and against all claims, losses, liabilities, costs, or suits by third parties arising out of personal injury, death or damage to property arising out of or in any way connected with Seller's performance or non-performance hereunder (negligent or otherwise), except to the extent any such claims, losses, liabilities, costs, or suits are due to an intentional act or omission of any of the Buyer Indemnified Parties, or their subcontractors or agents.

Buyer shall indemnify, save, hold harmless and defend Seller, Seller's parent, affiliates and subsidiaries, successors, assigns and each of their respective shareholders, directors, officers, employees, agents and representatives (collectively, "Seller Indemnified Parties") from and against all claims, losses, liabilities, costs, or suits by third parties arising out of personal injury, death or damage to property arising out of or in any way connected with Buyer's performance or non-performance hereunder (negligent or otherwise), except to the extent any such claims, losses, liabilities, costs, or suits are due to an intentional act or omission of any of the Seller Indemnified Parties, or their subcontractors or agents.

12.4 Compliance. Seller, its agents, representatives, contractors, subcontractors, or employees in performing all activities directly and indirectly related to this Contract shall use Commercially Reasonable Efforts to comply with all applicable federal, state and local laws, rules, regulations, codes, and ordinances.

12.5 Notices. All notices, requests, statements or payments shall be sent as indicated on the Cover Sheet. Unless expressly provided otherwise, notices shall be in writing and delivered by letter, facsimile, electronically or other documentary form. Notice by facsimile, electronic means or hand delivery shall be deemed to have been received by the close of Business Day on which it was transmitted or hand delivered (unless transmitted or hand delivered after close of the Business Day in which case it shall be deemed received at the close of the next Business Day). Notice by overnight mail or courier shall be deemed to have been received on the business day accepted and signed for by the receiving party. A Party may change its address by providing notice in accordance with this Section 12.5.

12.6 Confidentiality. No Party shall disclose, without the prior written consent of the other Party, the terms of this Base Contract or any Confirmation to a third party (other than a Party's and its Affiliates' employees, agents, counsel, accountants, consultants, Board of Directors, Trustees, Member Cooperatives, financial institutions, and governing agencies). However, disclosure may be made: (i) to prospective purchasers of a Party, or of all or substantially all of a Party's assets, or of any rights under this Base Contract or any Confirmations, who have agreed to keep such terms confidential; or, (ii) in order to comply with any applicable law, order, regulation or exchange rule; or, (iii) Buyer's Transporter regarding Coal tonnage and delivery schedule information. Each Party shall notify the other Party of any proceeding of which it is aware which may result in disclosure and make Commercially Reasonable Efforts to prevent or limit the disclosure. With respect to information provided with respect to a Confirmation, this obligation shall survive for a period of one (1) year following the expiration or termination of such Confirmation. With respect to the contents of this Base Contract, this obligation shall survive for a period of one (1) year following the expiration or termination of this Base Contract.

12.7 Governing Law. THIS BASE CONTRACT AND EACH CONFIRMATION AND THE RIGHTS AND DUTIES OF THE PARTIES ARISING HEREFROM AND THEREFROM SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS.

12.8 Entire Agreement; Amendments; Interpretation. This Base Contract and Exhibits hereto if any, and each Confirmation, constitute the entire agreement between the Parties relating to the subject matter contemplated by this Base Contract and supersedes any prior or contemporaneous agreements or representations affecting the same. No amendment, modification or change to this Base Contract shall be enforceable unless reduced to a writing executed by the Party against whom such amendment, modification or change is sought to be enforced and

specifically referencing this Base Contract. The Parties acknowledge that each Party and its counsel have reviewed and revised this Base Contract and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be used in interpretation of this Base Contract.

12.9 Counterparts; Severability; Survival. This Base Contract and each Confirmation may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument. Except as may otherwise be stated herein, any provision hereof that is declared or rendered unlawful by any applicable court of law or regulatory agency, or deemed unlawful because of a statutory change, will not otherwise affect the lawful obligations that arise under this Base Contract or a Confirmation. In the event any provision of this Base Contract is declared unlawful, the Parties will promptly renegotiate to restore this Base Contract or such Confirmation as near as possible to its original intent and effect. All indemnity rights shall survive the termination of this Base Contract in full for a period of two (2) years.

12.10 Non-Waiver; Duty to Mitigate; No Partnership or Third Party Beneficiaries. No waiver by any Party of any of its rights with respect to the other Party or with respect to any matter or default arising in connection with this Base Contract shall be construed as a waiver of any subsequent right, matter or default whether of a like kind or different nature. Any waiver shall be in writing signed by the waiving Party. Each Party agrees that it has a duty to mitigate damages. Nothing contained in this Base Contract or in any Confirmation shall be construed or constitute any Party as the employee, agent, partner, joint venturer or contractor of the other Party. This Base Contract and each Confirmation is made and entered into for the sole protection and legal benefit of the Parties, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Base Contract or any Confirmation.

12.11 Forward Contract. The Parties agree that Confirmations for the sale and purchase of Coal shall constitute “forward contracts”, and that the Parties shall constitute “forward contract merchants” within the meaning of the United States Bankruptcy Code.

12.12 Taxes and Other Liabilities. Each Party shall make Commercially Reasonable Efforts to administer this Base Contract and implement the provisions in accordance with the intent to minimize Taxes within the good faith parameters of the law. Seller shall be solely responsible as to any Confirmation for all assessments, fees, costs, royalties, black lung fees, reclamation fees, expenses and Taxes imposed by governmental authorities or other third parties (“Third Party Impositions”) relating to the mining, beneficiation, production, sale, use, loading and delivery of Coal to Buyer or in any way accrued or levied prior to the transfer of title to the Coal to Buyer. The risk of any change in such Third Party Impositions shall be borne solely by Seller. Buyer shall be solely responsible as to any Confirmation for Third Party Impositions relating to the Coal accrued or levied at or after the transfer of title to the Coal to Buyer, including, but not limited to, sales or use tax if applicable.

12.13 Financial Information. Periodically a Party shall have the right to request updated financial information from the other Party or Party’s Guarantor in order to verify credit worthiness. Upon such request, the requesting Party shall execute a Confidentiality Agreement requested by the other Party’s Guarantor, after which the other Party’s Guarantor shall promptly furnish financial information, required in order to verify credit worthiness. A Party’s Guarantor will be deemed to have satisfied its obligations under this Section to the same extent that such financial information is available to the other Party electronically from the SEC or EDGAR.

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Section 3: EX-10.2 (CONTRACT OF CONFIRMATION)

Exhibit 10.2

CONFIRMATION

“Confirmation Effective Date”: March 16, 2012

Seller:

Alliance Coal, LLC, a Delaware limited liability company

Buyer:

Seminole Electric Cooperative, Inc., a Florida rural electric cooperative corporation

Guarantor

Alliance Resource Partners, L.P., a Delaware limited partnership

This Confirmation sets forth the binding agreement entered into between Seller and Buyer on the date above as to this transaction regarding the purchase/sale of Coal under the following terms:

Term:	Per Attachment 1
Quantity/Tons:	Per Attachment 1
Scheduling:	Per Base Contract
Source(s):	Per Attachment 1
Delivery Point:	FOB railcar at the Source
Contract Price:	Per Attachment 1
Other Provisions:	Per Attachment 1 and including Schedules: Schedule 1 - Coal Quality Specification

Schedule 2 - West Kentucky Base Price
Schedule 2A - West Kentucky State Severance Tax
Schedule 3 - Illinois Base Price
Schedule 4 - List of Indices Utilized for Price Adjustments
Schedule 5 - Prompt Year AQR Price Computation
Schedule 6 - Substitute Illinois Base Price
Schedule 7 - Coal Quality Analysis Example
Schedule 8 - Alliance Force Majeure Computation

Attachment 2 - Mine Safety Laws Criteria and Protocols

Attachment 3 - Guaranty

This Confirmation supplements, forms part of, and is subject to, the Base Contract for Purchase and Sale of Coal between Seller and Buyer dated March 16, 2012 (the "Base Effective Date"). All provisions contained in the Base Contract govern this Confirmation to the extent not in conflict with the terms hereof. Terms used but not defined herein shall have the meanings ascribed to them in the Base Contract. This Confirmation supersedes any prior agreements or writings concerning this transaction.

"Seller"

Alliance Coal, LLC

/s/ Robert G. Sachses

By: Robert G. Sachse
Title: Executive Vice President
Date: March 16, 2012

"Buyer"

Seminole Electric Cooperative, Inc.

/s/ Timothy S. Woodbury

By: Timothy S. Woodbury
Title: CEO and General Manager
Date: March 16, 2012

**** INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24b-2 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED.

Attachment 1
to Confirmation dated March 16, 2012 between
Alliance Coal, LLC and Seminole Electric Cooperative, Inc.

Section 1: Term

1.1 Term. The term of the Confirmation shall be six (6) years beginning January 1, 2013 and ending on December 31, 2018.

Section 2: Quantity

2.1 Quantity. Buyer's projected coal requirements for the Seminole Generating Station during the term will range between a maximum of 4.0 million tons per Contract Year and a minimum of 3.0 million tons per Contract Year. Seller agrees to sell and deliver to Buyer, and Buyer agrees to Purchase and accept from Seller, an annual base load quantity of **** tons and annual additional quantity requirements ("AQR") that will range between **** and **** tons, all as determined by Buyer's annual forecasting (Section 4.1 of the Base Contract) and the resulting Contract Quantity as determined by Buyer.

