

Section 1: 10-Q (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 September 30, 2019

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. [X] Yes [] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). [X] Yes [] No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common units representing limited partner interests	ARLP	NASDAQ Global Select Market

As of November 5, 2019, 128,130,003 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)

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 31,817	\$ 244,150
Trade receivables	182,094	174,914
Other receivables	524	395
Inventories, net	114,100	59,206
Advance royalties, net	1,229	1,274
Prepaid expenses and other assets	11,600	20,747
Total current assets	341,364	500,686
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	3,673,436	2,925,808
Less accumulated depreciation, depletion and amortization	(1,647,933)	(1,513,450)
Total property, plant and equipment, net	2,025,503	1,412,358
OTHER ASSETS:		
Advance royalties, net	51,863	42,923
Equity method investments	28,721	161,309
Equity securities	—	122,094
Goodwill	136,399	136,399
Operating lease right-of-use assets	18,990	—
Other long-term assets	24,249	18,979
Total other assets	260,222	481,704
TOTAL ASSETS	\$ 2,627,089	\$ 2,394,748
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	\$ 91,445	\$ 96,397
Accrued taxes other than income taxes	17,611	16,762
Accrued payroll and related expenses	48,535	43,113
Accrued interest	13,175	5,022
Workers' compensation and pneumoconiosis benefits	11,181	11,137
Current finance lease obligations	31,507	46,722
Current operating lease obligations	4,431	—
Other current liabilities	22,139	19,718
Current maturities, long-term debt, net	69,694	92,000
Total current liabilities	309,718	330,871
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities, net	637,090	564,004
Pneumoconiosis benefits	74,188	68,828
Accrued pension benefit	38,583	43,135
Workers' compensation	45,645	41,669
Asset retirement obligations	132,436	127,655
Long-term finance lease obligations	2,388	10,595
Long-term operating lease obligations	14,624	—
Other liabilities	21,126	20,304
Total long-term liabilities	966,080	876,190
Total liabilities	1,275,798	1,207,061
PARTNERS' CAPITAL:		
ARLP Partners' Capital:		
Limited Partners - Common Unitholders 128,391,191 and 128,095,511 units outstanding, respectively	1,389,959	1,229,268
Accumulated other comprehensive loss	(50,692)	(46,871)
Total ARLP Partners' Capital	1,339,267	1,182,397
Noncontrolling interest	12,024	5,290
Total Partners' Capital	1,351,291	1,187,687
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 2,627,089	\$ 2,394,748

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except unit and per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
SALES AND OPERATING REVENUES:				
Coal sales	\$ 420,005	\$ 460,330	\$ 1,357,331	\$ 1,359,865
Oil & gas royalties	13,969	—	36,254	—
Transportation revenues	20,024	28,697	82,892	76,014
Other revenues	10,728	8,731	31,905	35,138
Total revenues	<u>464,726</u>	<u>497,758</u>	<u>1,508,382</u>	<u>1,471,017</u>
EXPENSES:				
Operating expenses (excluding depreciation, depletion and amortization)	278,254	308,404	895,255	896,843
Transportation expenses	20,024	28,697	82,892	76,014
Outside coal purchases	10,599	—	15,910	1,442
General and administrative	17,885	15,836	55,218	49,513
Depreciation, depletion and amortization	72,348	70,196	220,400	204,194
Settlement gain	—	—	—	(80,000)
Asset impairment	15,190	—	15,190	—
Total operating expenses	<u>414,300</u>	<u>423,133</u>	<u>1,284,865</u>	<u>1,148,006</u>
INCOME FROM OPERATIONS	50,426	74,625	223,517	323,011
Interest expense (net of interest capitalized for the three and nine months ended September 30, 2019 and 2018 of \$298, \$330, \$790 and \$891, respectively)	(11,698)	(9,840)	(33,831)	(30,653)
Interest income	92	32	321	121
Equity method investment income	659	5,980	1,533	14,555
Equity securities income	—	3,989	12,906	11,567
Acquisition gain	—	—	177,043	—
Other expense	(228)	(812)	(370)	(2,201)
INCOME BEFORE INCOME TAXES	39,251	73,974	381,119	316,400
INCOME TAX EXPENSE (BENEFIT)	50	5	130	(2)
NET INCOME	39,201	73,969	380,989	316,402
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(117)	(236)	(7,407)	(571)
NET INCOME ATTRIBUTABLE TO ARLP	<u>\$ 39,084</u>	<u>\$ 73,733</u>	<u>\$ 373,582</u>	<u>\$ 315,831</u>
NET INCOME ATTRIBUTABLE TO ARLP				
GENERAL PARTNER	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,560</u>
LIMITED PARTNERS	<u>\$ 39,084</u>	<u>\$ 73,733</u>	<u>\$ 373,582</u>	<u>\$ 314,271</u>
EARNINGS PER LIMITED PARTNER UNIT - BASIC AND DILUTED	<u>\$ 0.30</u>	<u>\$ 0.55</u>	<u>\$ 2.86</u>	<u>\$ 2.35</u>
WEIGHTED-AVERAGE NUMBER OF UNITS OUTSTANDING – BASIC AND DILUTED	<u>128,391,191</u>	<u>131,169,538</u>	<u>128,311,609</u>	<u>131,090,838</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NET INCOME	\$ 39,201	\$ 73,969	\$ 380,989	\$ 316,402
OTHER COMPREHENSIVE INCOME (LOSS):				
Defined benefit pension plan				
Amortization of prior service cost (1)	46	46	139	140
Amortization of net actuarial loss (1)	980	767	2,941	2,705
Total defined benefit pension plan adjustments	1,026	813	3,080	2,845
Pneumoconiosis benefits				
Net actuarial loss	—	—	(3,465)	—
Amortization of net actuarial loss (gain) (1)	(1,145)	1	(3,436)	2
Total pneumoconiosis benefits adjustments	(1,145)	1	(6,901)	2
OTHER COMPREHENSIVE INCOME (LOSS)	(119)	814	(3,821)	2,847
COMPREHENSIVE INCOME	39,082	74,783	377,168	319,249
Less: Comprehensive income attributable to noncontrolling interest	(117)	(236)	(7,407)	(571)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ARLP	\$ 38,965	\$ 74,547	\$ 369,761	\$ 318,678

(1) Amortization of prior service cost and net actuarial gain or loss is included in the computation of net periodic benefit cost (see Notes 15 and 17 for additional details).

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 408,418	\$ 579,267
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(241,142)	(184,408)
Increase in accounts payable and accrued liabilities	319	673
Proceeds from sale of property, plant and equipment	892	2,361
Contributions to equity method investments	—	(15,600)
Distributions received from investments in excess of cumulative earnings	2,309	1,685
Payments for acquisitions of businesses, net of cash acquired	(320,232)	—
Cash received from redemption of equity securities	134,288	—
Net cash used in investing activities	(423,566)	(195,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under securitization facility	153,500	182,600
Payments under securitization facility	(179,000)	(255,000)
Proceeds from equipment financing	10,000	—
Payments on equipment financing	(1,021)	—
Borrowings under revolving credit facilities	300,000	70,000
Payments under revolving credit facilities	(235,000)	(100,000)
Payments on finance lease obligations	(23,270)	(22,106)
Payments for purchases of units under unit repurchase program	(5,251)	(21,070)
Net settlement of withholding taxes on issuance of units in deferred compensation plans	(7,817)	(2,081)
Cash contribution by General Partner	—	41
Cash contribution by affiliated entity	—	2,142
Cash obtained in Simplification Transactions	—	1,139
Distributions paid to Partners	(208,653)	(206,682)
Other	(673)	(1,362)
Net cash used in financing activities	(197,185)	(352,379)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(212,333)	31,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	244,150	6,756
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 31,817	\$ 38,355
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 23,931	\$ 21,797
Cash paid for income taxes	\$ —	\$ 34
SUPPLEMENTAL NON-CASH ACTIVITY:		
Accounts payable for purchase of property, plant and equipment	\$ 14,904	\$ 16,309
Assets acquired by finance lease	\$ —	\$ 835
Right-of-use assets acquired by operating lease	\$ 25,321	\$ —
Market value of common units issued under deferred compensation plans before tax withholding requirements	\$ 17,415	\$ 6,142
Acquisition of businesses:		
Fair value of assets assumed	\$ 629,475	\$ —
Previously held equity-method investments	(307,322)	—
Cash paid, net of cash acquired	(320,232)	—
Fair value of liabilities assumed	\$ 1,921	\$ —

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, ARLP's general partner.
- References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.
- References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the coal mining operations of Alliance Resource Operating Partners, 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 and completed its initial public offering on August 19, 1999 when it acquired substantially all of the coal production and marketing assets of Alliance Resource Holdings, Inc., a Delaware corporation, and its subsidiaries. We are managed by our general partner, MGP, a Delaware limited liability company which holds a non-economic general partner interest in ARLP.

AllDale I & II Acquisition

On January 3, 2019 (the "AllDale Acquisition Date"), we acquired all of the limited partner interests not owned by Cavalier Minerals JV, LLC ("Cavalier Minerals") in AllDale Minerals LP ("AllDale I") and AllDale Minerals II, LP ("AllDale II", and collectively with AllDale I, "AllDale I & II") and the general partner interests in AllDale I & II (the "AllDale Acquisition"). As a result of the AllDale Acquisition and our previous investments held through Cavalier Minerals, we acquired control of approximately 43,000 net royalty acres in premier oil & gas resource plays. The AllDale Acquisition provides us with diversified exposure to industry leading operators and is consistent with our general business strategy to grow our Minerals segment. See Note 3 – Acquisitions for more information.

Wing Acquisition

On August 2, 2019, our subsidiary AR Midland, LP ("AR Midland") closed on an agreement with Wing Resources LLC and Wing Resources II LLC (collectively, "Wing") to acquire approximately 9,000 net royalty acres in the Midland Basin, with exposure to more than 400,000 gross acres (the "Wing Acquisition"). The Wing Acquisition enhances our ownership position in the Permian Basin, expands our exposure to industry leading operators and furthers our business strategy to grow our Minerals segment. Following the Wing Acquisition, we control approximately 52,000 net royalty acres in premier oil & gas resource plays. See Note 3 – Acquisitions for more information.

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 September 30, 2019 and December 31, 2018, the results of our operations and comprehensive income for the three and nine months ended September 30, 2019 and 2018, and the cash flows for the nine months ended September 30, 2019 and 2018. All intercompany transactions and accounts have been eliminated.

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 do not include all of the information normally included with financial statements prepared in accordance with generally accepted accounting principles ("GAAP") of the United States. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

These condensed consolidated financial statements and notes are unaudited. However, in the opinion of management, these condensed consolidated financial statements reflect all 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 to be expected for the full year ending December 31, 2019.

Use of Estimates

The preparation of the ARLP Partnership's condensed consolidated financial statements in conformity with GAAP 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.

Leases

We lease buildings and equipment under operating lease agreements that provide for the payment of minimum rentals. We also have noncancelable lease agreements with third parties for land and equipment under finance lease obligations. Some of our arrangements within these agreements have both lease and non-lease components, which are generally accounted for separately. We have elected a practical expedient to account for lease and non-lease components as a single lease component for leases of buildings and office equipment. Our leases have lease terms of one year to 20 years, some of which include automatic renewals up to ten years which are likely to be exercised, and some of which include options to terminate the lease within one year. We also hold numerous mineral reserve leases with both related parties as well as third parties, none of which are accounted for as an operating lease or as a finance lease.

We review each agreement to determine if an arrangement within the agreement contains a lease at the inception of an arrangement. Once an arrangement is determined to contain either an operating or finance lease with a term greater than 12 months, we recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term based on the present value of lease payments over the lease term. The lease term includes all noncancelable periods defined in the lease as well as periods covered by options to extend the lease that we are reasonably certain to exercise. As an implicit borrowing rate cannot be determined under most of our leases, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Expenses related to leases determined to be operating leases will be recognized on a straight-line basis over the lease term including any reasonably assured renewal periods, while those determined to be finance leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. The determination of whether a lease is accounted for as a finance lease or an operating lease requires management to make estimates primarily about the fair value of the asset and its estimated economic useful life.

2. NEW ACCOUNTING STANDARDS

New Accounting Standards Issued and Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet and disclose key information about lease arrangements. Leases are now classified as either finance or operating, with the resulting classification affecting the pattern of expense recognition in the income statement. We elected to use the modified retrospective transition method which allows a cumulative effect adjustment on the balance sheet upon adoption. The adoption of the standard resulted in the recognition of approximately \$25.0 million in additional net lease assets and respective lease liabilities as of January 1, 2019.

As part of our transition there are a number of practical expedients available in the new standard. We elected a package of practical expedients that, among other things, allows us to not reassess the lease classification of expired or

existing leases. In addition to the package of practical expedients, we also elected to use a practical expedient allowing us to use hindsight in determining the lease term for existing leases.

New Accounting Standards Issued and Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments to require the use of a new forward-looking "expected loss" model that generally will result in earlier recognition of allowances for losses. The new standard will require disclosure of significantly more information related to these items. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for the fiscal year beginning after December 15, 2018, including interim periods. We do not have a history of credit losses on our financial instruments, accordingly we do not anticipate ASU 2016-13 will have a material impact on our condensed consolidated financial statements.

3. ACQUISITIONS

Wing

On August 2, 2019 (the "Wing Acquisition Date"), our subsidiary, AR Midland closed on an agreement with Wing to acquire approximately 9,000 net royalty acres in the Midland Basin, with exposure to more than 400,000 gross acres, for a cash purchase price of \$144.9 million. When we entered into the agreement on June 21, 2019, we provided a cash deposit of \$10.9 million to Wing, which was held in escrow and applied to the purchase price upon closing of the transaction. The balance of the purchase price was funded with cash on hand and borrowings under our Revolving Credit Facility discussed in Note 9 – Long-Term Debt. The Wing Acquisition enhances our ownership position in the Permian Basin, expands our exposure to industry leading operators and furthers our business strategy to grow our Minerals segment. Concurrent with the Wing Acquisition, JC Resources LP, an entity owned by Joseph W. Craft III, the Chairman, President and Chief Executive Officer of MGP ("Mr. Craft"), acquired from Wing, in a separate transaction, mineral interests that we elected not to acquire.