2.2 AQR Quantity. The AQR quantity elected by Buyer in its final quantity nomination to be provided to Seller on or before October 1st (as set forth in Section 4.1 of the Base Contract) shall not be less than ****% or more than ****% of Buyer's initial AQR quantity projection provided to Seller on or before the preceding July 15th.

2.3 Exclusivity. Except as otherwise provided in Section 8.6, Buyer shall not purchase coal from other sources in any Contract Year unless Buyer has committed to purchase at least 4,000,000 tons of Coal from Seller in such Contract Year. In the event that Buyer's coal requirements for the Seminole Generating Station exceed the Contract Quantity as specified in the final nomination for a Nomination Period and such final nomination did not exceed 4,000,000 tons of Coal, Buyer shall promptly notify Seller and Seller shall have the option, but not the obligation, of providing such additional quantities at the current AQR Price. If Seller elects to not provide such additional quantities, then Buyer shall have the right to purchase such quantities from other sources. Buyer expressly reserves the right to purchase coal from other sources in any Contract Year, as long as Buyer has committed to purchase at least 4,000,000 tons of Coal from Seller in such Contract Year.

2.4 Annual Contract Quantity Declaration. On or before January 1 of the calendar year preceding the Contract Year of delivery, Buyer must provide Seller notice of its projected minimum and maximum Contract Quantity within a range of **** tons ("Contract Quantity Limits"). For the Contract Year 2013, Buyer projects the Contract Quantity Limits to be between **** tons and **** tons. Buyer's final quantity nomination, by month, to be provided by Buyer to Seller on or before October 1st which shall be considered the Contract Quantity for the next Nomination Period (pursuant to Section 4.1 of the Base Contract), must be within the Contract Quantity Limits and shall establish the delivery and acceptance obligations of the parties for such Nomination Period, subject to excuse due to Force Majeure or other adjustments as set forth herein. The Contract Quantity elected by Buyer for the Contract Year 2013 shall include **** tons of AQR Coal at the AQR Price of \$**** per ton set forth in Section 4.2, up to **** tons, as elected by Seller, of Illinois base load Coal at the Illinois Base Price set forth in Section 4.1, and the balance shall be West Kentucky base load Coal at the West Kentucky Base Price set forth in Section 4.1. The Contract Quantity elected by Buyer for the Contract Year 2014 and each Contract Year thereafter, shall consist of **** tons of base load quantity (of which may be up to **** tons of Illinois base load Coal, as elected by Seller, and the balance shall be West Kentucky base load Coal), plus AQR Coal of at least **** tons for a total minimum annual commitment of **** tons.

Section 3: Sources

3.1 Sources. Seller and Buyer agree that the mines approved by Buyer for supplying Coal under this Confirmation are Pattiki in Illinois, and Dotiki, Warrior, and Elk Creek in West Kentucky. All AQR Coal shall be sourced from said West Kentucky mines. Except as provided in Section 3.2 below, in each Contract Year Seller shall deliver a minimum of **** tons of West Kentucky base load Coal at West Kentucky Base Price, not greater than **** tons of Illinois base load Coal at Illinois Base Price, and any AQR Coal at AQR Price.

3.2 Additional Illinois Coal. During the Parties' annual forecasting process, Seller may request written consent from Buyer, which consent shall not be unreasonably withheld, to increase the **** maximum tons of Illinois base load Coal. Requested additional tons may not exceed **** tons during a Contract Year ("Substitute Coal"). Prices to be paid by Buyer for Substitute Coal shall be determined pursuant to Section 4.3 below.

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3.3 Additional Sources. Seller may request additional mines or Origins be added as new Sources for the supply of Coal under this contract. If Buyer's rail transportation arrangements do not include the requested Origins, then Buyer shall seek CSXT's approval to add such Origins. If CSXT requires any additional freight rate differential or additional transportation charges for such new Origin, then Seller shall be responsible for any such rates differential or additional transportation charges. Such sources may be located in Illinois or West Kentucky or any other state, such as Indiana; provided, however, that such sources must be served by or directly accessible to CSXT. The Parties shall mutually agree to an amendment of this Confirmation to include such new Origins and the Price or other considerations required for the addition of a new Origin.

Section 4: Contract Price

4.1 Base Prices.

4.1.1 January 1, 2013 Base Prices. On or before January 1, 2013, Base Prices for the West Kentucky base load and Illinois base load Coal shall be determined by the Parties under the existing New Coal Supply Agreement, as amended, effective September 1, 2005 between Buyer and Webster County Coal, LLC, a Delaware limited liability company (successor-in-interest to Webster County Coal Corporation, a Kentucky corporation), White County Coal, LLC, a Delaware limited liability company (successor-in-interest to White County Coal Corporation, a Delaware corporation), and Seller, as successor in interest to Mapco Coal, Inc. for itself and as agent for Webster County Coal, LLC and White County Coal, LLC (the "NCSA"). The Base Prices effective January 1, 2013 shall be ****% of the October 1, 2012 NCSA Current Prices for Dotiki Mine coal ("West Kentucky Base Price") and Pattiki Mine coal ("Illinois Base Price") as determined in accordance with the terms and conditions of the NCSA. The West Kentucky Base Price determined above shall be adjusted downward by multiplying by **** to establish the effective January 1, 2013 West Kentucky Base Price.

4.1.2 West Kentucky Base Price. The West Kentucky Base Price shall be shown in Dollars (\$) per ton loaded in rail cars at the Source, inclusive of Kentucky severance tax, other similar taxes and royalties. The West Kentucky Base Price is subject to adjustments from time to time for events occurring or having an effect on or after January 1, 2013, pursuant to Section 4.1.4 below, and as otherwise provided in Section 4.1.4.5 below. The new base cost components and new base index levels of the January 1, 2013 West Kentucky Base Price shall be shown in Schedule 2, entitled West Kentucky Base Price, attached to this Confirmation.

4.1.2.1 Severance Tax Adjustment. As the West Kentucky Base Price is adjusted under provisions of this Confirmation, it also will be adjusted to reflect application of Kentucky severance tax on the severance, mining or sale of the coal, hereinafter referred to as "severance tax," to the adjusted West Kentucky Base Price. The initial Kentucky net effective severance tax rate is ****%. Such severance tax rate shall be adjusted to reflect credit for transportation cost, as long as such credit is allowed by the State of Kentucky, to reflect the equivalent Kentucky severance tax cost paid by Seller, using the mechanism and procedure as shown in the attached Schedule 2A. For severance tax verification purposes, Buyer shall have the right to review all of Seller's severance tax filings, governmental audit results and any records or other data necessary to verify the same. The Parties acknowledge and agree that the equivalent Kentucky severance tax cost as of January 1, 2013 shall not be included in the definition of Governmental Adjustment as provided for in Section 4.1.4.5. If any modifications to the net effective severance tax rate result in an incremental change to the severance tax, or if any other similar new governmental tax is established, after the Confirmation Effective Date, then such incremental change or new tax shall be included as an Additional Governmental Adjustment Cost as described in Section 4.1.4.5.2 and shall be included as an AQR Additional Adjustment Cost as described in Section 4.2.5.

4.1.3 Illinois Base Price. The Illinois Base Price shall be shown in Dollars (\$) per ton loaded in rail cars at the Source. The Illinois Base Price is subject to adjustments from time to time for events occurring or having an effect on or after January 1, 2013, pursuant to Section 4.1.4 below, and as otherwise provided in Section 4.1.4.5 below. The new base cost components and new base index levels of the January 1, 2013 Illinois Base Price shall be shown in Schedule 3, entitled Illinois Base Price, and attached to this Confirmation.

4.1.3.1 Severance Tax Adjustment. As the Illinois Base Price is adjusted quarterly, it also will be adjusted to reflect any applicable Illinois net severance tax or similar tax. It is understood that the January 1, 2013 Illinois Base Price does not include any severance, sales, use or other similar taxes that may be applicable or imposed on Coal supplied by Seller to Buyer under this Confirmation. In the event that after January 1, 2013, such a tax or taxes be deemed to apply or

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be imposed on the Illinois base load Coal supplied under this Confirmation, the amount of such tax or taxes shall be added to the Illinois Base Price and shall be included as an Additional Governmental Adjustment Cost as described in Section 4.1.4.5.2.

4.1.4 Base Price Adjustments. The West Kentucky and the Illinois Base Prices shall be subject to upward or downward adjustments quarterly (each January 1, April 1, July 1 and October 1), beginning with an April 1, 2013 adjustment in accordance with this Section 4.1.4. The Parties agree that the dollar amount of the base cost components will be established in accordance with the NCSA and prior to December 31, 2012 shall be set forth in Schedule 2 and Schedule 3, each of which will then be attached to this Confirmation and shall form the basis for price adjustments under this Confirmation, whether or not those dollar amounts reflect actual mining costs as of January 1, 2013. Adjustments calculated under this Section 4.1.4 shall apply to all Shipments during the calendar quarter beginning on the adjustment date.

4.1.4.1 Labor and Benefits. The Base Prices shall be adjusted quarterly beginning on April 1, 2013, and on the first day of each subsequent calendar quarter, to reflect the change in the cost of labor and benefits from the assumed base cost component that is established with the January 1, 2013 Base Prices. The adjusted base component on each adjustment date will equal the product of **** and a fraction, the numerator of which ****, and the denominator of which ****. The average **** hourly rate for any calendar quarter shall be calculated as the straight arithmetic average of the monthly average hourly rates published. If such information is not published for any one or two of the months comprising a quarter, the average shall be calculated as an arithmetic average of the month(s) for which the values were published. If ****, or if no information is published for any of the months comprising a quarter, there shall be no adjustment to the labor and benefits cost component for that particular quarterly adjustment date. If during any month **** for such month, the **** hourly rate for that month shall be treated as unpublished.

4.1.4.2 Materials and Supplies. The Base Prices shall be adjusted quarterly beginning on April 1, 2013, and on the first day of each subsequent calendar quarter, to reflect the change in the cost of materials and supplies from the assumed base component that is established with the January 1, 2013 Base Prices. The adjusted base component on each adjustment date will equal the product of **** and a fraction, the numerator of which ****, and the denominator of which ****. **** The quarterly average index value for any index in any quarter shall be calculated as the straight arithmetic average of the monthly values published for that index. If such information is not published for any one or two of the months comprising a quarter and the index has not been discontinued, the average index value shall be calculated as an arithmetic average of the months for which values were published. If the index value is not published for all of the months comprising a quarter and the index has not been discontinued, the average index value for the quarter in question shall be set equal to the average index value calculated for the previous quarter. If no information is published for all of the indexes for all of the months comprising a quarter, there shall be no adjustment to the materials and supplies cost component for that particular quarterly adjustment date.

4.1.4.3 General and Administrative. The Base Prices shall be adjusted quarterly beginning on April 1, 2013, and on the first day of each subsequent calendar quarter, to reflect the change in general and administrative costs that is established with the January 1, 2013 Base Prices. The adjusted base component on each adjustment date will equal the product of the individual January 1, 2013 Base Price General and Administrative Components and a fraction, the numerator of which is the average of the **** as first published for the **** months preceding the intended quarterly adjustment date, and the denominator of which will be established with the January 1, 2013 Base Prices by calculating the average **** for the **** months preceding January 1, 2013.

4.1.4.4 Royalty. As the Base Prices are adjusted quarterly, the West Kentucky and the Illinois Base Prices, respectively, also shall be adjusted by an amount equal to ****% and ****% of the other adjusted base components to reflect the change in royalty expenses from the royalty base cost component established with the January 1, 2013 Base Prices. The royalty surcharge rates of ****% for West Kentucky and ****% for Illinois were derived from base nominal rates of ****% and ****%, respectively, and take into account the compounding effects of paying royalty on royalty collected. The nominal and contract royalty surcharge rates shall remain unchanged for the term of this Confirmation.

4.1.4.5 Governmental Adjustments. There shall be adjustments made from time to time in the Base Prices to reflect changes in Seller's actual costs as of the date incurred because of governmental regulatory events which affect the coal industry on a national, regional, state or local level occurring or continuing to have an effect on or after ****, which are beyond the direct control of Seller and which after said date change Seller's expenses or required capital expenditures, affect productivity at the Sources supplying coal under this Confirmation, or otherwise change Seller's actual cost at the Sources ("Governmental Adjustment"). Government regulatory events shall include, by way of illustration, but not

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limitation: new or amended or restated Federal, State or local legislation or regulation, or the interpretation of the application thereof by courts, administrative agencies, or any other body having jurisdiction relating to mining, mine safety, environmental, or other matters directly affecting Seller's costs at the Source mines. If a Governmental Adjustment increases or decreases Seller's costs of producing Coal from any of the Source mines covered by this Confirmation, there shall be added to or subtracted from the Base Prices from time to time adjustments to reflect the change in Seller's costs because of such Governmental Adjustment, based upon actual production costs and productivity experienced at the respective Source mines before and after the Governmental Adjustment. Should capital items be affected by such a change, adjustments shall be based upon Seller's computation of actual expenditures (or reasonable estimates thereof) subject to audit by Buyer for capital items, the useful life of such items, interest relating to the purchase or carrying thereof and actual productivity experienced at the Source mines before and after the change. The Parties recognize that there may be Governmental Adjustment claims for both ongoing compliance costs and fixed per ton fees and/or taxes, which shall be referred to as Governmental Adjustment Components as defined by Section 4.1.4.5.1 and Section 4.1.4.5.2 below. The Governmental Adjustment Component of the West Kentucky Base Price (or West Kentucky Adjusted Base Price, as the case may be) shall be based upon the actual cost per ton incurred at the Dotiki, Warrior and/or Elk Creek mines for Governmental Adjustment, weight averaged based upon the number of tons supplied to Buyer from each Source mine ("West Kentucky Governmental Adjustment Component"). The Governmental Adjustment Component of the Illinois Base Price (or Illinois Adjusted Base Price, as the case may be) shall be based upon the actual cost per ton incurred at the Pattiki mine ("Illinois Governmental Adjustment Component"). The Governmental Adjustment Components of the 2013 Base Prices and subsequent Contract Year Base Prices shall be estimated by Seller and mutually agreed to by the Parties on or before the immediately preceding August 1. The Parties shall review the Governmental Adjustment Components on a quarterly basis and Seller shall advise if any Governmental Adjustment has affected the Source mining operations, in which event Seller shall provide an estimate of the cost to be incurred as a result of the Governmental Adjustment in sufficient detail for Buyer's review. The Parties then shall mutually agree to adjust the Governmental Adjustment Component if necessary. Such Governmental Adjustments shall be itemized on Schedule 2 for West Kentucky Base Price and Schedule 3 for Illinois Base Price.

4.1.4.5.1 Federal Black Lung and Reclamation Fees. The Base Prices specified in this Section as of January 1, 2013, include the cost of compliance with ongoing laws and regulations currently in effect to the extent such laws and regulations are currently being interpreted and enforced related to Federal Black Lung Tax Fee and the Federal Reclamation Fee. For purposes of this provision, there is a \$1.235 per ton base cost component level for such costs as of January 1, 2012, for both the West Kentucky Base price and Illinois Base Price, which represents the \$1.100 per ton Federal Black Lung Fee and \$0.135 per ton Federal Reclamation Fee and such components may be adjusted by Federal Statute. The Parties recognize that by current Federal Statute, the Federal Reclamation Fee is to change on October 1, 2012 and be reduced from \$0.135 to \$0.120 per ton, which shall be reflected in the January 1, 2013 Base Prices under this Confirmation. The Federal Black Lung Fee and the Federal Reclamation Fee described in this Section 4.1.4.5.1 shall not be considered as Additional Governmental Adjustment Cost as defined in Section 4.1.4.5.2. The Parties further recognize that, continuing for such duration of time as allowed by Federal Statute, Seller shall issue Buyer a credit adjustment on an ongoing calendar quarter basis to reflect credit for non-payment of the Federal Black Lung Tax Fee and Federal Reclamation Fee on excess moisture above equilibrium moisture.

4.1.4.5.2 Additional Governmental Adjustment Cost. In addition to the Governmental Adjustment Cost described in Section 4.1.4.5.1., the Base Prices as of January 1, 2013 shall include the cost of ongoing compliance with all Governmental Adjustments, as interpreted and enforced at the Source mines, referred to as the "Additional Governmental Adjustment Cost". The Additional Governmental Adjustment Cost shall also include any modifications that result in an incremental change to the Federal Black Lung Tax Fee and the Federal Reclamation Fee that occur on or after the Confirmation Effective Date. For Contract Year 2013, the Parties shall mutually agree by August 1, 2012 to an estimated ongoing 2013 Additional Governmental Adjustment Cost which will be used for billing purposes during 2013 for each Source mine. The average total estimated cost per ton of all Additional Governmental Adjustment Cost for the Source mines shall be based on the weighted average of the aggregate tons to be delivered during 2013 ("AGAC Estimate"). Each year thereafter, the Parties will agree by August 1 of the current Contract Year to the next Contract Year's AGAC Estimate and the individual Source mines' Additional Governmental Adjustment Cost for billing purposes. The Parties shall review this AGAC Estimate on a quarterly basis and Seller shall advise Buyer if any new laws or regulation have affected the Source mines, in which event the Parties may then mutually agree to adjust the AGAC Estimate if necessary. Each year, the Parties shall follow the following procedures to establish a maximum Additional Governmental Adjustment Cost for the annual base load quantity

delivered during the next Contract Year (“Base Annual Cap”). If the AGAC Estimate is \$**** per ton, or less, then \$**** per ton shall be the Base Annual Cap. If the AGAC Estimate is greater than \$**** per ton, then Buyer shall have the following two options: 1) if Buyer agrees to such AGAC Estimate, then that AGAC Estimate shall be the Base Annual Cap for the next Contract Year, or 2) if Buyer does not agree to the AGAC Estimate, then Buyer may give written notice to terminate the Confirmation at the end of the current Contract Year. If Buyer elects termination, Seller may within five (5) Business Days after receipt of Buyer’s notice of termination, withdraw its request for recovery of the AGAC Estimate, in which event the Base Annual Cap for the next Contract Year shall be \$**** per ton and Seller and Buyer shall continue to perform under this Confirmation and the Base Contract. If Seller does not withdraw such request, then the Confirmation shall terminate effective December 31 of the Contract Year during which Seller has provided Buyer the AGAC Estimate and neither Party shall have any further rights or obligations under this Confirmation other than those with respect to performance required hereunder prior to the effective date of such termination. The Base Annual Cap shall exclude any adjustments which apply under the provisions of Section 4.1.2.1 and Section 4.1.4.4., which shall be in addition to the Base Annual Cap.