Because the mineral interests acquired in the Wing Acquisition include royalty interests in both producing properties and unproved properties, we have determined that the acquisition should be accounted for as a business combination and the underlying assets should be recorded at fair value as of the Wing Acquisition Date on our condensed consolidated balance sheet. We consider our fair value measurements to be preliminary as we continue to obtain additional information from operators regarding reserve and production quantities and projections for the mineral interests we acquired.

The following table summarizes the fair value allocation of assets acquired as of the Wing Acquisition Date:

	<u>As of August 2, 2019</u> (in thousands)
Mineral interests in proved properties	\$ 55,619
Mineral interests in unproved properties	87,441
Receivables	1,867
Net assets acquired	<u>\$ 144,927</u>

The fair value of the mineral interests was determined using an income approach primarily comprised of a discounted cash flow model. The assumptions used in the discounted cash flow model included estimated production, projected cash flows, forward oil & gas prices and a risk adjusted discount rate. Certain assumptions used are not observable in active markets; therefore, the fair value measurements represent Level 3 fair value measurements. The carrying value of the receivables represent their fair value given their short-term nature.

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The amounts of revenue and earnings from the mineral interests acquired in the Wing Acquisition included in our condensed consolidated statements of income since the Wing Acquisition Date are as follows:

	Three Months Ended September 30, 2019	
	(in thousands)	
Revenue	\$	1,136
Net income		460

The following represents the pro forma revenues and net income for the three and nine months ended September 30, 2019 and 2018 as if the mineral interests acquired in the Wing Acquisition had been included in our consolidated results since January 1, 2018. These amounts have been calculated after applying our accounting policies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Total revenues				
As reported	\$ 464,726	\$ 497,758	\$ 1,508,382	\$ 1,471,017
Pro forma	465,296	499,449	1,512,953	1,475,575
Net income				
As reported	\$ 39,201	\$ 73,969	\$ 380,989	\$ 316,402
Pro forma	39,730	75,564	385,280	320,713

AllDale I & II

On the AllDale Acquisition Date, we acquired all of the limited partner interests not owned by Cavalier Minerals in AllDale I & II and the general partner interests in AllDale I & II for \$176.2 million, which was funded with cash on hand and borrowings under the Revolving Credit Facility. As a result of the AllDale Acquisition and our previous investments held through Cavalier Minerals, we acquired control of approximately 43,000 net royalty acres strategically positioned in the core of the Permian (Delaware and Midland), Anadarko (SCOOP/STACK), Williston (Bakken) and Appalachian basins. The AllDale Acquisition provides us with diversified exposure to industry leading operators and is consistent with our general business strategy to grow our Minerals segment.

Because the underlying mineral interests held by AllDale I & II include royalty interests in both producing properties and unproved properties, we have determined that the AllDale Acquisition should be accounted for as a business combination and the underlying assets and liabilities of AllDale I & II should be recorded at their AllDale Acquisition Date fair value on our condensed consolidated balance sheet.

The final total fair value of the cash paid in the AllDale Acquisition and our previous investments were as follows:

	As of January 3, 2019	
	(in thousands)	
Cash	\$	176,205
Previously held investments		307,322
Total	\$	<u>483,527</u>

Prior to the AllDale Acquisition Date, we accounted for our investments in AllDale I & II, held through Cavalier Minerals, as equity method investments. The combined fair value of our equity method investments on the AllDale Acquisition Date was \$307.3 million. We re-measured our equity method investments, which had an aggregate carrying value of \$130.3 million immediately prior to the AllDale Acquisition. The re-measurement resulted in a gain of \$177.0 million which is recorded in the *Acquisition gain* line item in our condensed consolidated statements of income.

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During the three months ended September 30, 2019, we finalized our purchase price accounting, which resulted in adjustments to our mineral interests in proved and unproved properties due to additional information received from operators of the mineral interests about reserve and production quantities and projections that represented facts and circumstances that existed as of the AllDale Acquisition Date. In addition, we reduced our receivables by \$1.3 million as a result of information received from operators concerning royalty payments owed to us from production that occurred prior to the AllDale Acquisition Date. The following table summarizes the preliminary and final fair value allocation of assets acquired and liabilities assumed as of the AllDale Acquisition Date:

	<u>Preliminary</u>	<u>Adjustments</u> (in thousands)	<u>Final</u>
Cash and cash equivalents	\$ 900		\$ 900
Mineral interests in proved properties	159,617	24,415	184,032
Mineral interests in unproved properties	314,084	(22,894)	291,190
Receivables	10,602	(1,276)	9,326
Accounts payable	(1,921)		(1,921)
Net assets acquired	<u>\$ 483,282</u>		<u>\$ 483,527</u>

Our previous equity method investments in AllDale I & II were held through Cavalier Minerals. Bluegrass Minerals Management, LLC ("Bluegrass Minerals") continues to hold a 4% membership interest (the "Bluegrass Interest") as well as a profits interest in Cavalier Minerals as it did before the AllDale Acquisition. This Bluegrass Interest represents an indirect noncontrolling interest in AllDale I & II. The AllDale Acquisition Date fair value of the Bluegrass Interest was \$12.3 million.

The fair value of our previous equity method investments, the mineral interests and the Bluegrass Interest were determined using an income approach primarily comprised of discounted cash flow models. The assumptions used in the discounted cash flow models include estimated production, projected cash flows, forward oil & gas prices and a risk adjusted discount rate. Certain assumptions used are not observable in active markets, therefore the fair value measurements represent Level 3 fair value measurements. AllDale I & II's carrying value of the receivables and accounts payable represent their fair value given their short-term nature.

The amounts of revenue and earnings, exclusive of the acquisition gain, of AllDale I & II included in our condensed consolidated statements of income since the AllDale Acquisition Date are as follows:

	<u>Three Months Ended</u> <u>September 30,</u> <u>2019</u>	<u>Nine Months Ended</u> <u>September 30,</u> <u>2019</u>
	(in thousands)	
Revenue	\$ 13,042	\$ 36,198
Net income	5,046	14,028

The following represents the pro forma revenues and net income for the three and nine months ended September 30, 2018 as if AllDale I & II had been included in our consolidated results since January 1, 2018. These amounts have been calculated after applying our accounting policies. Pro forma information is not necessary for the three and nine months ended September 30, 2019 as the AllDale Acquisition occurred at the beginning of the year. Additionally, our results have been adjusted to remove the effect of our past equity method investments in AllDale I & II.

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
	(in thousands)	
Total revenues		
As reported	\$ 497,758	\$ 1,471,017
Pro forma	508,186	1,498,080
Net income		
As reported	\$ 73,969	\$ 316,402
Pro forma	71,460	310,757

4. LONG-LIVED ASSET IMPAIRMENT

We ceased coal production effective August 16, 2019 at our Dotiki mine to focus on maximizing production at our lower-cost mines in our Illinois Basin segment. Accordingly, we adjusted the carrying value of Dotiki's assets from \$35.9 million to their fair value of \$25.8 million and accrued scheduled payments of \$5.1 million to WKY CoalPlay for leased reserves from which we may not receive future economic benefit, resulting in an impairment charge of \$15.2 million. See Note 10 – Variable Interest Entities for more information about WKY CoalPlay.

The fair value of Dotiki's assets was determined using a market approach, which represents Level 3 fair value measurement under the fair value hierarchy. The fair value analysis used assumptions of marketability of certain assets at our Dotiki mine.

5. CONTINGENCIES

Various lawsuits, claims and regulatory proceedings incidental to our business are pending against the ARLP Partnership. We record accruals for potential losses related to these matters when, in management's opinion, such losses are 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.

6. INVENTORIES

Inventories consist of the following:

	September 30, 2019	December 31, 2018
	(in thousands)	
Coal	\$ 76,483	\$ 20,929
Supplies (net of reserve for obsolescence of \$5,564 and \$5,453, respectively)	37,617	38,277
Total inventories, net	<u>\$ 114,100</u>	<u>\$ 59,206</u>

7. LEASES

The components of lease expense were as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
	(in thousands)	
Finance lease cost:		
Amortization of right-of-use assets	\$ 3,630	\$ 12,647
Interest on lease liabilities	495	1,828
Operating lease cost	1,873	7,282
Short-term lease cost	84	380
Variable lease cost	334	1,009
Total lease cost	<u>\$ 6,416</u>	<u>\$ 23,146</u>

Supplemental cash flow information related to leases was as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 1,804	\$ 7,095
Operating cash flows for finance leases	\$ 495	\$ 1,828
Financing cash flows for finance leases	\$ 6,716	\$ 23,270
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 142	\$ 25,321

Supplemental balance sheet information related to leases was as follows:

	September 30, 2019	December 31, 2018
	(in thousands)	
Finance leases:		
Property and equipment finance lease assets, gross	\$ 125,121	\$ 141,019
Accumulated depreciation	(72,371)	(74,576)
Property and equipment finance lease assets, net	<u>\$ 52,750</u>	<u>\$ 66,443</u>

	September 30, 2019
Weighted average remaining lease term	
Operating leases	12.4 years
Finance leases	0.7 years
Weighted average discount rate	
Operating leases	6.0 %
Finance leases	5.2 %

Maturities of lease liabilities as of September 30, 2019 were as follows:

	Operating leases	Finance leases
	(in thousands)	
2019	\$ 2,001	\$ 23,558
2020	3,804	8,748
2021	2,252	913
2022	2,189	913
2023	2,012	140
Thereafter	15,122	560
Total lease payments	27,380	34,832
Less imputed interest	(8,325)	(937)
Total	<u>\$ 19,055</u>	<u>\$ 33,895</u>

8. FAIR VALUE MEASUREMENTS

The following table summarizes our fair value measurements within the hierarchy:

	September 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in thousands)					
Long-term debt	\$ —	\$ 709,694	\$ —	\$ —	\$ 669,864	\$ —
Total	<u>\$ —</u>	<u>\$ 709,694</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 669,864</u>	<u>\$ —</u>

The carrying amounts for cash equivalents, accounts receivable, accounts payable, accrued and other liabilities, due from affiliates and due to affiliates approximate fair value due to the short maturity of those instruments.

The estimated fair value of our long-term debt, including current maturities, is based on interest rates that we believe are currently available to us in active markets for issuance of debt with similar terms and remaining maturities (See Note 9 – Long-Term Debt). The fair value of debt, which is based upon these interest rates, is classified as a Level 2 measurement under the fair value hierarchy.

9. LONG-TERM DEBT

Long-term debt consists of the following:

	Principal		Unamortized Discount and Debt Issuance Costs	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	(in thousands)			
Revolving credit facility	\$ 240,000	\$ 175,000	\$ (3,588)	\$ (5,203)
Senior notes	400,000	400,000	(5,107)	(5,793)
Securitization facility	66,500	92,000	—	—
Equipment financing	8,979	—	—	—
	<u>715,479</u>	<u>667,000</u>	<u>(8,695)</u>	<u>(10,996)</u>
Less current maturities	(69,694)	(92,000)	—	—
Total long-term debt	<u>\$ 645,785</u>	<u>\$ 575,000</u>	<u>\$ (8,695)</u>	<u>\$ (10,996)</u>

Credit Facility. On January 27, 2017, our Intermediate Partnership entered into a Fourth Amended and Restated Credit Agreement (the "Credit Agreement") with various financial institutions. The Credit Agreement provides for a \$494.75 million revolving credit facility, including a sublimit of \$125 million for the issuance of letters of credit and a sublimit of \$15.0 million for swingline borrowings (the "Revolving Credit Facility"), with a termination date of May 23, 2021.

The Credit Agreement is guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership, and is secured by substantially all of the Intermediate Partnership's assets. Borrowings under the Revolving Credit Facility bear interest, at the option of the Intermediate Partnership, at either (i) the Base Rate at the greater of three benchmarks or (ii) a Eurodollar Rate, plus margins for (i) or (ii), as applicable, that fluctuate depending upon the ratio of Consolidated Debt to Consolidated Cash Flow (each as defined in the Credit Agreement). The Eurodollar Rate, with applicable margin, under the Revolving Credit Facility was 4.43% as of September 30, 2019. At September 30, 2019, we had \$9.3 million of letters of credit outstanding with \$245.5 million available for borrowing under the Revolving Credit Facility. We currently incur an annual commitment fee of 0.35% on the undrawn portion of the Revolving Credit Facility. We utilize the Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments, scheduled debt payments and distribution payments.

The Credit Agreement contains various restrictions affecting our Intermediate Partnership and its subsidiaries including, among other things, restrictions on incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions, and the payment of cash distributions by our Intermediate Partnership if such payment would result in a certain fixed charge coverage ratio (as defined in the Credit Agreement). The Credit Agreement requires the Intermediate Partnership to maintain (a) a debt to cash flow ratio of not more than 2.5 to 1.0 and (b) a cash flow to interest expense ratio of not less than 3.0 to 1.0, in each case, during the four most recently ended fiscal quarters. The debt to cash flow ratio and cash flow to interest expense ratio were 1.13 to 1.0 and 14.7 to 1.0, respectively, for the trailing twelve months ended September 30, 2019. We remain in compliance with the covenants of the Credit Agreement as of September 30, 2019.

Senior Notes. On April 24, 2017, the Intermediate Partnership and Alliance Resource Finance Corporation (as co-issuer), a wholly owned subsidiary of the Intermediate Partnership ("Alliance Finance"), issued an aggregate principal amount of \$400.0 million of senior unsecured notes due 2025 ("Senior Notes") in a private placement to qualified institutional buyers. The Senior Notes have a term of eight years, maturing on May 1, 2025 (the "Term") and accrue interest at an annual rate of 7.5%. Interest is payable semi-annually in arrears on each May 1 and November 1. The indenture governing the Senior Notes contains customary terms, events of default and covenants relating to, among other things, the incurrence of debt, the payment of distributions or similar restricted payments, undertaking transactions with affiliates and limitations on asset sales. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price equal to 107.5% of the principal amount redeemed, plus accrued and unpaid interest, if any, to the redemption date. The issuers of the Senior Notes may also redeem all or a part of the notes at any time on or after May 1, 2020, at redemption prices set forth in the indenture governing the Senior Notes. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem the Senior Notes at a redemption price equal to the principal amount of the Senior Notes plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the redemption date.