4.1.4.5.3 Base Price Additional Governmental Adjustment Audits. Seller shall submit to Buyer its annual Additional Governmental Adjustment Cost claim for the previous Contract Year on or before ****. Such claim shall be calculated based on the weighted average of the actual aggregate tons delivered during the Contract Year. Buyer and Seller shall cooperate to complete the audit fieldwork before **** and work towards resolution of the Additional Governmental Adjustment Cost claim by **** of the current Contract Year. The individual or weekly base load coal shipment invoices shall include the estimated Additional Governmental Adjustment Costs since ****, as previously agreed to by the Parties. After the end of each calendar year, the Parties will true up the annual actual Additional Governmental Adjustment Cost and tons after resolution of Buyer’s audit of the Additional Governmental Adjustment Cost claim and a separate retroactive invoice will be issued to adjust for the differences between the actual final audited costs and the estimated Additional Governmental Adjustment Cost, but in no event shall the final Additional Governmental Adjustment Cost recovery exceed the Base Annual Cap of \$**** per ton, or any such higher amount as previously agreed to by Buyer under Section 4.1.4.5.2.

4.1.4.5.4 Additional Governmental Adjustment Normalization. If the Parties agree that any or all portions of costs included in Section 4.1.4 relating to claims for ongoing Additional Governmental Adjustment compliance costs have reached a “normalized cost level” as of a particular January 1 date, by mutual agreement, the Parties may allocate such costs over all other remaining cost components and establish new Base Price base cost component levels. For any or all portions of Additional Governmental Adjustment ongoing compliance costs that the Parties do not wish to allocate, Seller shall continue to submit claims on an actual cost basis for the remaining term of this Confirmation or until such time as the Parties agree to make an allocation to other cost components and include it in the new Base Price.

4.1.5 Fixed Portion. There shall be a fixed portion of the Base Prices that is not subject to adjustment. The fixed portion effective January 1, 2013, shall be ****% of the individual Base Prices determined pursuant to Section 4.1.1 above, and shall remain unchanged for the term of this Confirmation.

4.1.6 Unavailability of or Changes in Any Index. Excluding index unavailability under Section 4.1.4.1 due to ****, if an index ceases to be published or is unavailable for three reference months or longer, a comparable index or indices shall be substituted by mutual agreement of the Parties and, if available, reconstructed to the latest adjustment date for which the discontinued index was available and used in determining the adjusted base cost component level. The resulting revised base index level shall replace the previously used base index level as the denominator in subsequent price adjustment calculations. The revised base price cost component to be used in subsequent price adjustments shall be the last level which was calculated using the index which was subsequently discontinued or unavailable. Should representative indices cease to be published by the designated agency, the most practical equivalent index based upon performance and structure, upon mutual agreement of the Parties, shall be used for calculations to effectuate the intent of the Parties. In the event of a major change in the structure of any existing index used herein, a new base period index level and related cost component level shall be established for use on the first quarterly adjustment date thereafter in the manner as described above for discontinuation of an index. No retroactive price adjustment will be made because revised index levels are published subsequent to use of the original published index level. In the event an index is discontinued or otherwise becomes unavailable, as addressed under this Section 4.1.6, Seller and Buyer shall, after consulting with the Bureau of Labor Statistics, undertake to agree upon a substitute index or a substitute method of cost adjustment. If the Parties fail to reach agreement on a substitute index or method within thirty (30) days, the matter shall be resolved pursuant to Article 11 of the Base Contract.

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4.1.7 Attached Schedules. Schedule 4 provides a listing of all indices' titles, descriptions and sources utilized in this Section 4.1. The attached Schedule 2A, as referenced in Sections 4.1.2.1, is incorporated as part of this Confirmation. Schedules 2 and 3 as referenced in Sections 4.1.2 and 4.1.3, respectively, once completed shall be incorporated as part of this Confirmation.

4.2 AQR Price. The price for all AQR in Contract Year 2013 shall be \$**** per net ton ("AQR Price"). The AQR Price for Contract Year 2014 and every Contract Year thereafter shall be established on or before August 1 of the preceding Contract Year pursuant to the following methodology.

4.2.1 Initial AQR Index. An initial AQR index shall be established from the average of the weekly Illinois Basin prompt year coal prices reported during the period January 1, 2012, through June 30, 2012. The prices used to establish the initial index (i.e., the "current Contract Year's AQR index" for 2013) shall be the first published weekly prices identified below ("Index Price(s)"):

1. ****
2. ****
3. ****
4. ****

4.2.2 AQR Price Computation. Beginning in 2013, the prompt Contract Year's (i.e. 2014) AQR Price will be computed utilizing the following method:

- A. Compute the average Index Price for the prompt Contract Year utilizing the prompt year Index Prices published during **** through **** of the current Contract Year.
- B. Calculate the percentage change from the current Contract Year's AQR index to the prompt Contract Year's AQR index. The calculated percentage change shall be the prompt Contract Year's AQR percentage change; provided, however, this percentage change shall not be more than a positive ****% or a negative ****% change from the current Contract Year.
- C. The prompt Contract Year's AQR Price shall then be calculated by taking the current Contract Year AQR Price multiplied by (**** + ****).

4.2.3 Unavailability of or Changes in Any Index. If one or more of the price publications suspend, modify or replace one of the reported Index Prices, the Parties shall select a substitute index utilizing a similar procedure as provided in Section 4.1.6 above.

4.2.4 Illustration. As an example only, the attached Schedule 5 illustrates the AQR Price computation described above. Actual published prices from January 1, 2010 through June 30, 2010 were used as a proxy for the 2013 Indices, and actual published prices from January 1, 2011 through June 30, 2011 were used as a proxy for the 2014 Indices.

4.2.5 AQR Additional Governmental Adjustments. There shall be adjustments made from time to time in the AQR Price cost components to reflect changes in Seller's actual costs as of the date incurred because of governmental regulatory events occurring on or after **** for Contract Year 2013. Beginning January 1, 2014 and on January 1 of each Contract Year thereafter, the AQR Price cost components for the previous Contract Year shall be reset to zero effective with the annual establishment of the next Contract Year AQR Price pursuant to Section 4.2.2. The AQR Price shall be subject to adjustment for additional cost components for the Contract Year 2014 and each year thereafter for government regulatory events which affect the coal industry on a national, regional, state or local level occurring on or after January 1 of the Contract Year for which the AQR Price is established. AQR Additional Governmental Adjustment Cost shall not include Federal Black Lung Tax Fee and the Federal Reclamation Fee, discussed in Section 4.1.4.5.1 which are included in the AQR Price effective on January 1 of each Contract Year and as adjusted by Section 4.2.2. However, if such fees have been modified by governmental action or regulator action on or after **** for Contract Year 2013, and on or after January 1 for the Contract Year 2014 and each year thereafter, only the incremental change in Federal Black Lung

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Tax Fee and the Federal Reclamation Fee shall be included in the AQR Additional Governmental Adjustment Cost under this Section 4.2.5. The government regulatory events must be beyond the direct control of Seller and after said date change Seller's expenses or required capital expenditures, affect productivity at the Dotiki, Warrior and/or Elk Creek West Kentucky mine Sources supplying AQR coal under this Confirmation, or otherwise change Seller's actual cost at the West Kentucky mine Sources in a manner that is not included in other price adjustments provided for in this Confirmation or in the Base Contract. Government regulatory events shall include, by way of illustration, but not limitation: new or amended or restated Federal, State or local legislation or regulation, or the interpretation of the application thereof by courts, administrative agencies, or any other body having jurisdiction relating to mining, mine safety, environmental, or other matters directly affecting Seller's costs at the West Kentucky mine Sources (herein referred to as "AQR Additional Governmental Adjustment Cost"). If an AQR Additional Governmental Adjustment Cost event increases or decreases Seller's costs of producing AQR Coal at the West Kentucky mine Sources covered by this Confirmation, there shall be added to or subtracted from the AQR Price from time to time an AQR Additional Governmental Adjustment Cost to reflect the full change in Seller's costs because of such AQR Additional Governmental Adjustment, based upon actual production costs and productivity experienced at the respective West Kentucky Source mines before and after the AQR Additional Governmental Adjustment. Should capital items be affected by such a change, adjustments shall be based upon Seller's computation of actual expenditures (or reasonable estimates thereof) subject to audit by Buyer for capital items, the useful life of such items, interest relating to the purchase or carrying thereof and actual productivity experienced at the Source mines before and after the change. The AQR Additional Governmental Adjustment Cost shall be based upon the actual cost per ton incurred at the Dotiki, Warrior and/or Elk Creek mines for AQR Additional Governmental Adjustment Cost, weight averaged based upon the number of AQR tons supplied to Buyer from each West Kentucky mine Source. Seller shall promptly advise if any AQR Additional Governmental Adjustment has influenced mining operations at the West Kentucky mine Sources, in which event Seller shall provide an estimate of the cost to be incurred as a result of the AQR Additional Governmental Adjustment in sufficient detail for Buyer's review. Any adjustment to the AQR Additional Governmental Adjustment Component shall be by mutual agreement of the Parties and shall be included in the AQR Price. Any provision herein to the contrary notwithstanding, the aggregate amount of all AQR Additional Governmental Adjustment Cost under this Section 4.2.5 shall not exceed \$**** per ton ("AQR Annual Cap") for any Contract Year. The AQR Annual Cap shall exclude any adjustments which apply under the provisions of Section 4.1.2.1 and Section 4.1.4.4., which shall be in addition to the AQR Annual Cap.

4.2.5.1 Applicability. If an estimated AQR Additional Governmental Adjustment Cost is included in the AQR Price, that component will be used for billing purposes during the Contract Year for tonnage shipped on or after the date Seller first incurs any new AQR Additional Governmental Adjustment Cost. The Parties shall review any such AQR Additional Governmental Adjustment Cost on a quarterly basis, at the same time the Parties review the Base Price Additional Governmental Adjustment Cost pursuant to Section 4.1.4.5.2. It is understood and agreed that an adjustment pursuant to this Section 4.2.5 shall only be made for Contract Year 2014 and subsequent years if the AQR Additional Governmental Adjustment Cost in question occurred on or after January 1 of the Contract Year for which an AQR Additional Governmental Adjustment Cost is proposed.

4.2.5.2 Annual Claim. If an estimated AQR Additional Governmental Adjustment Cost is included in the AQR Price, Seller shall provide its prior year's AQR Additional Governmental Adjustment Cost claim for actual costs on or before **** of the current Contract Year. This AQR Additional Governmental Adjustment Cost claim will be for actual cost at the Dotiki, Warrior and/or Elk Creek West Kentucky mine Sources supplying AQR under this Confirmation. Buyer and Seller shall cooperate to complete the audit fieldwork before **** and work towards resolution of the claim by **** of the current Contract Year. The Parties will true up the annual actual AQR Additional Governmental Adjustment Cost claim and applicable tons after resolution of Buyer's audit of the AQR Additional Governmental Adjustment Cost claim and a separate retroactive invoice will be issued to adjust for the differences between the actual and estimated AQR Additional Governmental Adjustment Cost claim, but in no event shall the final AQR Additional Governmental Adjustment Cost recovery exceed the AQR Annual Cap.

4.3 Substitute Coal Price. The price to be paid by Buyer for Substitute Coal shall be the then effective West Kentucky Base Price adjusted (i) for Buyer's actual freight and railcar cost differential for Shipments originating in Illinois versus Shipments originating in West Kentucky, (ii) to derive an Illinois price on a delivered \$MMBtu basis equivalent to a price based on **** Btu/lb. The resulting Illinois price will be converted to Substitute Coal Price on a delivered \$/ton basis. For each calendar quarter that Seller anticipates it will be supplying Substitute Coal, Buyer

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shall provide Seller a computation in the form of Schedule 6 attached. All Substitute Coal, as invoiced, shall be subject to quality adjustment as if it was West Kentucky Coal pursuant to Section 5 below. As an example only, the attached Schedule 6 illustrates the Substitute Coal Price computation described above.

4.4 Price Calculations. Specifically for Schedule 2 and Schedule 3, the Base Contract Section 5.3.6 Rounding is hereby amended and unless otherwise noted in the Schedules, all calculations shall be carried at three decimal places, and rounded as specifically noted within Schedule 2 and Schedule 3.

Section 5: Quality Price Adjustments

5.1 Heat Content. A penalty/premium will be assessed/paid for the “as received” Btu/lb analysis (“Actual”) value under/over the guaranteed heat content (“Guaranteed Btu/lb”) for the calculated weighted average of the Shipments made during a calendar month (“Monthly Tons”). The Guaranteed Btu/lb shall be **** Btu/lb for West Kentucky base load Coal, West Kentucky AQR Coal and Substitute Coal; and **** Btu/lb for Illinois base load Coal. This penalty and premium shall be applied separately on a monthly weighted average basis to all tonnage shipped as West Kentucky base load Coal, West Kentucky AQR Coal, Illinois base load Coal or Substitute Coal.

A. Penalty (when Btu/lb is less than guaranteed):

$$\frac{(\text{Actual Btu/lb} - \text{Guaranteed Btu/lb})}{\text{Guaranteed Btu/lb}} \times [\text{Price} + \text{Transportation Rate}] \times \text{Monthly Tons} = \text{Adjustment}$$

B. Premium (when Btu/lb exceeds guaranteed):

$$\frac{(\text{Actual Btu/lb} - \text{Guaranteed Btu/lb})}{\text{Guaranteed Btu/lb}} \times [\text{Price} + \text{Transportation Rate}] \times \text{Monthly Tons} = \text{Adjustment}$$

5.2 Sulfur for Tonnage Shipped from all Sources. A \$**** per ton sulfur penalty/premium will be assessed/paid for each **** percent, fractions pro rata, by which the “as received” sulfur analysis (“Actual”) is above ****% or below ****%, as the case may be, measured up to a maximum of ****% sulfur (rounded to **** percent). No penalty or premium will be applied to Coal ranging between ****% and ****% sulfur. If requested by Seller and approved by Buyer, Seller may ship Coal with a sulfur content in excess of ****% on a monthly weighted average basis, and an additional penalty of \$**** per ton shall be applied for each **** percent above ****%, fractions pro rata. This penalty or premium shall be applied on a monthly weighted average basis to all tonnage shipped from all Sources, including the West Kentucky Coal and Illinois Coal base load tonnage, AQR tonnage or Substitute Coal.

5.3 Moisture for West Kentucky Coal. A moisture penalty or premium shall be applied to West Kentucky Coal at the rate of \$**** per ton for each ****% which is above ****% or below ****%, as the case may be, fractions pro rata, measured as an “as received” monthly weighted average (rounded to **** percent). No penalty or premium will be applied to Coal ranging between ****% and ****% moisture. This penalty or premium shall be applied on a monthly weighted average basis to all West Kentucky Coal shipped, including base load West Kentucky Coal, AQR, or Substitute Coal.

5.4 Moisture for Illinois Coal. A moisture penalty or premium shall be applied to Illinois Coal at the rate of \$**** per ton for each ****% above ****% or below ****%, as the case may be, fractions pro rata, measured as an “as received” monthly weighted average (rounded to **** percent). No penalty or premium will be applied to Coal ranging between ****% and ****% moisture. This penalty or premium shall be applied on a monthly weighted average basis to all Illinois Coal shipped.

5.5 Ash for Tonnage Shipped from all Sources. An ash penalty or premium shall be applied at the rate of \$**** per ton for each ****% above ****% or below ****%, as the case may be, fractions pro rata, measured as an “as received” monthly weighted average (rounded to **** percent). No penalty or premium will be applied to Coal ranging between ****% and ****% ash. This penalty or premium shall be applied on a monthly weighted average basis to all tonnage shipped from all sources, including the West Kentucky Coal and Illinois Coal base load tonnage, AQR tonnage or Substitute Coal.

5.6 No Waiver. Assessment of adjustments under this Section 5 shall not constitute a waiver of any of Buyer’s other rights.

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Section 6: Seller's Warranties

6.1 Coal Reserves. Seller represents and warrants that its total Coal reserves at the Sources contain sufficient quantities of Coal recoverable by deep mining under present mining laws and practices to satisfy all of Seller's obligations under this Confirmation.

6.2 Recoverable Reserves. Seller warrants that it will not, without Buyer's prior written consent, use or sell Coal from the Sources reserves in any way that will reduce the balance of recoverable reserves to an amount less than the total amount then remaining to be supplied Buyer hereunder. Subject to the provisions of this Confirmation, Seller otherwise reserves the right to use coal or sell coal to others from the reserves.

6.3 Title and Indemnity. Seller warrants that at the time of delivery it will have title to the Coal, and will deliver the Coal to Buyer, free and clear of all liens, claims and encumbrances arising prior to the transfer of title to Buyer.

Section 7: Guarantor

Guarantor shall execute a Guaranty in the form attached hereto as Attachment 3 simultaneously with the execution of this Confirmation.

Section 8: Force Majeure

8.1 Definition. As used herein, a "Force Majeure" event is an occurrence beyond the reasonable control of the Party affected, which is not caused by that Party's negligence or default, and which wholly or partially prevents or impairs the mining, preparing, loading, delivering or selling of Coal by Seller, or the transporting, receiving, unloading, storage, reclaiming, or utilizing of Coal by Buyer. As clarification, the term "utilize", as used in this Section 8.1, means Buyer's ability to burn Coal in the coal fired units at the Seminole Generating Station in Putnam County, Florida ("Buyer's Generating Station") in the manner and in quantities contemplated by unit design and prudent utility practices. Force Majeure events shall include, but not be limited by enumeration to, acts of God or of the public enemy; insurrection or riots; terrorism; strikes; organization attempts or other labor disputes; shortages of supplies or equipment; strike-related absenteeism; hurricanes; tornadoes; unusually severe storms; floods; fires; equipment breakdowns or damage; interruptions in or unavailability of rail transportation; roof falls, rib falls, roof and floor intrusions, geologic pressure which traps mining equipment, underground flooding, aquifers, build up of methane gas or any other mining conditions which cause unusual or material dangers or unsafe working conditions at a Source or extraordinary changes in Coal seam characteristics at a Source; delays in completion of repairs or construction; embargoes; inability to obtain governmental permits; governmental regulations or restrictions; orders of court; or acts of civil or military authorities.

8.2 Interim Relief. If, because of an event of Force Majeure, a Party is wholly or partially prevented or impaired from performing its obligations hereunder, and the Non-Performing Party affected gives prompt written notice of the event to the other Party, the obligations of such Non-Performing Party shall be suspended to the extent affected by the Force Majeure event and for its duration.

8.3 Notices. The Non-Performing Party affected by a Force Majeure event shall provide written notice thereof ("Initial Notice") to the other Party of the Force Majeure event as soon as reasonably practicable, which shall include (a) the nature of the event, (b) the anticipated duration of the event, and (c) projected impact of the event, if possible. The noticing Party shall provide periodic updates during the course of the event to the other Party. Failure to provide the Initial Notice within a reasonable period shall be deemed a waiver of the claim for Force Majeure until the date such notice is given, to the extent that the other Party is adversely affected due to the notice delay.

8.4 Claim of Excuse. Within seven (7) Business Days after the conclusion of the Force Majeure event, or within seven (7) Business Days after the end of a calendar month in the event that Shortfall Tonnage has been caused by the Force majeure event, whichever is applicable, if the Non-Performing Party elects to claim excuse due to Force Majeure, then it shall provide a detailed written statement of the quantities claimed to be excused, including reasonable documentation to support the claim. The Party receiving the statement shall complete its review and provide a written statement of its position within fifteen (15) days of receipt of the claim.