Accounts Receivable Securitization. On December 5, 2014, certain direct and indirect wholly owned subsidiaries of our Intermediate Partnership entered into a \$100.0 million accounts receivable securitization facility ("Securitization Facility"). Under the Securitization Facility, certain subsidiaries sell trade receivables on an ongoing basis to our Intermediate Partnership, which then sells the trade receivables to AROP Funding, LLC ("AROP Funding"), a wholly owned bankruptcy-remote special purpose subsidiary of our Intermediate Partnership, which in turn borrows on a revolving basis up to \$100.0 million secured by the trade receivables. After the sale, Alliance Coal, as servicer of the assets, collects the receivables on behalf of AROP Funding. The Securitization Facility bears interest based on a Eurodollar Rate. In January 2019, we extended the term of the Securitization Facility to January 2020. In October 2019, we extended the term from January 2020 to January 2021. At September 30, 2019, we had a \$66.5 million outstanding balance under the Securitization Facility.

Cavalier Credit Agreement. On October 6, 2015, Cavalier Minerals (see Note 10 – Variable Interest Entities) entered into a credit agreement (the "Cavalier Credit Agreement") with Mineral Lending, LLC ("Mineral Lending") for a \$100.0 million line of credit (the "Cavalier Credit Facility"). The Cavalier Credit Facility terminated on October 6, 2019. During the term of the Cavalier Credit Facility, the commitment was reduced by any distributions received from Cavalier Minerals' investment in AllDale II. As of September 30, 2019, the commitment was \$64.6 million. Mineral Lending is an entity owned by (a) Alliance Resource Holdings II, Inc. ("ARH II"), an entity owned by Mr. Craft and Kathleen S. Craft, (b) an entity owned by an individual who is an officer and director of ARH II ("ARH Officer") and (c) charitable foundations established by Mr. Craft and Kathleen S. Craft. We had no borrowings from the facility since its inception and there was no commitment fee under the facility.

Equipment Financing. On May 17, 2019, the Intermediate Partnership entered into an equipment financing arrangement accounted for as debt, wherein the Intermediate Partnership received \$10.0 million in exchange for conveying its interest in certain equipment owned by an indirect wholly-owned subsidiary of the Intermediate Partnership and entering into a master lease agreement for that equipment (the "Equipment Financing"). The Equipment Financing contains customary terms and events of default and provides for thirty-six monthly payments with an implicit interest rate of 6.25%, maturing on May 1, 2022. Upon maturity, the equipment will revert back to the Intermediate Partnership.

10. VARIABLE INTEREST ENTITIES

Cavalier Minerals

On November 10, 2014, our subsidiary, Alliance Minerals, and Bluegrass Minerals entered into a limited liability company agreement (the "Cavalier Agreement") to create Cavalier Minerals, which was formed to indirectly acquire oil & gas mineral interests through its ownership in AllDale I & II. Alliance Minerals' ownership interest in Cavalier Minerals is 96%. Bluegrass Minerals owns a 4% membership interest in Cavalier Minerals and a profits interest which entitles it to receive distributions equal to 25% of all distributions (including in liquidation) after all members have recovered their investment. Distributions with respect to Bluegrass Minerals' profits interest will be offset by all distributions received by Bluegrass Minerals from the former general partners of AllDale I & II. Bluegrass Minerals was Cavalier Minerals' managing member prior to the AllDale Acquisition (see Note 3 – Acquisitions). In conjunction with the AllDale Acquisition, we became the managing member in Cavalier Minerals. Total contributions to and cumulative distributions from Cavalier Minerals are as follows:

	Alliance Minerals	Bluegrass Minerals
	(in thousands)	
Contributions	\$ 143,112	\$ 5,963
Distributions	67,271	2,802

We have concluded that Cavalier Minerals is a variable interest entity ("VIE") which we consolidate as the primary beneficiary because we are the managing member and a substantial equity owner in Cavalier Minerals. Bluegrass Minerals' equity ownership of Cavalier Minerals is accounted for as noncontrolling ownership interest in our condensed consolidated balance sheets. In addition, earnings attributable to Bluegrass Minerals are recognized as noncontrolling interest in our condensed consolidated statements of income.

AllDale I & II

As a result of the AllDale Acquisition, we now own 100% of the general partner interests and, including the limited partner interests we hold indirectly through our ownership in Cavalier Minerals, approximately 97% of the limited partner interests in AllDale I & II. See Note 3 – Acquisitions for more information on the AllDale Acquisition. As the general partner of AllDale I & II, we are entitled to receive 20.0% of all distributions from AllDale I & II with the remaining 80.0% allocated to limited partners based upon ownership percentages.

Since AllDale I & II are structured as limited partnerships with the limited partners 1) not having the ability to remove the general partner and 2) not participating significantly in the operational decisions, we concluded that AllDale I & II are VIEs. We consolidate AllDale I & II as the primary beneficiary because we have the power to direct the activities that most significantly impact AllDale I & II's economic performance in addition to substantial equity ownership.

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The following table presents the carrying amounts and classification of AllDale I & II's assets and liabilities included in our condensed consolidated balance sheets:

	September 30, 2019
	(in thousands)
Assets (liabilities):	
Cash and cash equivalents	\$ 2,353
Trade receivables	10,993
Other receivables	—
Prepaid expenses and other assets	30
Total property, plant and equipment, net	460,422
Other long-term assets	—
Accounts payable	(410)
Accrued taxes other than income taxes	(111)
Other current liabilities	(17)

AllDale III

In February 2017, Alliance Minerals committed to directly invest \$30.0 million in AllDale Minerals III, LP ("AllDale III") which was created for similar investment purposes as AllDale I & II. Alliance Minerals completed funding of this commitment in 2018. Alliance Minerals' limited partner interest in AllDale III at September 30, 2019 was 13.9%.

The AllDale III Partnership Agreement includes a 25% profits interest for the general partner, subject to a return hurdle equal to the greater of 125% of cumulative capital contributions and a 10% internal rate of return, and following an 80/20 "catch-up" provision for the general partner. AllDale III distributed to Alliance Minerals \$0.6 million and \$0.3 million during the three months ended September 30, 2019 and 2018, respectively, and \$1.8 million and \$1.0 million during the nine months ended September 30, 2019 and 2018, respectively.

Since AllDale III is structured as a limited partnership with the limited partners 1) not having the ability to remove the general partner and 2) not participating significantly in the operational decisions, we concluded that AllDale III is a VIE. We are not the primary beneficiary of AllDale III as we do not have the power to direct the activities that most significantly impact AllDale III's economic performance. We account for our ownership interest in the income or loss of AllDale III as an equity method investment. We record equity income or loss based on AllDale III's distribution structure.

WKY CoalPlay

On November 17, 2014, SGP Land, LLC ("SGP Land"), an indirect, wholly owned subsidiary of ARH II, and two limited liability companies ("Craft Companies") owned by irrevocable trusts established by Mr. Craft, entered into a limited liability company agreement to form WKY CoalPlay, LLC ("WKY CoalPlay"). WKY CoalPlay was formed, in part, to purchase and lease coal reserves. WKY CoalPlay is managed by the ARH Officer discussed in Note 9 – Long-Term Debt, who is also a trustee of the irrevocable trusts owning the Craft Companies. In December 2014 and February 2015, we entered into various coal reserve leases with WKY CoalPlay. During the nine months ended September 30, 2019, we paid \$10.8 million of advanced royalties to WKY CoalPlay.

We have concluded that WKY CoalPlay is a VIE because of our ability to exercise options to acquire reserves under lease with WKY CoalPlay, which is not within the control of the equity holders and, if it occurs, could potentially limit the expected residual return to the owners of WKY CoalPlay. We do not have any economic or governance rights related to WKY CoalPlay and our options that provide us with a variable interest in WKY CoalPlay's reserve assets do not give us any rights that constitute power to direct the primary activities that most significantly impact WKY CoalPlay's economic performance. SGP Land has the sole ability to replace the manager of WKY CoalPlay at its discretion and therefore has power to direct the activities of WKY CoalPlay. Consequently, we concluded that SGP Land is the primary beneficiary of WKY CoalPlay.

11. INVESTMENTS

AllDale III

As discussed in Note 10 – Variable Interest Entities, we account for our ownership interest in the income or loss of AllDale III as an equity method investment. We record equity income or loss based on AllDale III's distribution structure. The changes in our equity method investment in AllDale III for each of the periods presented were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Beginning balance	\$ 28,672	\$ 25,126	\$ 28,974	\$ 14,182
Contributions	—	4,200	—	15,600
Equity method investment income	659	93	1,533	290
Distributions received	(610)	(341)	(1,786)	(994)
Ending balance	<u>\$ 28,721</u>	<u>\$ 29,078</u>	<u>\$ 28,721</u>	<u>\$ 29,078</u>

Kodiak

On July 19, 2017, Alliance Minerals purchased \$100 million of Series A-1 Preferred Interests from Kodiak Gas Services, LLC ("Kodiak"), a privately-held company providing large-scale, high-utilization gas compression assets to customers operating primarily in the Permian Basin. This structured investment provided us with a quarterly cash or payment-in-kind return. We accounted for our ownership interests in Kodiak as equity securities without readily determinable fair values. On February 8, 2019, Kodiak redeemed our preferred interest for \$135.0 million in cash resulting in an \$11.5 million gain due to an early redemption premium. The gain is included in the *Equity securities income* line item. We no longer hold any ownership interests in Kodiak.

12. PARTNERS' CAPITAL

Distributions

Distributions paid or declared during 2018 and 2019 were as follows:

Payment Date	Per Unit Cash Distribution	Total Cash Distribution (in thousands)
February 14, 2018	\$ 0.5100	\$ 68,396
May 15, 2018	0.5150	69,047
August 14, 2018	0.5200	69,239
November 14, 2018	0.5250	69,220
Total	<u>\$ 2.0700</u>	<u>\$ 275,902</u>
February 14, 2019	\$ 0.5300	\$ 69,011
May 15, 2019	0.5350	69,489
August 14, 2019	0.5400	70,153
November 14, 2019 (1)	0.5400	—
Total	<u>\$ 2.1450</u>	<u>\$ 208,653</u>

(1) On October 28, 2019, we declared this quarterly distribution payable on November 14, 2019 to all unitholders of record as of November 7, 2019.

Unit Repurchase Program

In May 2018, the MGP board of directors approved the establishment of a unit repurchase program authorizing us to repurchase and retire up to \$100 million of ARLP common units. The program has no time limit and we may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate us to repurchase any dollar amount or number of units. During the nine months ended September 30, 2019, we repurchased and retired 300,970 units for \$5.3 million. Since inception of the program through September 30, 2019, we have repurchased and retired 3,985,045 units at an average unit price of \$19.03 for an aggregate purchase price of \$75.9 million. Total units repurchased includes the repurchase and retirement of 35 units representing fractional units as part of the Simplification Transactions which are not part of the unit repurchase program.

Change in Partners' Capital

The following tables present the quarterly change in Partners' Capital for the nine months ended September 30, 2019 and 2018:

	Number of Limited Partner Units	Limited Partners' Capital	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners' Capital
	(in thousands, except unit data)				
Balance at January 1, 2019	128,095,511	\$ 1,229,268	\$ (46,871)	\$ 5,290	\$ 1,187,687
Comprehensive income:					
Net income	—	276,428	—	7,176	283,604
Actuarially determined long-term liability adjustments	—	—	(3,584)	—	(3,584)
Total comprehensive income					280,020
Settlement of deferred compensation plans	596,650	(7,817)	—	—	(7,817)
Purchase of units under unit repurchase program	(300,970)	(5,251)	—	—	(5,251)
Common unit-based compensation	—	2,743	—	—	2,743
Distributions on deferred common unit-based compensation	—	(1,280)	—	—	(1,280)
Distributions from consolidated company to noncontrolling interest	—	—	—	(262)	(262)
Distributions to Partners	—	(67,731)	—	—	(67,731)
Balance at March 31, 2019	128,391,191	1,426,360	(50,455)	12,204	1,388,109
Comprehensive income:					
Net income	—	58,070	—	114	58,184
Actuarially determined long-term liability adjustments	—	—	(118)	—	(118)
Total comprehensive income					58,066
Common unit-based compensation	—	3,021	—	—	3,021
Distributions on deferred common unit-based compensation	—	(799)	—	—	(799)
Distributions from consolidated company to noncontrolling interest	—	—	—	(228)	(228)
Distributions to Partners	—	(68,690)	—	—	(68,690)
Balance at June 30, 2019	128,391,191	1,417,962	(50,573)	12,090	1,379,479
Comprehensive income:					
Net income	—	39,084	—	117	39,201
Actuarially determined long-term liability adjustments	—	—	(119)	—	(119)
Total comprehensive income					39,082
Common unit-based compensation	—	3,066	—	—	3,066
Distributions on deferred common unit-based compensation	—	(822)	—	—	(822)
Distributions from consolidated company to noncontrolling interest	—	—	—	(183)	(183)
Distributions to Partners	—	(69,331)	—	—	(69,331)
Balance at September 30, 2019	128,391,191	\$ 1,389,959	\$ (50,692)	\$ 12,024	\$ 1,351,291

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	Number of Limited Partner Units	Limited Partners' Capital	General Partner's Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Partners' Capital
Balance at January 1, 2018	130,704,217	\$ 1,183,219	\$ 14,859	(in thousands, except unit data) \$ (51,940)	\$ 5,348	\$ 1,151,486
Comprehensive income:						
Net income	—	154,348	1,560	—	148	156,056
Actuarially determined long-term liability adjustments	—	—	—	1,017	—	1,017
Total comprehensive income	—	—	—	—	—	157,073
Settlement of deferred compensation plans	199,039	(2,081)	—	—	—	(2,081)
Simplification Transactions fees	—	(1)	—	—	—	(1)
Common unit-based compensation	—	3,006	—	—	—	3,006
Distributions on deferred common unit-based compensation	—	(1,062)	—	—	—	(1,062)
General Partner contribution	—	—	41	—	—	41
Distributions from consolidated company to noncontrolling interest	—	—	—	—	(162)	(162)
Distributions to Partners	—	(66,660)	(674)	—	—	(67,334)
Balance at March 31, 2018	130,903,256	1,270,769	15,786	(50,923)	5,334	1,240,966
Comprehensive income:						
Net income	—	86,190	—	—	187	86,377
Actuarially determined long-term liability adjustments	—	—	—	1,016	—	1,016
Total comprehensive income	—	—	—	—	—	87,393
Settlement of deferred compensation plans	—	(664)	—	—	—	(664)
Issuance of units to Owners of SGP in Simplification Transactions	1,322,388	14,742	(15,106)	—	—	(364)
Issuance of units to SGP related to Exchange Transaction	20,960	—	—	—	—	—
Simplification Transactions fees	—	(59)	—	—	—	(59)
Contribution of units and cash by affiliated entity	(467,018)	2,142	—	—	—	2,142
Purchase of units under unit repurchase program	(383,599)	(7,639)	—	—	—	(7,639)
Common unit-based compensation	—	2,897	—	—	—	2,897
Distributions on deferred common unit-based compensation	—	(910)	—	—	—	(910)
Distributions from consolidated company to noncontrolling interest	—	—	—	—	(194)	(194)
Distributions to Partners	—	(67,457)	(680)	—	—	(68,137)
Balance at June 30, 2018	131,395,987	1,300,011	—	(49,907)	5,327	1,255,431
Comprehensive income:						
Net income	—	73,733	—	—	236	73,969
Actuarially determined long-term liability adjustments	—	—	—	814	—	814
Total comprehensive income	—	—	—	—	—	74,783
Simplification Transactions fees	—	(36)	—	—	—	(36)
Purchase of units under unit repurchase program	(683,641)	(13,431)	—	—	—	(13,431)
Common unit-based compensation	—	3,011	—	—	—	3,011
Distributions on deferred common unit-based compensation	—	(937)	—	—	—	(937)
Distributions from consolidated company to noncontrolling interest	—	—	—	—	(246)	(246)
Distributions to Partners	—	(68,302)	—	—	—	(68,302)
Balance at September 30, 2018	130,712,346	\$ 1,294,049	\$ —	\$ (49,093)	\$ 5,317	\$ 1,250,273

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table illustrates the disaggregation of our revenues by type, including a reconciliation to our segment presentation as presented in Note 18 – Segment Information, for the three and nine months ended September 30, 2019 and 2018.