8.5 Mitigation. The Non-Performing Party affected by a Force Majeure event shall use Commercially Reasonable Efforts to eliminate the cause of the event and resume performance as soon as reasonably practicable, provided, however, that neither Party shall be required to submit to what it considers to be an unacceptable labor agreement or be required to incur significant capital expenditures, to be determined in the sole discretion of the Non-Performing Party, and Buyer shall not be required to enter into new coal transportation contracts.

8.6 Replacement Coal. Buyer reserves the right to purchase replacement coal from other sources in the quantity that Seller claims as excused due to Force Majeure. Seller reserves the right to sell Coal to other purchasers in the quantity that Buyer claims as excused due to Force Majeure. Buyer also reserves the right to purchase replacement coal from other sources in the quantity that Buyer claims as excused for Force Majeure due to Buyer's Transporter's failure to perform. Buyer shall request that Seller agree to make-up such excused Coal within the Buyer's time frame requirements before Buyer may seek to purchase such replacement coal.

8.7 Proration. During any period in which Seller's ability to perform hereunder is affected by a Force Majeure event at a Source mine, Seller shall deliver to Buyer at least a pro rata portion (on a per ton basis) of the total tonnage produced by the affected Source mine during the Force Majeure event period. If any Force Majeure event affects Seller's ability to produce or obtain Coal from other Sources or from Alternate Sources, such events shall be considered a Force Majeure event hereunder and Seller shall have no obligation to make-up the excused deliveries from the other mine Sources or from Alternate Sources. During any period in which Buyer's ability to perform hereunder is affected by a Force Majeure event, Buyer shall not accept delivery of any coal from any other suppliers to whom Buyer's ability to accept delivery is similarly affected by such Force Majeure event. Buyer shall accept delivery of Coal from Seller under this Confirmation in an amount at least equal to a pro rata portion (on a per ton basis) of its total contractual commitments to all its suppliers as to whom Buyer's ability to accept delivery of coal is similarly affected by such Force Majeure event. The foregoing notwithstanding, (i) in the case of an event of Force Majeure that impacts Buyer's transportation of Coal, relief may be taken hereunder as to all Coal affected by the event, and Buyer shall have no obligation to pro rate among other suppliers, and (ii) in the case of an event of Force Majeure that impacts Seller's loading of Coal at a Source mine on the scheduled date of loading to Buyer, relief may be taken hereunder as to all Coal affected by the event, and Seller shall have no obligation to pro rate among other purchasers.

8.8 Quantity Excused Calculation. For purposes of any partial or total Force Majeure event affecting Buyer's utilization of Coal at Buyer's Generating Station ("SGS Utilization"), it shall be presumed that Buyer's SGS Utilization occurred at a rate equal to the Base Quantity of **** tons and the AQR quantity for the Contract Year in which the event occurred divided by ****. For the purposes of any partial or total Force Majeure event affecting Buyer's transportation, receiving, unloading, storage or reclaiming of Coal, the Parties shall compare the monthly Delivery Schedule for that month to the actual deliveries for that month to determine the quantity eligible to be excused. For the purposes of any partial or total Force Majeure event affecting Seller's mining or preparing Coal, Seller shall be excused from the delivery of Base Quantity Coal and AQR Coal up to the quantity that would have been delivered from the affected Source mine had the Quarterly Forecast established pursuant to Section 4.2 of the Base Contract then in effect remained in effect throughout the period of the Force Majeure event divided by the total normal number of work days for the affected Source mine in the calendar quarter of the Quarterly Forecast times the number of normal work days or partial number of work days during which the Force Majeure event occurred during the Quarterly Forecast. For the purposes of any partial or total Force Majeure event affecting Seller's loading or delivering of Coal, the Parties shall compare the monthly Delivery Schedule for that month to the actual deliveries for that month to determine the quantity eligible to be excused.

8.9 Quantities Excused. All quantities excused as a result of a Force Majeure event shall reduce the Contract Quantity for the Nomination Period and such quantities shall not be required to be made up unless the Parties mutually agree.

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Section 4: EX-10.3 (GUARANTY BY ALLIANCE RESOURCE PARTNERS, L.P)

Exhibit 10.3

GUARANTY

This Guaranty is made this 16th day of March, 2012, by **Alliance Resource Partners, L.P.**, a Delaware limited partnership ("Guarantor"), in favor of **Seminole Electric Cooperative, Inc.** ("Beneficiary").

WHEREAS, **Alliance Coal, LLC** ("Affiliate"), an affiliate of the Guarantor, and Beneficiary are parties to that certain Base Contract for Purchase and Sale of Coal dated March 16, 2012, with a Confirmation dated March 16, 2012 (the "Agreement").

NOW, THEREFORE, to induce Beneficiary to enter into the Agreement and in consideration of Beneficiary doing so, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor agrees as follows:

1. **Guarantee.** Subject to the terms hereof, the Guarantor unconditionally and absolutely guarantees the prompt payment when due of all amounts payable by Affiliate under the Agreement and any amendments thereto (collectively, the "Obligations"). This is a guarantee of payment and not of collection. If Affiliate fails to pay any Obligation, Guarantor will pay such Obligation directly for Beneficiary's benefit upon Beneficiary's demand therefor in accordance with the provisions hereof. Guarantor shall have no obligation to perform under the Agreement.

2. **Guarantee Absolute.** The liability of Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of or defect or deficiency in the Agreement, or any other document executed in connection with the Agreement; (ii) any modification, extension or waiver of any of the terms of the Agreement; (iii) any change in the time, manner, terms or place of payment or in any other term of all or any of the Obligations; (iv) except as to applicable statutes of limitation, failure, omission, delay, waiver, or refusal by Beneficiary to exercise, in whole or in part, any right or remedy held by Beneficiary with respect to the Obligations; (v) any change in the existence, structure, or ownership of Guarantor or Affiliate, or any insolvency, bankruptcy, reorganization, or other similar proceeding; or (vi) the existence, validity, enforceability, perfection, or extent of any collateral for the Obligations. Except as the same comprise Obligations under the Agreement, Guarantor shall not be liable hereunder for special, consequential, exemplary, tort or other damages, costs or attorney's fees. The obligations of the Guarantor hereunder are primary obligations of Guarantor and there are no conditions precedent to enforcement of the Guaranty, except as

expressly set forth herein. This Guaranty shall remain in full force and effect with respect to the Obligations until the same are finally and irrevocably paid in full. In the event any payment to Beneficiary of any Obligation is rescinded or must otherwise be returned for any reason whatsoever, including, without limitation, the insolvency, bankruptcy, or reorganization of Affiliate, Guarantor shall remain liable hereunder with respect to such Obligation as if such payment had not been made.

3. Waiver. Guarantor hereby waives: (i) notice of acceptance of this Guaranty and of the creation or existence of any of the Obligations and of any action by the Beneficiary in reliance hereon or in connection herewith; (ii) except as expressly set forth herein, presentment,

demand for payment, notice of dishonor or nonpayment, protest and notice of protest with respect to the Obligations; and (iii) notice of any modification, extension or waiver of any of the terms of the Obligations. Guarantor reserves the right to assert defenses that Affiliate may have under the Agreement to payment of any Obligation, other than defenses arising from the bankruptcy, insolvency, incapacity, liquidation or dissolution of Affiliate.

4. Demands and Notice. If Affiliate fails to pay any Obligation and Beneficiary elects to exercise its rights under this Guaranty, Beneficiary shall make a written demand on Guarantor (a "Payment Demand"). A Payment Demand shall identify the amount and the basis of the demand and state that Beneficiary is calling upon Guarantor under this Guaranty. Guarantor shall make payment to Beneficiary within five (5) business days after receipt of Payment Demand from Beneficiary. Unless expressly provided otherwise, demands and notices shall be in writing and delivered by certified mail return receipt requested, facsimile, or nationally recognized overnight delivery service. Notice by facsimile or hand delivery shall be deemed to have been received by the close of the business day on which it was transmitted or hand delivered (unless transmitted or hand delivered after close of the business day in which case it shall be deemed received at the close of the next business day), or such earlier time as is confirmed by the receiving party. Notice by overnight mail or courier shall be deemed to have been received one (1) business day after it was sent, subject to confirmation of successful actual delivery. Any party may change its address to which notice is given hereunder by providing notice of same in accordance with this Section 4.

To Guarantor: Alliance Resource Partners, L.P.
1717 S. Boulder, Suite 400
Tulsa, Oklahoma 74119
Attn: Chief Financial Officer
Fax: (918) 295 7357

With a copy to:

Alliance Resource Partners, L.P.
1717 S. Boulder, Suite 400
Tulsa, Oklahoma 74119
Attn: General Counsel
Fax: (918) 295 7361

To Affiliate: Alliance Coal, LLC
1717 S. Boulder, Suite 400
Tulsa, Oklahoma 74119
Attn: Contract Administration
Fax: (918) 295 7361

To Beneficiary: Seminole Electric Cooperative, Inc.
P.O. Box 272000
Tampa, FL 33688-2000; or

16313 North Dale Mabry Highway
Tampa, FL 33618
Phone: (813) 739-1274
Attn: CEO & General Manager
Fax: (813) 264-7906

With copies to:

Attn: Chief Financial Officer
(at same address)

Attn: General Counsel
202 South Rome Ave.
Tampa, FL 33606
Phone: (813) 223-5351
Fax: (813) 229-6682

5. Subrogation. Guarantor shall be subrogated to all rights of Beneficiary against Affiliate in respect of any amounts paid by Guarantor pursuant to this Guaranty, provided that Guarantor agrees it shall not exercise such rights of subrogation until all of the Obligations have been irrevocably paid in full. Upon full payment of the Obligations, Beneficiary shall, at the Guarantor's request and cost, execute and deliver to the Guarantor such documents and take such other actions as Guarantor may reasonably require to implement such subrogation.

6. Representations and Warranties. Guarantor hereby represents and warrants: (i) it is a limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation; (ii) the execution, delivery and performance of this Guaranty by Guarantor have been duly authorized by all requisite corporate action and do not violate any applicable law or Guarantor's certificate of organization; and (iii) this Guaranty constitutes Guarantor's legal, valid and binding obligation, enforceable against it in accordance with this Guaranty's terms (except as enforceability may be limited by bankruptcy, insolvency, moratorium and other similar laws affecting enforcement of creditors' rights against Guarantor in general principles of equity).

7. Miscellaneous. No provision of this Guaranty may be amended or waived except by a written instrument executed by Guarantor and Beneficiary. This Guaranty shall bind and benefit the successors and assigns of Guarantor and Beneficiary. This Guaranty shall not be deemed to benefit any person except Beneficiary and its successors and assigns. This Guaranty shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the foregoing instrument is executed as of the date first above written.

Alliance Resource Partners, L.P.

By: Alliance Resource Management GP, LLC
Its: Managing General Partner

By: /s/ Robert G. Sachse
Name: Robert G. Sachse
Title: Executive Vice President

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Section 5: EX-31.1 (CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER)

Exhibit 31.1

CERTIFICATION

I, Joseph W. Craft III certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Resource Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the quarterly period ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ Joseph W. Craft III
Joseph W. Craft III
President, Chief Executive
Officer and Director

Section 6: EX-31.2 (CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER)

Exhibit 31.2

CERTIFICATION

I, Brian L. Cantrell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Resource Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the quarterly period ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ Brian L. Cantrell

Brian L. Cantrell
*Senior Vice President and
Chief Financial Officer*

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Section 7: EX-32.1 (CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Resource Partners, L.P. (the "Partnership") on Form 10-Q for the three months ended March 31,

2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the managing general partner of the Partnership, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By: /s/ Joseph W. Craft III

Joseph W. Craft III

President and Chief Executive Officer

of Alliance Resource Management GP, LLC

(the managing general partner of Alliance

Resource Partners, L.P.)

Date: May 9, 2012

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Resource Partners, L.P. (the "Partnership") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance Resource Management GP, LLC, the managing general partner of the Partnership, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By: /s/ Brian L. Cantrell

Brian L. Cantrell

Senior Vice President and

Chief Financial Officer

of Alliance Resource Management GP, LLC

(the managing general partner of Alliance Resource

Partners, L.P.)

Date: May 9, 2012

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 9: EX-95.1 (FEDERAL MINE SAFETY AND HEALTH ACT INFORMATION)

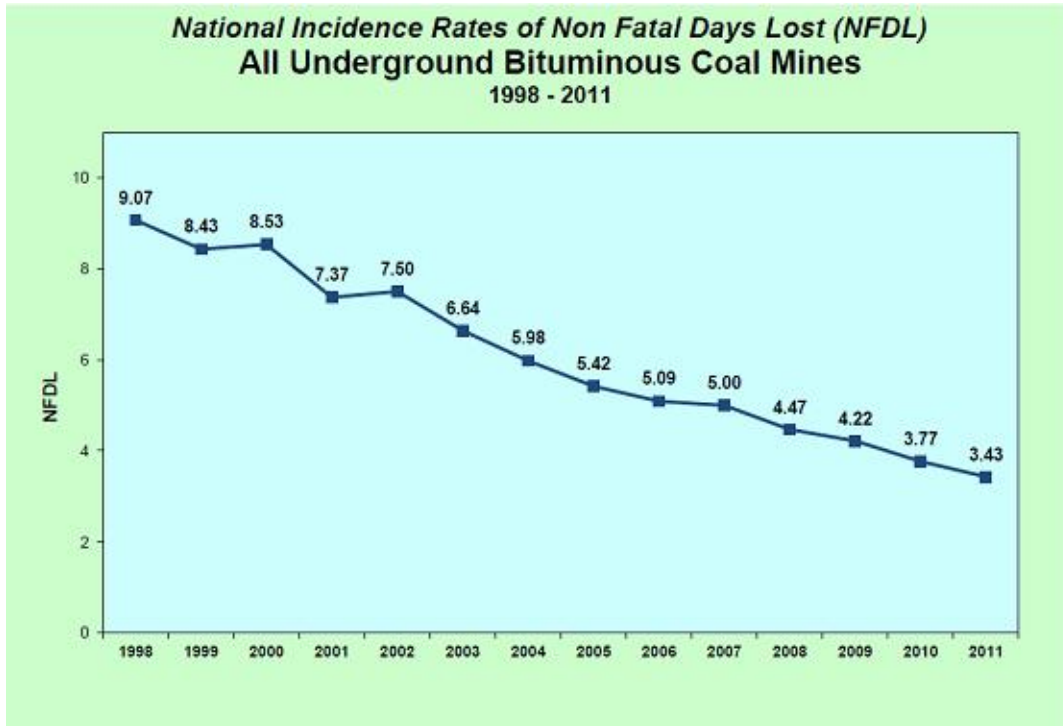
EXHIBIT 95.1

Federal Mine Safety and Health Act Information

Workplace safety is fundamental to our culture. Our operating subsidiaries empower their employees to be actively involved in continuous efforts to prevent accidents. By providing a work environment that rewards safety and encourages employee participation in the safety process, our mining operations strive to be the leaders in safety performance in our industry.

We are also a leader in developing and implementing new technologies to improve safety throughout the industry. For example, our subsidiary Matrix Design has developed two innovative technologies designed to improve safety in underground mining operations - a portable, wireless communication and electronic tracking system designed to allow surface personnel the ability to communicate with and locate underground mining personnel and a proximity detection system designed to improve the safety of continuous mining units used in underground operations. Matrix Design has completed installation of its communication and tracking system at all of our operating subsidiaries and has either installed or received orders to install this vital safety system at over half of the operating underground coal mines in the U.S. In addition, Matrix Design has installed and is conducting field tests on fifty-one of its proximity detection systems at nine of our operating subsidiaries' underground coal mines.

Our industry is focused on improving employee safety and its safety performance is continuously monitored, including through the mining industry standard of “non-fatal days lost”, or “NFDL”, which reflects both the frequency and severity of injuries incurred and, we believe, is a better measure of safety performance than compliance statistics. As indicated in the chart below, these efforts have resulted in significant safety improvements as the industry average NFDL as of the end of 2011, as reported^(a) by MSHA, has decreased approximately 62% since 1998.



(a) Data compiled for all U.S. underground bituminous coal mines and related surface facilities from the MSHA report “Mine Injury and Worktime, Quarterly Closeout Edition.” Data for 1998 through 2010 reflects the “January – December, Final” report for each year. Data for 2011 reflects the “January – December, Preliminary” report.

During this same time period, the combined NFDL rating of our operating subsidiaries has averaged approximately one-third lower than the industry average.

Our mining operations are subject to extensive and stringent compliance standards established pursuant to the FMSHA, as amended by the MINER Act (as amended, the “Mine Act”). MSHA monitors and rigorously enforces compliance with these standards, and our mining operations are inspected frequently. Citations and orders are issued by MSHA under Section 104 of the Mine Act for violations of the Mine Act or any mandatory health or safety standard, rule, order or regulation promulgated under the Mine Act. A Section 104(a) “Significant and Substantial” or “S&S” citation is generally issued in a situation where the conditions created by the violation do not cause imminent danger, but could significantly and substantially contribute to the cause and effect of a mine safety or health hazard. During the three months ended March 31, 2012, our mines were subject to 1,813 MSHA inspection days with an average of only 0.18 S&S citations written per inspection day.

We endeavor to comply at all times with all Mine Act regulations. However, the Mine Act has been construed as authorizing MSHA to issue citations and orders pursuant to the legal doctrine of strict liability, or liability without fault. If, in the opinion of an MSHA inspector, a condition exists that violates the Mine Act or regulations promulgated thereunder, then a citation or order will be issued regardless of whether we had any knowledge of, or fault in, the existence of that condition. Many of the Mine Act standards include one or more subjective elements, so that issuance of a citation often depends on the opinions or experience of the MSHA inspector involved and the frequency of citations will vary from inspector to inspector.

The number of citations issued also is affected by the size of the mine, in that the number of citations issued generally increases with the size of the mine. Our mines typically are larger in scale than most underground coal mines in the U.S. in terms of area, production and employee hours.

We take all allegations of violations of Mine Act standards seriously, and if we disagree with the assertions of an MSHA inspector, we exercise our right to challenge those findings by “contesting” the citation or order pursuant to the procedures established by the Mine Act and its regulations. During the three months ended March 31, 2012, our operating subsidiaries have contested approximately 24% of all citations and the majority of S&S citations issued by MSHA inspectors. These contest proceedings frequently result in the dismissal or modification of previously issued citations, substantial reductions in the penalty amounts originally assessed by MSHA, or both.

The Dodd–Frank Act requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Mine Act. The following tables include information required by the Dodd–Frank Act for the three months ended March 31, 2012. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA’s system and/or other factors.