	Illinois Basin	Appalachia	Minerals	Other and Corporate	Elimination	Consolidated
	(in thousands)					
Three Months Ended September 30, 2019						
Coal sales	\$ 256,293	\$ 162,316	\$ —	\$ 5,689	\$ (4,293)	\$ 420,005
Oil & gas royalties	—	—	13,969	—	—	13,969
Transportation revenues	18,778	1,246	—	—	—	20,024
Other revenues	5,264	852	208	7,434	(3,030)	10,728
Total revenues	<u>\$ 280,335</u>	<u>\$ 164,414</u>	<u>\$ 14,177</u>	<u>\$ 13,123</u>	<u>\$ (7,323)</u>	<u>\$ 464,726</u>
Three Months Ended September 30, 2018						
Coal sales	\$ 289,263	\$ 168,365	\$ —	\$ 10,056	\$ (7,354)	\$ 460,330
Transportation revenues	27,132	1,565	—	—	—	28,697
Other revenues	3,565	716	—	7,606	(3,156)	8,731
Total revenues	<u>\$ 319,960</u>	<u>\$ 170,646</u>	<u>\$ —</u>	<u>\$ 17,662</u>	<u>\$ (10,510)</u>	<u>\$ 497,758</u>
Nine Months Ended September 30, 2019						
Coal sales	\$ 875,544	\$ 477,720	\$ —	\$ 16,530	\$ (12,463)	\$ 1,357,331
Oil & gas royalties	—	—	36,254	—	—	36,254
Transportation revenues	79,303	3,589	—	—	—	82,892
Other revenues	10,557	2,753	1,079	26,745	(9,229)	31,905
Total revenues	<u>\$ 965,404</u>	<u>\$ 484,062</u>	<u>\$ 37,333</u>	<u>\$ 43,275</u>	<u>\$ (21,692)</u>	<u>\$ 1,508,382</u>
Nine Months Ended September 30, 2018						
Coal sales	\$ 875,792	\$ 476,540	\$ —	\$ 27,165	\$ (19,632)	\$ 1,359,865
Transportation revenues	71,730	4,282	—	2	—	76,014
Other revenues	12,299	2,268	—	30,047	(9,476)	35,138
Total revenues	<u>\$ 959,821</u>	<u>\$ 483,090</u>	<u>\$ —</u>	<u>\$ 57,214</u>	<u>\$ (29,108)</u>	<u>\$ 1,471,017</u>

The following table illustrates the amount of our transaction price for all current coal supply contracts allocated to performance obligations that are unsatisfied or partially unsatisfied as of September 30, 2019 and disaggregated by segment and contract duration.

	2019	2020	2021	2022 and Thereafter	Total
	(in thousands)				
Illinois Basin coal revenues	\$ 309,827	\$ 590,062	\$ 293,566	\$ 16,744	\$ 1,210,199
Appalachia coal revenues	189,198	366,017	132,376	444,735	1,132,326
Other and Corporate coal revenues	6,183	—	—	—	6,183
Elimination	(4,571)	—	—	—	(4,571)
Total coal revenues (1)	<u>\$ 500,637</u>	<u>\$ 956,079</u>	<u>\$ 425,942</u>	<u>\$ 461,479</u>	<u>\$ 2,344,137</u>

(1) Coal revenues consists of coal sales and transportation revenues.

14. EARNINGS PER LIMITED PARTNER UNIT

We utilize the two-class method in calculating basic and diluted earnings per limited partner unit ("EPU"). Subsequent to the simplification transactions completed by the Partnership on May 31, 2018 ("Simplification Transactions"), net income attributable to ARLP is only allocated to limited partners and participating securities under deferred compensation plans. Prior to the Simplification Transactions, net income attributable to ARLP was allocated to MGP, limited partners and participating securities under deferred compensation plans in accordance with their respective ownership percentages of the ARLP Partnership, after giving effect to any special income or expense allocations.

Our participating securities under deferred compensation plans include rights to nonforfeitable distributions or distribution equivalents. Our participating securities are outstanding awards under our Long-Term Incentive Plan ("LTIP") and phantom units in notional accounts under our Supplemental Executive Retirement Plan ("SERP") and the MGP Amended and Restated Deferred Compensation Plan for Directors ("Directors' Deferred Compensation Plan").

As a result of the Simplification Transactions, MGP no longer holds economic interests in the Intermediate Partnership or Alliance Coal. We no longer make distributions or allocate income and losses to MGP in our calculation of EPU.

The following is a reconciliation of net income attributable to ARLP used for calculating basic and diluted earnings per unit and the weighted-average units used in computing EPU for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(in thousands, except per unit data)			
Net income attributable to ARLP	\$ 39,084	\$ 73,733	\$ 373,582	\$ 315,831
Adjustments:				
General partner's equity ownership (1)	—	—	—	(1,560)
Limited partners' interest in net income attributable to ARLP	39,084	73,733	373,582	314,271
Less:				
Distributions to participating securities	(1,133)	(1,281)	(3,360)	(3,813)
Undistributed earnings attributable to participating securities	—	(70)	(2,655)	(1,969)
Net income attributable to ARLP available to limited partners	\$ 37,951	\$ 72,382	\$ 367,567	\$ 308,489
Weighted-average limited partner units outstanding – basic and diluted	128,391	131,170	128,312	131,091
Earnings per limited partner unit - basic and diluted (2)	<u>\$ 0.30</u>	<u>\$ 0.55</u>	<u>\$ 2.86</u>	<u>\$ 2.35</u>

(1) Amounts presented for periods subsequent to the first quarter of 2018 reflect the impact of the Simplification Transactions which ended net income allocations and quarterly cash distributions to MGP after May 31, 2018. Prior to the Simplification Transactions, MGP maintained a 1.0001% general partner interest in the Intermediate Partnership and a 0.001% managing member interest in Alliance Coal and thus received quarterly distributions and income and loss allocations during this time period.

(2) Diluted EPU gives effect to all potentially dilutive common units outstanding during the period using the treasury stock method. Diluted EPU excludes all potentially dilutive units calculated under the treasury stock method if their effect is anti-dilutive. The combined total of LTIP, SERP and Directors' Deferred Compensation Plan units of 1,133 and 1,216 for the three and nine months ended September 30, 2019, respectively, and 1,685 and 1,585 for the three and nine months ended September 30, 2018, respectively, were considered anti-dilutive under the treasury stock method.

15. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Beginning balance	\$ 53,425	\$ 52,942	\$ 49,539	\$ 54,439
Accruals increase	2,395	2,072	6,603	4,998
Payments	(2,663)	(2,123)	(8,588)	(7,968)
Interest accretion	402	363	1,204	1,090
Valuation loss (1)	—	—	4,801	695
Ending balance	<u>\$ 53,559</u>	<u>\$ 53,254</u>	<u>\$ 53,559</u>	<u>\$ 53,254</u>

(1) Our estimate of the liability for the present value of current workers' compensation benefits is based on our actuarial calculations. Our actuarial calculations are based on a blend of actuarial projection methods and numerous assumptions including claims development patterns, mortality, medical costs and interest rates. We conducted a mid-year 2019 review of our actuarial assumptions which resulted in a valuation loss in 2019 due to unfavorable changes in claims development and a decrease in the discount rate from 3.89% to 3.06%. Our mid-year 2018 actuarial review resulted in a valuation loss in 2018 primarily attributable to unfavorable changes in claims development, offset in part by an increase in the discount rate used to calculate the estimated present value of future obligations from 3.22% to 3.82%.

We limit our exposure to traumatic injury claims by purchasing a high deductible insurance policy that starts paying benefits after deductibles for a claim have been met. The deductible level may vary by claim year. Our workers' compensation liability above is presented on a gross basis and does not include our expected receivables on our insurance policy. Our receivables for traumatic injury claims under this policy as of September 30, 2019 are \$8.5 million and are included in *Other long-term assets* on our condensed consolidated balance sheet.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Service cost	\$ 656	\$ 634	\$ 1,947	\$ 1,896
Interest cost (1)	761	635	2,283	1,906
Net amortization (1)	(1,145)	1	(3,436)	2
Net periodic benefit cost	<u>\$ 272</u>	<u>\$ 1,270</u>	<u>\$ 794</u>	<u>\$ 3,804</u>

(1) Interest cost and net amortization is included in the *Other expense* line item within our condensed consolidated statements of income.

16. COMPENSATION PLANS

Long-Term Incentive Plan

We maintain the LTIP for certain employees and officers of MGP and its affiliates who perform services for us. The LTIP awards are grants of non-vested "phantom" or notional units, also referred to as "restricted units", which upon satisfaction of time and performance-based vesting requirements, entitle the LTIP participant to receive ARLP common units. Annual grant levels and vesting provisions for designated participants are recommended by the Chairman, President and Chief Executive Officer of MGP, subject to review and approval of the compensation committee of the MGP board

of directors (the "Compensation Committee"). Vesting of all grants outstanding is subject to the satisfaction of certain financial tests, which management currently believes is probable. Grants issued to LTIP participants are expected to cliff vest on January 1st of the third year following issuance of the grants. We account for forfeitures of non-vested LTIP grants as they occur. We will settle the non-vested LTIP grants by delivery of ARLP common units, except for the portion of the grants that will satisfy employee tax withholding obligations of LTIP participants. As provided under the distribution equivalent rights ("DERs") provisions of the LTIP and the terms of the LTIP awards, all non-vested grants include contingent rights to receive quarterly distributions in cash or, at the discretion of the Compensation Committee, phantom units in lieu of cash credited to a bookkeeping account with value equal to the cash distributions we make to unitholders during the vesting period.

A summary of non-vested LTIP grants as of and for the nine months ended September 30, 2019 is as follows:

	Number of units	Weighted average grant date fair value per unit	Intrinsic value (in thousands)
<i>Non-vested grants at January 1, 2019</i>	1,828,080	\$ 17.18	\$ 31,699
Granted	586,644	19.93	
Vested (1)	(885,381)	12.38	
Forfeited	(6,558)	21.06	
<i>Non-vested grants at September 30, 2019</i>	<u>1,522,785</u>	21.01	24,380

(1) During the nine months ended September 30, 2019, we issued 596,650 unrestricted common units to the LTIP participants. The remaining vested units were settled in cash to satisfy tax withholding obligations of the LTIP participants.

LTIP expense was \$2.7 million for each of the three month periods ended September 30, 2019 and 2018 and \$7.9 million and \$8.1 million for the nine months ended September 30, 2019 and 2018, respectively. The total obligation associated with the LTIP as of September 30, 2019 was \$17.7 million and is included in the partners' capital *Limited partners-common unitholders* line item in our condensed consolidated balance sheets. As of September 30, 2019, there was \$14.2 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 1.3 years.

After consideration of the January 1, 2019 vesting and subsequent issuance of 596,650 common units, approximately 1.9 million units remain available under the LTIP for issuance in the future, assuming all grants issued in 2019, 2018 and 2017 and currently outstanding are settled with common units without reduction for tax withholding, no future forfeitures occur and DERs continue being paid in cash versus additional phantom units.

Supplemental Executive Retirement Plan 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 and SERP distributions will be settled in the form of ARLP common units. The SERP is administered by the Compensation Committee.

Our directors participate in the Directors' Deferred Compensation Plan. Pursuant to the Directors' 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 Directors' Deferred Compensation Plan as "phantom" units. Distributions from the Directors' Deferred Compensation Plan will be settled in the form of ARLP common units.

For both the SERP and Directors' 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 Directors' Deferred Compensation Plan vest immediately.

A summary of SERP and Directors' Deferred Compensation Plan activity as of and for the nine months ended September 30, 2019 is as follows:

	Number of units	Weighted average grant date fair value per unit	Intrinsic value (in thousands)
<i>Phantom units outstanding as of January 1, 2019</i>	635,837	\$ 27.34	\$ 11,025
Granted	55,292	17.47	
Issued	(115,484)	25.20	
<i>Phantom units outstanding as of September 30, 2019</i>	575,645	26.82	9,216

Total SERP and Directors' Deferred Compensation Plan expense was \$0.4 million for each of the three month periods ended September 30, 2019 and 2018 and \$1.1 million and \$1.2 million for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the total obligation associated with the SERP and Directors' Deferred Compensation Plan was \$15.4 million and is included in the partners' capital *Limited partners-common unitholders* line item in our condensed consolidated balance sheets. During the nine months ended September 30, 2019, we provided 115,484 ARLP common units to a director under the Directors' Deferred Compensation Plan.

17. 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 Pension Plan is currently closed to new applicants and participants in the Pension Plan are no longer receiving benefit accruals for service. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Interest cost	\$ 1,217	\$ 1,115	\$ 3,649	\$ 3,347
Expected return on plan assets	(1,233)	(1,344)	(3,699)	(4,328)
Amortization of prior service cost	46	46	139	140
Amortization of net loss	980	767	2,941	2,705
Net periodic benefit cost (1)	\$ 1,010	\$ 584	\$ 3,030	\$ 1,864

(1) Net periodic benefit cost for the Pension Plan is included in the *Other expense* line item within our condensed consolidated statements of income.

During the nine months ended September 30, 2019, we made contribution payments of \$2.4 million to the Pension Plan for the 2018 plan year and \$2.1 million for the 2019 plan year. In October 2019, we made a contribution payment of \$1.0 million for the 2019 plan year.

18. SEGMENT INFORMATION

We operate in the United States as a diversified natural resource company that generates income from the production and marketing of coal to major domestic and international utilities and industrial users as well as income from oil & gas mineral interests. We aggregate multiple operating segments into three reportable segments, Illinois Basin, Appalachia, and Minerals. We also have an "all other" category referred to as Other and Corporate. Our two coal reportable segments correspond to major coal producing regions in the eastern United States with similar economic characteristics including coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The two coal segments include seven mining complexes operating in Illinois, Indiana, Kentucky, Maryland and West Virginia and a coal loading terminal in Indiana on the Ohio River. The Minerals reportable segment aggregates our oil & gas mineral interests which are located primarily in the Permian (Delaware and Midland), Anadarko (SCOOP/STACK), Williston (Bakken) and Appalachian basins. We have no operations within our Minerals reportable segment other than receiving royalties and lease bonuses for our oil & gas mineral interests.

As a result of the AllDale Acquisition discussed in Note 3 – Acquisitions, we now control the underlying oil & gas mineral interests held by AllDale I & II. This control over the oil & gas mineral interests held by AllDale I & II reflects a strategic change in how we manage our business and how resources are allocated by our chief operating decision maker. Due to this strategic change, we realigned our reportable segments in the first quarter of 2019 to include our oil & gas mineral interests within a new Minerals reportable segment. In August 2019, our subsidiary, AR Midland acquired additional oil & gas mineral interests through the Wing Acquisition (Note 3 – Acquisitions) which are included within the Minerals reportable segment. As part of our realignment, we have also included the operations of our Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") and Mid-America Carbonates, LLC ("MAC") subsidiaries in the Illinois Basin reportable segment rather than Other and Corporate to better reflect our Illinois Basin related activities. Prior periods have been recast to include our oil & gas mineral interests in the Minerals segment, and Mt. Vernon and MAC in the Illinois Basin segment.

The Illinois Basin reportable segment includes currently operating mining complexes (a) Gibson County Coal, LLC's mining complex, which includes the Gibson North and Gibson South mines, (b) Warrior Coal, LLC's mining complex, (c) River View Coal, LLC's mining complex and (d) Hamilton County Coal, LLC's mining complex. The Illinois Basin reportable segment also includes our currently operating Mt. Vernon coal loading terminal in Indiana on the Ohio River. The Gibson North mine had been idled since the fourth quarter of 2015 in response to market conditions but resumed production in May 2018.

The Illinois Basin reportable segment also includes Webster County Coal, LLC's Dotiki mining complex, which ceased production in August 2019, White County Coal, LLC's Pattiki mining complex, Hopkins County Coal, LLC's mining complex, which includes the Elk Creek mine, the Pleasant View surface mineable reserves and the Fies underground project, Sebree Mining, LLC's mining complex, which includes the Onton mine, Steamport, LLC and certain reserves, CR Services, LLC, CR Machine Shop, LLC, certain properties and equipment of Alliance Resource Properties, LLC ("Alliance Resource Properties"), ARP Sebree, LLC, ARP Sebree South, LLC, UC Coal, LLC and its subsidiaries, UC Mining, LLC and UC Processing, LLC and MAC.

The Appalachia reportable segment includes currently operating mining complexes (a) Mettiki mining complex, (b) Tunnel Ridge, LLC mining complex and (c) MC Mining, LLC mining complex. The Mettiki mining complex includes Mettiki Coal (WV), LLC's Mountain View mine and Mettiki Coal, LLC's preparation plant. The Appalachia reportable segment also includes the Penn Ridge property and certain properties and equipment of Alliance Resource Properties.

The Minerals reportable segment includes AllDale I & II, AR Midland, which holds the oil & gas mineral interests acquired in the Wing Acquisition, Alliance Royalty, LLC, AllRoy GP, LLC, CavMM, LLC, and Alliance Minerals' equity interests in both AllDale III (Note 11 – Investments) and Cavalier Minerals.

Other and Corporate includes marketing and administrative activities, ASI and its subsidiary, Matrix Design Group, LLC and its subsidiaries Matrix Design International, LLC and Matrix Design Africa (PTY) LTD ("Matrix Design"), Alliance Design Group, LLC ("Alliance Design") (collectively, the Matrix Design entities and Alliance Design are referred to as the "Matrix Group"), ASI's ownership of aircraft, Alliance Coal's coal brokerage activity, Alliance Minerals' equity investment in Kodiak which was redeemed in February 2019 by Kodiak (see Note 11 – Investments), certain of Alliance Resource Properties' land and mineral interest activities, Pontiki Coal, LLC's prior workers' compensation and pneumoconiosis liabilities, Wildcat Insurance, LLC ("Wildcat Insurance"), which assists the ARLP Partnership with its insurance requirements, and AROP Funding and Alliance Finance (both discussed in Note 9 – Long-Term Debt).

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Reportable segment results as of and for the three and nine months ended September 30, 2019 and 2018 are presented below.

	Illinois Basin	Appalachia	Minerals	Other and Corporate	Elimination (1)	Consolidated
(in thousands)						
Three Months Ended September 30, 2019						
Revenues - Outside	\$ 276,042	\$ 164,414	\$ 14,177	\$ 10,093	\$ —	\$ 464,726
Revenues - Intercompany	4,293	—	—	3,030	(7,323)	—
Total revenues (2)	<u>280,335</u>	<u>164,414</u>	<u>14,177</u>	<u>13,123</u>	<u>(7,323)</u>	<u>464,726</u>
Segment Adjusted EBITDA Expense (3)	173,779	107,990	2,517	9,878	(5,083)	289,081
Segment Adjusted EBITDA (4)	87,780	55,178	12,202	3,243	(2,240)	156,163
Capital expenditures	49,829	25,056	—	630	—	75,515
Three Months Ended September 30, 2018						
Revenues - Outside	\$ 312,606	\$ 170,646	\$ —	\$ 14,506	\$ —	\$ 497,758
Revenues - Intercompany	7,354	—	—	3,156	(10,510)	—
Total revenues (2)	<u>319,960</u>	<u>170,646</u>	<u>—</u>	<u>17,662</u>	<u>(10,510)</u>	<u>497,758</u>
Segment Adjusted EBITDA Expense (3)	199,813	105,412	—	12,396	(8,405)	309,216
Segment Adjusted EBITDA (4)	93,014	63,671	5,744	9,254	(2,105)	169,578
Capital expenditures	46,570	16,691	—	501	—	63,762
Nine Months Ended September 30, 2019						
Revenues - Outside	\$ 952,941	\$ 484,062	\$ 37,333	\$ 34,046	\$ —	\$ 1,508,382
Revenues - Intercompany	12,463	—	—	9,229	(21,692)	—
Total revenues (2)	<u>965,404</u>	<u>484,062</u>	<u>37,333</u>	<u>43,275</u>	<u>(21,692)</u>	<u>1,508,382</u>
Segment Adjusted EBITDA Expense (3)	579,510	312,861	6,109	28,026	(14,971)	911,535
Segment Adjusted EBITDA (4)	306,592	167,612	32,432	28,155	(6,721)	528,070
Total assets	1,418,008	493,133	647,480	561,171	(492,703)	2,627,089
Capital expenditures (5)	157,759	79,389	—	3,994	—	241,142
Nine Months Ended September 30, 2018						
Revenues - Outside	\$ 940,256	\$ 483,023	\$ —	\$ 47,738	\$ —	\$ 1,471,017
Revenues - Intercompany	19,565	67	—	9,476	(29,108)	—
Total revenues (2)	<u>959,821</u>	<u>483,090</u>	<u>—</u>	<u>57,214</u>	<u>(29,108)</u>	<u>1,471,017</u>
Segment Adjusted EBITDA Expense (3)	586,160	301,448	—	35,671	(22,793)	900,486
Segment Adjusted EBITDA (4)	301,931	177,361	13,984	33,107	(6,315)	520,068
Total assets	1,418,222	437,804	162,103	348,794	(149,550)	2,217,373
Capital expenditures	130,604	51,511	—	2,293	—	184,408

- (1) The elimination column represents the elimination of intercompany transactions and is primarily comprised of sales from the Matrix Group to our mining operations, coal sales and purchases between operations within different segments, sales of receivables to AROP Funding, financing between segments and insurance premiums paid to Wildcat Insurance.
- (2) Revenues included in the Other and Corporate column are primarily attributable to the Matrix Group revenues, administrative service revenues from affiliates, Wildcat Insurance revenues and brokerage coal sales.
- (3) Segment Adjusted EBITDA Expense includes operating expenses, coal purchases and other income. Transportation expenses are excluded as transportation revenues are recognized in an amount equal to transportation expenses when title passes to the customer.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Segment Adjusted EBITDA Expense	\$ 289,081	\$ 309,216	\$ 911,535	\$ 900,486
Outside coal purchases	(10,599)	—	(15,910)	(1,442)
Other expense	(228)	(812)	(370)	(2,201)
Operating expenses (excluding depreciation, depletion and amortization)	<u>\$ 278,254</u>	<u>\$ 308,404</u>	<u>\$ 895,255</u>	<u>\$ 896,843</u>

(4) Segment Adjusted EBITDA is defined as net income attributable to ARLP before net interest expense, income taxes, depreciation, depletion and amortization, general and administrative expenses, settlement gain, asset impairment and acquisition gain. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Consolidated Segment Adjusted EBITDA	\$ 156,163	\$ 169,578	\$ 528,070	\$ 520,068
General and administrative	(17,885)	(15,836)	(55,218)	(49,513)
Depreciation, depletion and amortization	(72,348)	(70,196)	(220,400)	(204,194)
Settlement gain	—	—	—	80,000
Asset impairment	(15,190)	—	(15,190)	—
Interest expense, net	(11,606)	(9,808)	(33,510)	(30,532)
Acquisition gain	—	—	177,043	—
Income tax (expense) benefit	(50)	(5)	(130)	2
Acquisition gain attributable to noncontrolling interest	—	—	(7,083)	—
Net income attributable to ARLP	<u>\$ 39,084</u>	<u>\$ 73,733</u>	<u>\$ 373,582</u>	<u>\$ 315,831</u>
Noncontrolling interest	117	236	7,407	571
Net income	<u>\$ 39,201</u>	<u>\$ 73,969</u>	<u>\$ 380,989</u>	<u>\$ 316,402</u>

(5) Capital Expenditures shown exclude the AllDale Acquisition on January 3, 2019 and the Wing Acquisition on August 2, 2019 (Note 3 – Acquisitions).

19. SUBSEQUENT EVENTS

Other than those events in Notes 9, 12 and 17, there were no subsequent events.

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, ARLP's general partner.
- References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.
- References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the mining operations of Alliance Resource Operating Partners, L.P.

Summary

We operate in the United States as a diversified natural resource company that generates income from the production and marketing of coal to major domestic and international utilities and industrial users as well as income from oil & gas mineral interests. We began coal mining operations in 1971 and, since then, have grown through acquisitions and internal development in strategic producing regions to become the second largest coal producer in the eastern United States. As is customary in the coal industry, we have entered into long-term coal supply agreements with many of our customers. In 2014, we began acquiring oil & gas mineral interests in premier oil & gas producing regions across the United States.

We have three reportable segments, Illinois Basin, Appalachia and Minerals. We also have an "all other" category referred to as Other and Corporate. The two coal reportable segments correspond to major coal producing regions in the eastern United States with similar economic characteristics including coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The two coal mining segments include seven underground mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia and a coal loading terminal in Indiana on the Ohio River. The Minerals segment includes our oil & gas mineral interests which are located primarily in the Permian (Delaware and Midland), Anadarko (SCOOP/STACK), Williston (Bakken) and Appalachian basins. We have no operations within our Minerals reportable segment other than receiving royalties for our oil & gas mineral interests.

On August 2, 2019, our subsidiary, AR Midland, LP ("AR Midland") acquired certain mineral interests from Wing Resources LLC and Wing Resources II LLC (collectively, "Wing") for \$144.9 million (the "Wing Acquisition"). On January 3, 2019 (the "AllDale Acquisition Date"), we acquired all of the limited partner interests not owned by Cavalier Minerals JV, LLC ("Cavalier Minerals") in AllDale Minerals LP ("AllDale I") and AllDale Minerals II, LP ("AllDale II", and collectively with AllDale I, "AllDale I & II") and the general partner interests in AllDale I & II for \$176.0 million (the "AllDale Acquisition"). As a result of the Wing Acquisition, the AllDale Acquisition and our previous investments held through Cavalier Minerals, we control approximately 52,000 net royalty acres in premier oil & gas resource plays. These acquisitions provide us with diversified exposure to industry leading operators and are consistent with our general business strategy to grow our Minerals segment. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisitions" of this Quarterly Report on Form 10-Q for more information on the Wing and AllDale Acquisitions.

As a result of the AllDale Acquisition, we now control the underlying oil & gas mineral interests held by AllDale I & II. This control over the oil & gas mineral interests held by AllDale I & II reflects a strategic change in how we manage our business and how resources are allocated by our chief operating decision maker. Due to this strategic change we realigned our reportable segments in the first quarter of 2019 to include our oil & gas mineral interests within a new Minerals reportable segment. The mineral interests acquired through the Wing Acquisition in August 2019 are also included within the Minerals reportable segment. As a part of our realignment, we have also included our Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") and Mid-America Carbonates, LLC ("MAC") in the Illinois Basin reportable segment rather than Other and Corporate to better reflect our Illinois Basin related activities. Prior periods have been recast to include our oil & gas mineral interests in the Minerals segment, and Mt. Vernon and MAC in the Illinois Basin segment.

- *Illinois Basin* reportable segment includes currently operating mining complexes (a) Gibson County Coal, LLC's mining complex, which includes the Gibson North and Gibson South mines, (b) Warrior Coal, LLC's mining complex, (c) River View Coal, LLC's mining complex ("River View") and (d) Hamilton County Coal, LLC's mining complex ("Hamilton"). The Illinois Basin reportable segment also includes our currently operating Mt. Vernon coal loading terminal in Indiana on the Ohio River. The Gibson North mine had been idled since the fourth quarter of 2015 in response to market conditions but resumed production in May 2018.