<i>Subsidiary Name / MSHA Identification Number ⁽¹⁾</i>	<i>Section 104(a) S&S Citations ⁽²⁾</i>	<i>Section 104(b) Orders ⁽³⁾</i>	<i>Section 104(d) Citations and Orders ⁽⁴⁾</i>	<i>Section 110(b)(2) Violations ⁽⁵⁾</i>	<i>Section 107(a) Orders ⁽⁶⁾</i>	<i>Total Dollar Value of MSHA Assessments Proposed (in thousands) ⁽⁷⁾</i>
Illinois Basin Operations						
Webster County Coal, LLC (KY)						
1502132	29	—	—	—	—	\$ 58.9
Warrior Coal, LLC (KY)						
1505230	—	—	—	—	—	\$ —
1512083	—	—	—	—	—	\$ —
1513514	—	—	—	—	—	\$ —
1516460	—	—	—	—	—	\$ —
1517216	49	—	—	—	—	\$ 27.5
1517232	7	—	—	—	—	\$ 1.7
1517678	—	—	—	—	—	\$ —
1517740	—	—	—	—	—	\$ —
1517758	—	—	—	—	—	\$ —
1514335	—	—	—	—	—	\$ —
Hopkins County Coal, LLC (KY)						
1502013	1	—	—	—	—	\$ 0.6
1511935	—	—	—	—	—	\$ —
1517377	—	—	—	—	—	\$ —
1517515	—	—	—	—	—	\$ —
1518826	20	—	—	—	—	\$ 19.7
1517378	—	—	—	—	—	\$ —
River View Coal, LLC (KY)						
1503178	2	—	—	—	—	\$ 0.4
1519374	32	—	—	—	—	\$ 14.7
White County Coal, LLC (IL)						
1102662	—	—	—	—	—	\$ —
1103058	21	—	—	—	—	\$ 15.4
Alliance WOR Processing, LLC (IL)						
1103242	—	—	—	—	—	\$ —
Gibson County Coal, LLC (IN)						
1202388	—	—	—	—	—	\$ —
1202215	23	—	—	—	—	\$ 46.5
Sebree Mining, LLC						
1519264	—	—	—	—	—	\$ —
Central Appalachian Operations						
Pontiki Coal, LLC (KY)						
1508413	—	—	—	—	—	\$ —
1509571	—	—	—	—	—	\$ —
1514324	1	—	—	—	—	\$ —
1518839	27	—	2	—	—	\$ 59.5
1518056	—	—	—	—	—	\$ —
MC Mining, LLC (KY)						
1508079	22	1	1	—	—	\$ 31.3
1517733	5	—	—	—	—	\$ 2.8
1519515	—	—	—	—	—	\$ 0.1
Northern Appalachian Operations						
Mettiki Coal, LLC (MD)						
1800621	—	—	—	—	—	\$ —
1800671	3	—	—	—	—	\$ 0.6
Mettiki Coal (WV), LLC						
4609028	24	—	—	—	—	\$ 13.1
Tunnel Ridge, LLC (PA/WV)						
4608864	62	—	4	—	1	\$ 18.4
Other						
4403236	—	—	—	—	—	\$ —
4403255	—	—	—	—	—	\$ —
4406630	—	—	—	—	—	\$ —
4406867	—	—	—	—	—	\$ —

<i>Subsidiary Name / MSHA Identification Number ⁽¹⁾</i>	<i>Total Number of Mining Related Fatalities</i>	<i>Received Notice of Pattern of Violations Under Section 104(e) (yes/no) ⁽⁸⁾</i>	<i>Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no) ⁽⁸⁾</i>	<i>Legal Actions Pending as of Last Day of Period</i>	<i>Legal Actions Initiated During Period</i>	<i>Legal Actions Resolved During Period</i>
Illinois Basin Operations						
Webster County Coal, LLC (KY)						
1502132	—	No	No	29	4	4
Warrior Coal, LLC (KY)						
1505230	—	No	No	—	—	—
1512083	—	No	No	—	—	—
1513514	—	No	No	—	—	—
1516460	—	No	No	—	—	—
1517216	—	No	No	25	4	9
1517232	—	No	No	1	—	1
1517678	—	No	No	—	—	—
1517740	—	No	No	—	—	—
1517758	—	No	No	—	—	—
1514335	—	No	No	2	—	—
Hopkins County Coal, LLC (KY)						
1502013	—	No	No	2	1	—
1511935	—	No	No	—	—	—
1517377	—	No	No	—	—	—
1517515	—	No	No	—	—	—
1518826	—	No	No	17	4	2
1517378	—	No	No	—	—	—
River View Coal, LLC (KY)						
1503178	—	No	No	2	—	—
1519374	—	No	No	25	5	2
White County Coal, LLC (IL)						
1102662	—	No	No	—	—	—
1103058	—	No	No	38	5	3
Alliance WOR Processing, LLC (IL)						
1103242	—	No	No	—	—	—
Gibson County Coal, LLC (IN)						
1202388	—	No	No	—	—	—
1202215	—	No	No	19	3	4
Sebree Mining, LLC						
1519264	—	No	No	—	—	—
Central Appalachian Operations						
Pontiki Coal, LLC (KY)						
1508413	—	No	No	—	—	—
1509571	—	No	No	1	—	—
1514324	—	No	No	2	—	—
1518839	—	No	No	29	5	3
1518056	—	No	No	—	—	—
MC Mining, LLC (KY)						
1508079	—	No	No	31	3	4
1517733	—	No	No	—	—	—
1519515	—	No	No	—	—	—
Northern Appalachian Operations						
Mettiki Coal, LLC (MD)						
1800621	—	No	No	—	—	—
1800671	—	No	No	2	1	—
Mettiki Coal (WV), LLC						
4609028	—	No	No	12	4	—
Tunnel Ridge, LLC (PA/WV)						
4608864	—	No	No	1	—	—
Other						
4403236	—	No	No	—	—	—
4403255	—	No	No	—	—	—
4406630	—	No	No	—	—	—
4406867	—	No	No	—	—	—

The number of legal actions pending as of March 31, 2012 that fall into each of the following categories is as follows:

<i>Subsidiary Name / MSHA Identification Number ⁽¹⁾</i>	<i>Contests of Citations and Orders</i>	<i>Contests of Proposed Penalties</i>	<i>Complaints for Compensation</i>	<i>Complaints of Discharge/ Discrimination/ Interference</i>	<i>Applications for Temporary Relief</i>	<i>Appeals of Judges Rulings</i>
Illinois Basin Operations						
Webster County Coal, LLC (KY)						
1502132	5	24	—	—	—	3
Warrior Coal, LLC (KY)						
1505230	—	—	—	—	—	—
1512083	—	—	—	—	—	—
1513514	—	—	—	—	—	—
1516460	—	—	—	—	—	—
1517216	7	18	—	—	—	—
1517232	—	1	—	—	—	—
1517678	—	—	—	—	—	—
1517740	—	—	—	—	—	—
1517758	—	—	—	—	—	—
1514335	—	2	—	—	—	—
Hopkins County Coal, LLC (KY)						
1502013	—	2	—	—	—	—
1511935	—	—	—	—	—	—
1517377	—	—	—	—	—	—
1517515	—	—	—	—	—	—
1518826	3	14	—	—	—	—
1517378	—	—	—	—	—	—
River View Coal, LLC (KY)						
1503178	—	2	—	—	—	—
1519374	8	17	—	—	—	—
White County Coal, LLC (IL)						
1102662	—	—	—	—	—	—
1103058	—	38	—	—	—	—
Alliance WOR Processing, LLC (IL)						
1103242	—	—	—	—	—	—
Gibson County Coal, LLC (IN)						
1202388	—	—	—	—	—	—
1202215	2	17	—	—	—	—
Sebree Mining, LLC						
1519264	—	—	—	—	—	—
Central Appalachian Operations						
Pontiki Coal, LLC (KY)						
1508413	—	—	—	—	—	—
1509571	—	1	—	—	—	—
1514324	—	2	—	—	—	—
1518839	6	23	—	—	2	1
1518056	—	—	—	—	—	—
MC Mining, LLC (KY)						
1508079	1	30	—	—	—	2
1517733	—	—	—	—	—	—
1519515	—	—	—	—	—	—
Northern Appalachian Operations						
Mettiki Coal, LLC (MD)						
1800621	—	—	—	—	—	—
1800671	—	2	—	—	—	—
Mettiki Coal (WV), LLC						
4609028	—	12	—	—	—	—
Tunnel Ridge, LLC (PA/WV)						
4608864	—	1	—	—	—	—
Other						
4403236	—	—	—	—	—	—
4403255	—	—	—	—	—	—
4406630	—	—	—	—	—	—
4406867	—	—	—	—	—	—

- (1) The statistics reported for each of our subsidiaries listed above are segregated into specific MSHA identification numbers.
- (2) Mine Act section 104(a) S&S citations shown above are for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine health and safety hazard. It should be noted that, for purposes of this table, S&S citations that are included in another column, such as Section 104(d) citations, are not also included as Section 104(a) S&S citations in this column.
- (3) Mine Act section 104(b) orders are for alleged failures to totally abate a citation within the period of time specified in the citation.
- (4) Mine Act section 104(d) citations and orders are for an alleged unwarrantable failure (i.e. aggravated conduct constituting more than ordinary negligence) to comply with mandatory health or safety standards.
- (5) Mine Act section 110(b)(2) violations are for failure to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- (6) Mine Act section 107(a) orders are for alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
- (7) Amounts shown include assessments proposed by MSHA during the three months ended March 31, 2012 on all citations and orders, including those citations and orders that are not required to be included within the above chart.
- (8) Mine Act section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine safety or health hazard, or the potential to have such a pattern.

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