The Illinois Basin reportable segment also includes MAC's manufacturing and sales (primarily to our mines) of rock dust, CR Services, LLC, CR Machine Shop, LLC, certain properties and equipment of Alliance Resource Properties, LLC ("Alliance Resource Properties"), ARP Sebree, LLC, ARP Sebree South, LLC, UC Coal, LLC and its subsidiaries, UC Mining, LLC and UC Processing, LLC (collectively "UC Coal") and our mining complexes currently not operating: (a) Webster County Coal, LLC's Dotiki mining complex ("Dotiki"), which ceased production in August 2019, (b) White County Coal, LLC's Pattiki mining complex ("Pattiki"), (c) Hopkins County Coal, LLC's mining complex, which includes the Elk Creek mine, the Pleasant View surface mineable reserves and the Fies underground project and (d) Sebree Mining, LLC's mining complex, which includes the Onton mine, Steamport, LLC and certain reserves.

- *Appalachia* reportable segment includes currently operating mining complexes (a) Mettiki mining complex ("Mettiki"), (b) Tunnel Ridge, LLC mining complex ("Tunnel Ridge"), and (c) MC Mining, LLC mining complex ("MC Mining"). Mettiki includes Mettiki Coal (WV), LLC's Mountain View mine and Mettiki Coal, LLC's preparation plant. The Appalachia reportable segment also includes the Penn Ridge property and certain properties and equipment of Alliance Resource Properties.
- *Minerals* reportable segment includes AllDale I & II, AR Midland, which acquired oil & gas mineral interests in the Wing Acquisition, Alliance Royalty, LLC, AllRoy GP, LLC, CavMM, LLC, and Alliance Minerals, LLC's ("Alliance Minerals") equity interests in AllDale Minerals III, LP ("AllDale III") and Cavalier Minerals. Please read "Item 1 - Financial Statements (Unaudited) - Note 11 – Investments" and "Note 10 – Variable Interest Entities" of this Quarterly Report on Form 10-Q for more information on Alliance Minerals and Cavalier Minerals.
- *Other and Corporate* includes marketing and administrative activities, Alliance Service, Inc. ("ASI") and its subsidiary, Matrix Design Group, LLC and its subsidiaries Matrix Design International, LLC and Matrix Design Africa (PTY) LTD ("Matrix Design"), Alliance Design Group, LLC (collectively along with Matrix Design, the "Matrix Group"), ASI's ownership of aircraft, Alliance Coal's coal brokerage activity, Alliance Minerals' equity investment in Kodiak Gas Services, LLC ("Kodiak") which was redeemed in February 2019 by Kodiak (see Note 11 – Investments) certain of Alliance Resource Properties' land and mineral interest activities, Pontiki Coal, LLC's legacy workers' compensation and pneumoconiosis liabilities, Wildcat Insurance, LLC, which assists the ARLP Partnership with its insurance requirements, AROP Funding, LLC ("AROP Funding") and Alliance Resource Finance Corporation ("Alliance Finance"). Please read "Item 1. Financial Statements (Unaudited) – Note 9 – Long-term Debt" "and Note 11 – Investments" of this Quarterly Report on Form 10-Q for more information on AROP Funding and the Kodiak redemption, respectively.

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

We reported net income attributable to ARLP of \$39.1 million for the three months ended September 30, 2019 ("2019 Quarter") compared to \$73.7 million for the three months ended September 30, 2018 ("2018 Quarter"). The decrease of \$34.6 million was primarily due to lower revenues and a \$15.2 million non-cash asset impairment discussed in more detail below. Total revenues were \$464.7 million in the 2019 Quarter compared to \$497.8 million in the 2018 Quarter as coal sales revenues declined due to reduced coal sales volumes and prices. Reduced coal sales revenues were partially offset by the addition of oil & gas royalty revenues resulting from our 2019 acquisitions within our Minerals segment.

	Three Months Ended September 30,			
	2019	2018	2019	2018
	(in thousands)		(per ton sold)	
Tons sold	9,320	10,071	N/A	N/A
Tons produced	10,071	9,874	N/A	N/A
Coal sales	\$ 420,005	\$ 460,330	\$ 45.06	\$ 45.71
Coal - Segment Adjusted EBITDA Expense (1) (2)	\$ 286,564	\$ 309,216	\$ 30.75	\$ 30.70

(1) For a definition of Segment Adjusted EBITDA Expense and related reconciliation to comparable generally accepted accounting principles ("GAAP") financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBITDA Expense" to GAAP "Operating Expenses."

(2) Coal - Segment Adjusted EBITDA Expense is defined as consolidated Segment Adjusted EBITDA Expense excluding our Minerals segment.

Coal sales. Coal sales decreased \$40.3 million or 8.8% to \$420.0 million for the 2019 Quarter from \$460.3 million for the 2018 Quarter. The decrease was attributable to a volume variance of \$34.3 million resulting from decreased tons sold and a price variance of \$6.0 million due to lower average coal sales prices. Coal sales volumes declined 7.5% to 9.3 million tons primarily due to lower export sales from our Gibson South mine and reduced volumes from our Dotiki mine which ceased production in the 2019 Quarter due to weak market conditions. These decreases were partially offset by increased sales at our River View mine. Coal sales price realizations declined 1.4% in the 2019 Quarter to \$45.06 per ton sold, compared to \$45.71 per ton sold during the 2018 Quarter.

Oil & gas royalties. As a result of the AllDale Acquisition on January 3, 2019, we obtained control of AllDale I & II and thus began consolidation of AllDale I & II in our financial statements. As a result of the consolidation, in the first quarter of 2019 we began recording royalty revenues from AllDale I & II. Prior to 2019, our investments in AllDale I & II were accounted for as equity method investments. In August 2019, we acquired additional oil & gas mineral interests through the Wing Acquisition. Our mineral interests contributed royalty revenues of \$14.0 million in the 2019 Quarter. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisitions" of this Quarterly Report on Form 10-Q for more information on the AllDale and Wing Acquisitions.

Coal - Segment Adjusted EBITDA Expense. Segment Adjusted EBITDA Expense, excluding our Minerals segment, decreased 7.3% to \$286.6 million, primarily as a result of reduced coal sales volumes. On a per ton basis, Segment Adjusted EBITDA Expense, excluding our Minerals segment, remained comparable to the 2018 Quarter, increasing slightly to \$30.75 per ton in the 2019 Quarter resulting from reduced production at our Gibson South and MC Mining operations, lower recoveries at our River View and Mettiki mines and sales of higher-cost purchased coal in the 2019 Quarter, offset in part by reduced longwall move days at our Tunnel Ridge, Mettiki and Hamilton mines and increased production from our low cost per ton River View operation due to additional mining units. In addition, other cost increases are discussed by category below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, increased 2.5% to \$9.92 per ton in the 2019 Quarter from \$9.68 per ton in the 2018 Quarter. The increase of \$0.24 per ton was primarily due to sales and production volume variances discussed above;
- Maintenance expenses per ton produced increased 3.4% to \$3.66 per ton in the 2019 Quarter from \$3.54 per ton in the 2018 Quarter. The increase of \$0.12 per ton produced was primarily due to sales and production volume variances discussed above;
- Mine administration expenses increased \$2.0 million for the 2019 Quarter compared to the 2018 Quarter, primarily due to higher outside services expenses; and
- Outside coal purchases increased \$10.6 million in the 2019 Quarter as a result of sales from purchased coal, which generally cost higher on a per ton basis than our produced coal.

Segment Adjusted EBITDA Expense increases above were partially offset by the following decreases:

- Material and supplies expenses per ton produced decreased 5.6% to \$10.68 per ton in the 2019 Quarter from \$11.31 per ton in the 2018 Quarter. The decrease of \$0.63 per ton produced resulted primarily from decreases of

\$0.23 per ton for roof support, \$0.12 per ton for outside expenses and \$0.12 per ton for contract labor used in the mining process reflecting in part an improved production mix from lower cost mines discussed above; and

- Production taxes and royalty expenses incurred as a percentage of coal sales prices and volumes decreased \$1.03 per produced ton sold in the 2019 Quarter compared to the 2018 Quarter primarily as a result of a favorable state production mix and lower excise tax rates in 2019.

General and administrative. General and administrative expenses for the 2019 Quarter increased to \$17.9 million compared to \$15.8 million in the 2018 Quarter. The increase of \$2.1 million was primarily due to higher professional services fees resulting from both the AllDale and Wing Acquisitions.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to \$72.3 million in the 2019 Quarter from \$70.2 million in the 2018 Quarter. The increase of \$2.1 million resulted primarily from production from our oil & gas mineral interests, partially offset by lower depreciation at our Tunnel Ridge mine reflecting increased coal inventory and related depreciation included therein as well as favorable fixed asset in-service timing.

Asset impairment. During the 2019 Quarter, we ceased coal production at our Dotiki mine to focus on maximizing production at our lower-cost mines in the Illinois Basin. Consequently, we recorded a non-cash asset impairment charge of \$15.2 million in the 2019 Quarter. Please read "Item 1. Financial Statements (Unaudited) - Note 4 – Long-Lived Asset Impairment" of this Quarterly Report on Form 10-Q.

Equity method investment income. Equity method investment income decreased to \$0.7 million in the 2019 Quarter from \$6.0 million in the 2018 Quarter as a result of the AllDale Acquisition and related consolidation of AllDale I & II in 2019. Equity method investment income in the 2019 Quarter is generated by our AllDale III investment. Prior to 2019, our investments in AllDale I & II also generated equity method investment income in addition to AllDale III.

Equity securities income. Equity securities income decreased \$4.0 million compared to the 2018 Quarter as we did not recognize equity securities income in the 2019 Quarter due to the redemption of our preferred interest in Kodiak in the first quarter of 2019.

Transportation revenues and expenses. Transportation revenues and expenses were \$20.0 million and \$28.7 million for the 2019 and 2018 Quarters, respectively. The decrease of \$8.7 million was primarily attributable to decreased coal tonnage for which we arrange third-party transportation at certain mines resulting primarily from reduced coal export shipments, partially offset by an increase in average third-party transportation rates in the 2019 Quarter. Transportation revenues are recognized in an amount equal to transportation expenses when title to the coal passes to the customer.

Segment Adjusted EBITDA. Our 2019 Quarter Segment Adjusted EBITDA decreased \$13.4 million, or 7.9%, to \$156.2 million from the 2018 Quarter Segment Adjusted EBITDA of \$169.6 million. Segment Adjusted EBITDA, tons sold, coal sales, other revenues, oil & gas royalties, BOE volume and Segment Adjusted EBITDA Expense by segment are as follows:

	Three Months Ended			
	September 30,			
	2019	2018	Increase (Decrease)	
	(in thousands)			
Segment Adjusted EBITDA				
Coal - Illinois Basin	\$ 87,780	\$ 93,014	\$ (5,234)	(5.6)%
Coal - Appalachia	55,178	63,671	(8,493)	(13.3)%
Minerals	12,202	5,744	6,458	(1)
Other and Corporate	3,243	9,254	(6,011)	(65.0)%
Elimination	(2,240)	(2,105)	(135)	(6.4)%
Total Segment Adjusted EBITDA (2)	<u>\$ 156,163</u>	<u>\$ 169,578</u>	<u>\$ (13,415)</u>	(7.9)%
Tons sold				
Coal - Illinois Basin	6,553	7,246	(693)	(9.6)%
Coal - Appalachia	2,767	2,825	(58)	(2.1)%
Other and Corporate	144	233	(89)	(38.2)%
Elimination	(144)	(233)	89	38.2 %
Total tons sold	<u>9,320</u>	<u>10,071</u>	<u>(751)</u>	(7.5)%
Coal sales				
Coal - Illinois Basin	\$ 256,293	\$ 289,263	\$ (32,970)	(11.4)%
Coal - Appalachia	162,316	168,365	(6,049)	(3.6)%
Other and Corporate	5,689	10,056	(4,367)	(43.4)%
Elimination	(4,293)	(7,354)	3,061	41.6 %
Total coal sales	<u>\$ 420,005</u>	<u>\$ 460,330</u>	<u>\$ (40,325)</u>	(8.8)%
Other revenues				
Coal - Illinois Basin	\$ 5,264	\$ 3,565	\$ 1,699	47.7 %
Coal - Appalachia	852	716	136	19.0 %
Minerals	208	—	208	(1)
Other and Corporate	7,434	7,606	(172)	(2.3)%
Elimination	(3,030)	(3,156)	126	4.0 %
Total other revenues	<u>\$ 10,728</u>	<u>\$ 8,731</u>	<u>\$ 1,997</u>	22.9 %
BOE volume and oil & gas royalties				
Volume - BOE (3)	433	—	433	(1)
Oil & gas royalties	\$ 13,969	\$ —	\$ 13,969	(1)
Segment Adjusted EBITDA Expense				
Coal - Illinois Basin	\$ 173,779	\$ 199,813	\$ (26,034)	(13.0)%
Coal - Appalachia	107,990	105,412	2,578	2.4 %
Minerals	2,517	—	2,517	(1)
Other and Corporate	9,878	12,396	(2,518)	(20.3)%
Elimination	(5,083)	(8,405)	3,322	39.5 %
Total Segment Adjusted EBITDA Expense (2)	<u>\$ 289,081</u>	<u>\$ 309,216</u>	<u>\$ (20,135)</u>	(6.5)%

(1) Percentage change not meaningful.

(2) For a definition of Segment Adjusted EBITDA and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBITDA" to GAAP "net income."

(3) Barrels of oil equivalent ("BOE") is calculated on a 6:1 basis (6,000 cubic feet of natural gas to one barrel).

Illinois Basin – Segment Adjusted EBITDA decreased 5.6% to \$87.8 million in the 2019 Quarter from \$93.0 million in the 2018 Quarter. The decrease of \$5.2 million was primarily attributable to lower coal sales, which decreased 11.4% to \$256.3 million in the 2019 Quarter from \$289.3 million in the 2018 Quarter, partially offset by reduced operating expenses. The decrease of \$33.0 million in coal sales reflects lower coal sales volumes and price realizations. Tons sold in the 2019 Quarter decreased 9.6% compared to the 2018 Quarter as a result of lower export sales from our Gibson South mine and the cessation of production at our Dotiki mine in the 2019 Quarter to focus on maximizing production at our lower-cost mines. Coal sales price per ton sold in the 2019 Quarter decreased 2.0% reflecting lower domestic and export sales prices due to weak market conditions. Segment Adjusted EBITDA Expense decreased 13.0% to \$173.8 million in the 2019 Quarter from \$199.8 million in the 2018 Quarter primarily as a result of reduced coal sales volumes. Segment Adjusted EBITDA Expense per ton decreased \$1.06 per ton sold to \$26.52 from \$27.58 per ton sold in the 2018 Quarter, primarily due to a longwall move at our Hamilton mine in the 2018 Quarter and reduced sales of higher cost tons following the cessation of production at our Dotiki mine in the 2019 Quarter, as well as certain cost increases described above under "–Coal - Segment Adjusted EBITDA Expense."

Appalachia – Segment Adjusted EBITDA decreased 13.3% to \$55.2 million for the 2019 Quarter from \$63.7 million in the 2018 Quarter. The decrease of \$8.5 million was primarily attributable to lower coal sales, which decreased 3.6% to \$162.3 million in the 2019 Quarter from \$168.4 million in the 2018 Quarter. The decrease of \$6.1 million in coal sales resulted primarily from lower coal sale prices and volumes. Coal sales price per ton sold in the 2019 Quarter decreased 1.6% compared to the 2018 Quarter due to reduced high priced export volumes and decreased export price realizations at our Mettiki mine, partially offset by increased domestic prices from our MC Mining operation. Sales volumes decreased 2.1% in the 2019 Quarter compared to the 2018 Quarter as a result of lower export sales volumes from our Mettiki and MC Mining operations. Segment Adjusted EBITDA Expense increased 2.4% to \$108.0 million in the 2019 Quarter from \$105.4 million in the 2018 Quarter due to higher expenses per ton. Segment Adjusted EBITDA Expense per ton increased \$1.72 per ton sold to \$39.03 compared to \$37.31 per ton sold in the 2018 Quarter, primarily due to lower recoveries at our Mettiki and MC Mining mines and sales from higher-cost purchased coal in the 2019 Quarter. These increases were partially offset by the comparative impact of longwall moves at our Mettiki and Tunnel Ridge mines in the 2018 Quarter and reduced selling expenses across the region in the 2019 Quarter.

Minerals – Segment Adjusted EBITDA increased to \$12.2 million for the 2019 Quarter from \$5.7 million in the 2018 Quarter. The increase of \$6.5 million primarily resulted from the AllDale Acquisition in 2019.

Other and Corporate – Segment Adjusted EBITDA decreased by \$6.1 million to \$3.2 million in the 2019 Quarter compared to \$9.3 million in the 2018 Quarter. The decrease was primarily attributable to lower equity securities income as a result of the redemption of our preferred interest in Kodiak in the first quarter of 2019 and decreased coal brokerage activity.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

We reported net income attributable to ARLP of \$373.6 million for the nine months ended September 30, 2019 ("2019 Period") compared to \$315.8 million for the nine months ended September 30, 2018 ("2018 Period"). The increase of \$57.8 million was primarily due to higher revenues and a \$170.0 million net gain related to the AllDale Acquisition, partially offset by a \$15.2 million non-cash asset impairment and increased outside coal purchases and depreciation, depletion and amortization in the 2019 Period as well as an \$80.0 million net gain on settlement of litigation in the 2018 Period. Improved coal sales prices and the addition of royalty revenues in the 2019 Period drove total revenues higher to \$1.51 billion compared to \$1.47 billion in the 2018 Period.

	Nine Months Ended September 30,			
	2019	2018	2019	2018
	(in thousands)		(per ton sold)	
Tons sold	29,857	29,957	N/A	N/A
Tons produced	31,430	30,070	N/A	N/A
Coal sales	\$ 1,357,331	\$ 1,359,865	\$ 45.46	\$ 45.39
Coal - Segment Adjusted EBITDA Expense (1) (2)	\$ 905,426	\$ 900,486	\$ 30.33	\$ 30.06

- (1) For a definition of Segment Adjusted EBITDA Expense and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBITDA Expense" to GAAP "Operating Expenses."
(2) Coal - Segment Adjusted EBITDA Expense is defined as consolidated Segment Adjusted EBITDA Expense excluding our Minerals segment.

Coal sales. Coal sales revenues of \$1.36 billion for the 2019 Period were comparable to the 2018 Period. Compared to the 2018 Period, coal sales volumes fell slightly due to a volume variance of \$4.5 million resulting from reduced tons sold, partially offset by a price variance of \$2.0 million due to higher average coal sales prices. Coal sales price realizations in the 2019 Period increased modestly to \$45.46 per ton sold, compared \$45.39 per ton sold in the 2018 Period. Coal production increased 4.5% compared to the 2018 Period to 31.4 million tons, primarily due to increased production from additional mining units at our River View mine, the resumption of operations in the second quarter of 2018 at our Gibson North mine and strong performance at our Tunnel Ridge mine during the 2019 Period. These increases were partially offset by curtailed production at our Gibson South mine due to weak market exports, the production ceasing at our Dotiki mine and lower recoveries at our Mettiki and MC Mining operations in the 2019 Period.

Oil & gas royalties. Our mineral interests contributed oil & gas royalties of \$36.3 million in the 2019 Period. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisitions" of this Quarterly Report on Form 10-Q for more information on the AllDale and Wing Acquisitions.

Coal - Segment Adjusted EBITDA Expense. Segment Adjusted EBITDA Expense, excluding our Minerals segment, increased 0.5% to \$905.4 million for the 2019 Period from \$900.5 million for the 2018 Period primarily as a result of higher expenses per ton. Segment Adjusted EBITDA Expense per ton, excluding our Minerals segment, increased to \$30.33 per ton sold compared to \$30.06 per ton sold in the 2018 Period due to lower recoveries at our River View, Gibson North, Mettiki and MC Mining operations offset in part by increased production at the Gibson North mine and improved productivity at our Hamilton and Tunnel Ridge mines. In addition, other cost increases are discussed by category below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, increased 3.6% to \$9.53 per ton in the 2019 Period from \$9.20 per ton in the 2018 Period. The increase of \$0.33 per ton was primarily due to sales and production volume variances discussed above; and
- Outside coal purchases increased \$14.5 million in the 2019 Period as a result of sales from purchased coal, which is generally higher-cost than produced coal, in the 2019 Period.

Segment Adjusted EBITDA Expense increases above were partially offset by the following decreases:

- Material and supplies expenses per ton produced decreased slightly to \$10.98 per ton in the 2019 Period from \$11.04 per ton in the 2018 Period. The decrease in material and supplies expenses per ton produced resulted primarily from improved production mix of lower-cost mines discussed above and related decreases of \$0.14 per ton for power and fuel used in the mining process and \$0.11 per ton for outside expenses, partially offset by an increase of \$0.18 per ton in longwall subsidence expense; and
- Production taxes and royalty expenses incurred as a percentage of coal sales prices and volumes decreased \$0.80 per produced ton sold in the 2019 Period compared to the 2018 Period primarily as a result of a favorable state production mix and lower excise tax rates in 2019.

General and administrative. General and administrative expenses for the 2019 Period increased to \$55.2 million compared to \$49.5 million in the 2018 Period. The increase of \$5.7 million was due to higher professional services fees primarily resulting from both the AllDale and Wing Acquisitions.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to \$220.4 million in the 2019 Period from \$204.2 million in the 2018 Period. The increase of \$16.2 million resulted primarily from depletion beginning in the 2019 Period attributable to production from our oil & gas mineral interests, increases at our River View mine due to additional mining units and increases at our Hamilton mine due to unfavorable fixed asset in-service timing. These increases were partially offset by decreased depreciation resulting from favorable fixed asset in-service timing at our Tunnel Ridge mine and reduced volumes at our Mettiki mine.

Settlement gain. During the 2018 Period, we finalized an agreement with a customer and certain of its affiliates to settle litigation we initiated in 2015. The agreement provided for a \$93.0 million cash payment to us in the 2018 Period, future conditional coal supply commitments, continued export transloading capacity for our Appalachian mines and the acquisition of certain coal reserves near our Tunnel Ridge operation. A settlement gain of \$80.0 million was recorded in

the 2018 Period reflecting the cash payment received net of \$13.0 million of combined legal fees paid and associated incentive compensation accruals.

Asset impairment. During the 2019 Period, we ceased coal production at our Dotiki mine to focus on maximizing production at our lower-cost mines in the Illinois Basin. Consequently, we recorded a non-cash asset impairment charge of \$15.2 million in the 2019 Period. Please read "Item 1. Financial Statements (Unaudited) - Note 4 – Long-Lived Asset Impairment" of this Quarterly Report on Form 10-Q.

Equity method investment income. Equity method investment income decreased to \$1.5 million in the 2019 Period from \$14.6 million in the 2018 Period as a result of the AllDale Acquisition and related consolidation of AllDale I & II in the 2019 Period. Equity method investment income in the 2019 Period is generated by our AllDale III investment. Prior to 2019, our investments in AllDale I & II also generated equity method investment income in addition to AllDale III.

Acquisition gain. We were required to re-measure Cavalier Minerals' equity method investments in AllDale I & II to fair value as a result of the AllDale Acquisition. The re-measurement resulted in a gain of \$177.0 million in the 2019 Period. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisitions" of this Quarterly Report on Form 10-Q for more information on the acquisition gain in connection with the AllDale Acquisition.

Transportation revenues and expenses. Transportation revenues and expenses were \$82.9 million and \$76.0 million for the 2019 and 2018 Periods, respectively. The increase of \$6.9 million was primarily attributable to an increase in average third-party transportation rates in the 2019 Period resulting from higher shipping costs for coal exported to international markets, partially offset by decreased coal tonnage for which we arrange third-party transportation at certain mines. Transportation revenues are recognized in an amount equal to transportation expenses when title to the coal passes to the customer.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest increased to \$7.4 million in the 2019 Period from \$0.6 million in the 2018 Period as a result of allocating \$7.1 million of the acquisition gain discussed above to noncontrolling interest related to Bluegrass Minerals' equity interest in Cavalier Minerals.

Segment Adjusted EBITDA. Our 2019 Period Segment Adjusted EBITDA increased \$8.0 million, or 1.5%, to \$528.1 million from the 2018 Period Segment Adjusted EBITDA of \$520.1 million. Segment Adjusted EBITDA, tons sold, coal sales, other revenues, oil & gas royalties, BOE volume and Segment Adjusted EBITDA Expense by segment are as follows:

	Nine Months Ended			
	September 30,			
	2019	2018	Increase (Decrease)	
	(in thousands)			
Segment Adjusted EBITDA				
Coal - Illinois Basin	\$ 306,592	\$ 301,931	\$ 4,661	1.5 %
Coal - Appalachia	167,612	177,361	(9,749)	(5.5)%
Minerals	32,432	13,984	18,448	(1)
Other and Corporate	28,155	33,107	(4,952)	(15.0)%
Elimination	(6,721)	(6,315)	(406)	(6.4)%
Total Segment Adjusted EBITDA (2)	<u>\$ 528,070</u>	<u>\$ 520,068</u>	<u>\$ 8,002</u>	1.5 %
Tons sold				
Coal - Illinois Basin	21,793	22,074	(281)	(1.3)%
Coal - Appalachia	8,064	7,881	183	2.3 %
Other and Corporate	422	636	(214)	(33.6)%
Elimination	(422)	(634)	212	33.4 %
Total tons sold	<u>29,857</u>	<u>29,957</u>	<u>(100)</u>	(0.3)%
Coal sales				
Coal - Illinois Basin	\$ 875,544	\$ 875,792	\$ (248)	(0.0)%
Coal - Appalachia	477,720	476,540	1,180	0.2 %
Other and Corporate	16,530	27,165	(10,635)	(39.1)%
Elimination	(12,463)	(19,632)	7,169	36.5 %
Total coal sales	<u>\$ 1,357,331</u>	<u>\$ 1,359,865</u>	<u>\$ (2,534)</u>	(0.2)%
Other revenues				
Coal - Illinois Basin	\$ 10,557	\$ 12,299	\$ (1,742)	(14.2)%
Coal - Appalachia	2,753	2,268	485	21.4 %
Minerals	1,079	—	1,079	(1)
Other and Corporate	26,745	30,047	(3,302)	(11.0)%
Elimination	(9,229)	(9,476)	247	2.6 %
Total other revenues	<u>\$ 31,905</u>	<u>\$ 35,138</u>	<u>\$ (3,233)</u>	(9.2)%
BOE volume and oil & gas royalties				
Volume - BOE (3)	1,113	—	1,113	(1)
Oil & gas royalties	\$ 36,254	\$ —	\$ 36,254	(1)
Segment Adjusted EBITDA Expense				
Coal - Illinois Basin	\$ 579,510	\$ 586,160	\$ (6,650)	(1.1)%
Coal - Appalachia	312,861	301,448	11,413	3.8 %
Minerals	6,109	—	6,109	(1)
Other and Corporate	28,026	35,671	(7,645)	(21.4)%
Elimination	(14,971)	(22,793)	7,822	34.3 %
Total Segment Adjusted EBITDA Expense	<u>\$ 911,535</u>	<u>\$ 900,486</u>	<u>\$ 11,049</u>	1.2 %

(1) Percentage change not meaningful.

(2) For a definition of Segment Adjusted EBITDA and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBITDA" to GAAP "net income."

(3) Barrels of oil equivalent ("BOE") is calculated on a 6:1 basis (6,000 cubic feet of natural gas to one barrel).

Illinois Basin – Segment Adjusted EBITDA increased 1.5% to \$306.6 million in the 2019 Period from \$301.9 million in the 2018 Period. The increase of \$4.7 million was primarily attributable to higher coal sales prices, which increased 1.3% to \$40.18 per ton sold in the 2019 Period from \$39.68 per ton sold in the 2018 Period, and lower operating expenses, partially offset by lower coal sales volumes. Tons sold in the 2019 Period decreased 1.3% compared to the 2018 Period as a result of lower export sales from our Gibson South mine and the cessation of production at our Dotiki mine in the 2019 Period to focus on maximizing production at our lower-cost mines, offset in part by additional production units at the River View mine in the 2019 Period. Segment Adjusted EBITDA Expense decreased 1.1% to \$579.5 million in the 2019 Period from \$586.2 million in the 2018 Period due to reduced coal sales volumes. Segment Adjusted EBITDA Expense per ton increased slightly to \$26.59 per ton sold in the 2019 Period due to certain cost increases described above under "–Coal - Segment Adjusted EBITDA Expense."

Appalachia – Segment Adjusted EBITDA decreased 5.5% to \$167.6 million for the 2019 Period from \$177.4 million in the 2018 Period. The decrease of \$9.8 million was primarily attributable to reduced coal sales prices and increased operating expenses, partially offset by higher coal sales volumes. Coal sales, which increased slightly to \$477.7 million in the 2019 Period from \$476.5 million in the 2018 Period resulted from higher coal sales volumes of 8.1 million tons sold in the 2019 Period, compared to 7.9 million tons sold in the 2018 Period, due to a strong performance at our Tunnel Ridge longwall operation, partially offset by lower coal sales prices. Segment Adjusted EBITDA Expense increased 3.8% to \$312.9 million in the 2019 Period from \$301.4 million in the 2018 Period due to increased sales volumes and higher expenses per ton. Segment Adjusted EBITDA Expense per ton increased 1.4% to \$38.80 per ton compared to \$38.25 per ton sold in the 2018 Period reflecting lower recoveries at our Mettiki and MC Mining operations, offset in part by improved productivity at our Tunnel Ridge mine.

Minerals – Segment Adjusted EBITDA increased to \$32.4 million for the 2019 Period from \$14.0 million in the 2018 Period. The increase of \$18.4 million primarily resulted from the AllDale Acquisition in the 2019 Period.

Other and Corporate – Segment Adjusted EBITDA decreased by \$4.9 million to \$28.2 million in the 2019 Period compared to \$33.1 million in the 2018 Period. The decrease was primarily attributable to reduced coal brokerage activity and mining technology product sales from Matrix Group.

Reconciliation of non-GAAP "Segment Adjusted EBITDA" to GAAP "net income" and reconciliation of non-GAAP "Segment Adjusted EBITDA Expense" to GAAP "Operating Expenses"

Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as net income attributable to ARLP before net interest expense, income taxes, depreciation, depletion and amortization, general and administrative expenses, settlement gain, asset impairment and acquisition gain. 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. We believe that the presentation of EBITDA provides useful information to investors regarding our performance and results of operations because EBITDA, when used in conjunction with related GAAP financial measures, (i) provides additional information about our core operating performance and ability to generate and distribute cash flow, (ii) provides investors with the financial analytical framework upon which we base financial, operational, compensation and planning decisions and (iii) presents a measurement that investors, rating agencies and debt holders have indicated is useful in assessing us and our results of operations.

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 consolidated 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Consolidated Segment Adjusted EBITDA	\$ 156,163	\$ 169,578	\$ 528,070	\$ 520,068
General and administrative	(17,885)	(15,836)	(55,218)	(49,513)
Depreciation, depletion and amortization	(72,348)	(70,196)	(220,400)	(204,194)
Settlement gain	—	—	—	80,000
Asset impairment	(15,190)	—	(15,190)	—
Interest expense, net	(11,606)	(9,808)	(33,510)	(30,532)
Acquisition gain	—	—	177,043	—
Income tax (expense) benefit	(50)	(5)	(130)	2
Acquisition gain attributable to noncontrolling interest	—	—	(7,083)	—
Net income attributable to ARLP	<u>\$ 39,084</u>	<u>\$ 73,733</u>	<u>\$ 373,582</u>	<u>\$ 315,831</u>
Noncontrolling interest	117	236	7,407	571
Net income	<u>\$ 39,201</u>	<u>\$ 73,969</u>	<u>\$ 380,989</u>	<u>\$ 316,402</u>

Segment Adjusted EBITDA Expense (a non-GAAP financial measure) includes operating expenses, 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 Segment Adjusted EBITDA in addition to coal sales, royalty revenues 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Segment Adjusted EBITDA Expense	\$ 289,081	\$ 309,216	\$ 911,535	\$ 900,486
Outside coal purchases	(10,599)	—	(15,910)	(1,442)
Other expense	(228)	(812)	(370)	(2,201)
Operating expenses (excluding depreciation, depletion and amortization)	<u>\$ 278,254</u>	<u>\$ 308,404</u>	<u>\$ 895,255</u>	<u>\$ 896,843</u>

Liquidity and Capital Resources

Liquidity

We have historically satisfied our working capital requirements and funded our capital expenditures, investments and debt service obligations with cash generated from operations, cash provided by the issuance of debt or equity, borrowings under credit and securitization facilities and other financing transactions. We believe that existing cash balances, future cash flows from operations and investments, borrowings under credit facilities and cash provided from the issuance of debt or equity will be sufficient to meet our working capital requirements, capital expenditures and additional investments, debt payments, commitments and distribution payments. Nevertheless, our ability to satisfy our working capital requirements, to fund planned capital expenditures, to service our debt obligations or to pay distributions 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 and oil & gas industries specifically, as well as other financial and business factors, some of which are beyond our control. Based on our recent operating results, current cash position, current unitholder distributions, anticipated future cash flows and sources of financing that we expect to have available, we do not anticipate any constraints to our liquidity at this time. 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 our Annual Report on Form 10-K for the year ended December 31, 2018.

On August 2, 2019, we closed on the Wing Acquisition using cash on hand and borrowings under our revolving credit facility for \$145.0 million. On February 8, 2019, Kodiak redeemed our preferred equity interest for \$135.0 million in cash. On January 3, 2019, we acquired all of the limited partner interests in AllDale I & II not owned by Cavalier Minerals and the general partner interests in AllDale I & II for \$176.0 million, which was funded with cash on hand and borrowings under our revolving credit facility. For more information on these transactions, please read "Item 1. Financial Statements (Unaudited) – Note 3. Acquisitions" and "– Note 11. Investments" of this Quarterly Report on Form 10-Q.

In May 2018, the MGP board of directors approved the establishment of a unit repurchase program authorizing us to repurchase up to \$100 million of ARLP common units. The program has no time limit and we may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate us to repurchase any dollar amount or number of units. Since inception through September 30, 2019, we have purchased units for a total of \$75.8 million under the program. Please read "Part II - Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" of this Quarterly Report on Form 10-Q for more information on unit repurchase program.

Mine Development Project

We have begun development activity for MC Mining's Excel Mine No. 5 and currently anticipate deploying total capital of approximately \$29.0 million to \$31.0 million during 2019 with an additional \$15.0 million to \$20.0 million during the first half of 2020, which we expect to fund with cash from operations or borrowings under our credit facilities. We anticipate the new mine will enable us to access an additional 15 million tons of coal reserves with an expected mine life of approximately 12 years assuming the current level of production at MC Mining's Excel Mine No. 4 continues at the new mine. We expect the development plan for the new Excel Mine No. 5 will provide a seamless transition from the current MC Mining operation as its reserves deplete in 2020.

Cash Flows

Cash provided by operating activities was \$408.4 million for the 2019 Period compared to \$579.3 million for the 2018 Period. The decrease in cash provided by operating activities was impacted by \$93 million received in the 2018 Period for a one-time settlement related to litigation with a customer and certain of its affiliates initiated in 2015. Additional decreases also resulted from unfavorable working capital changes related to trade receivables, inventories, prepaid expenses and other, and payroll and related benefit accruals. These decreases were partially offset by a favorable working capital change related to accounts payable.

Net cash used in investing activities was \$423.6 million for the 2019 Period compared to \$195.3 million for the 2018 Period. The increase in cash used in investing activities was primarily attributable to the AllDale Acquisition, the Wing Acquisition and increased capital expenditures for mine infrastructure and equipment at various mines. This increase

was partially offset by cash received from the redemption of our equity securities in the 2019 Period and cash used for equity method investment contributions in the 2018 Period.

Net cash used in financing activities was \$197.2 million for the 2019 Period compared to \$352.4 million for the 2018 Period. The decrease in cash used in financing activities was primarily attributable to decreases in overall net payments on the securitization facility and unit repurchase program and increased net proceeds under our revolving facility in the 2019 Period compared to the 2018 Period.

Capital Expenditures

Capital expenditures increased to \$241.1 million in the 2019 Period from \$184.4 million in the 2018 Period. See our discussion of "Cash Flows" above concerning the increase in capital expenditures.

We currently project average estimated annual maintenance capital expenditures over the five-year period beginning in January 2019 of approximately \$5.57 per ton produced. Our anticipated total capital expenditures (including investments) for the year ending December 31, 2019 are estimated in a range of \$330.0 million to \$350.0 million, which includes expenditures for maintenance capital at various mines. Management anticipates funding remaining 2019 capital requirements with cash and cash equivalents (\$31.8 million as of September 30, 2019), cash flows from operations and investments, borrowings under revolving credit and securitization facilities and cash provided from the issuance of debt or equity. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional 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

Credit Agreement. On January 27, 2017, our Intermediate Partnership entered into a Fourth Amended and Restated Credit Agreement (the "Credit Agreement") with various financial institutions. The Credit Agreement provides for a \$494.75 million revolving credit facility, including a sublimit of \$125 million for the issuance of letters of credit and a sublimit of \$15.0 million for swingline borrowings (the "Revolving Credit Facility"), with a termination date of May 23, 2021.

The Credit Agreement is guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership, and is secured by substantially all of the Intermediate Partnership's assets. Borrowings under the Revolving Credit Facility bear interest, at the option of the Intermediate Partnership, at either (i) the Base Rate at the greater of three benchmarks or (ii) a Eurodollar Rate, plus margins for (i) or (ii), as applicable, that fluctuate depending upon the ratio of Consolidated Debt to Consolidated Cash Flow (each as defined in the Credit Agreement). The Eurodollar Rate, with applicable margin, under the Revolving Credit Facility was 4.43% as of September 30, 2019. At September 30, 2019, we had \$9.3 million of letters of credit outstanding with \$245.5 million available for borrowing under the Revolving Credit Facility. We currently incur an annual commitment fee of 0.35% on the undrawn portion of the Revolving Credit Facility. We utilize the Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments, scheduled debt payments and distribution payments.

The Credit Agreement contains various restrictions affecting our Intermediate Partnership and its subsidiaries including, among other things, restrictions on incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions, and the payment of cash distributions by our Intermediate Partnership if such payment would result in a certain fixed charge coverage ratio (as defined in the Credit Agreement). The Credit Agreement requires the Intermediate Partnership to maintain (a) a debt to cash flow ratio of not more than 2.5 to 1.0 and (b) a cash flow to interest expense ratio of not less than 3.0 to 1.0, in each case, during the four most recently ended fiscal quarters. The debt to cash flow ratio and cash flow to interest expense ratio were 1.13 to 1.0 and 14.7 to 1.0, respectively, for the trailing twelve months ended September 30, 2019. We remain in compliance with the covenants of the Credit Agreement as of September 30, 2019.

Senior Notes. On April 24, 2017, the Intermediate Partnership and Alliance Resource Finance Corporation (as co-issuer), a wholly owned subsidiary of the Intermediate Partnership ("Alliance Finance"), issued an aggregate principal amount of \$400.0 million of senior unsecured notes due 2025 ("Senior Notes") in a private placement to qualified institutional buyers. The Senior Notes have a term of eight years, maturing on May 1, 2025 (the "Term") and accrue

interest at an annual rate of 7.5%. Interest is payable semi-annually in arrears on each May 1 and November 1. The indenture governing the Senior Notes contains customary terms, events of default and covenants relating to, among other things, the incurrence of debt, the payment of distributions or similar restricted payments, undertaking transactions with affiliates and limitations on asset sales. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price equal to 107.5% of the principal amount redeemed, plus accrued and unpaid interest, if any, to the redemption date. The issuers of the Senior Notes may also redeem all or a part of the notes at any time on or after May 1, 2020, at redemption prices set forth in the indenture governing the Senior Notes. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem the Senior Notes at a redemption price equal to the principal amount of the Senior Notes plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the redemption date.

Accounts Receivable Securitization. On December 5, 2014, certain direct and indirect wholly owned subsidiaries of our Intermediate Partnership entered into a \$100.0 million accounts receivable securitization facility ("Securitization Facility"). Under the Securitization Facility, certain subsidiaries sell trade receivables on an ongoing basis to our Intermediate Partnership, which then sells the trade receivables to AROP Funding, LLC ("AROP Funding"), a wholly owned bankruptcy-remote special purpose subsidiary of our Intermediate Partnership, which in turn borrows on a revolving basis up to \$100.0 million secured by the trade receivables. After the sale, Alliance Coal, as servicer of the assets, collects the receivables on behalf of AROP Funding. The Securitization Facility bears interest based on a Eurodollar Rate. In January 2019, we extended the term of the Securitization Facility to January 2020. In October 2019, we extended the term from January 2020 to January 2021. At September 30, 2019, we had \$66.5 million outstanding balance under the Securitization Facility.

Cavalier Credit Agreement. On October 6, 2015, Cavalier Minerals (see Note 10 – Variable Interest Entities) entered into a credit agreement (the "Cavalier Credit Agreement") with Mineral Lending, LLC ("Mineral Lending") for a \$100.0 million line of credit (the "Cavalier Credit Facility"). The Cavalier Credit Facility terminated on October 6, 2019. During the term of the Cavalier Credit Facility, the commitment was reduced by any distributions received from Cavalier Minerals' investment in AllDale II. As of September 30, 2019, the commitment was \$64.6 million. Mineral Lending is an entity owned by (a) Alliance Resource Holdings II, Inc. ("ARH II"), an entity owned by Mr. Craft and Kathleen S. Craft, (b) an entity owned by an individual who is an officer and director of ARH II ("ARH Officer") and (c) charitable foundations established by Mr. Craft and Kathleen S. Craft. We had no borrowings from the facility since its inception and there was no commitment fee under the facility.

Equipment Financing. On May 17, 2019, the Intermediate Partnership entered into an equipment financing arrangement accounted for as debt, wherein the Intermediate Partnership received \$10.0 million in exchange for conveying its interest in certain equipment owned by an indirect wholly-owned subsidiary of the Intermediate Partnership and entering into a master lease agreement for that equipment (the "Equipment Financing"). The Equipment Financing contains customary terms and events of default and provides for thirty-six monthly payments with an implicit interest rate of 6.25%, maturing on May 1, 2022. Upon maturity, the equipment will revert back to the Intermediate Partnership.

Other. We also have an agreement with a bank to provide additional letters of credit in an amount of \$5.0 million to maintain surety bonds to secure certain asset retirement obligations and our obligations for workers' compensation benefits. At September 30, 2019, we had \$5.0 million in letters of credit outstanding under this agreement.

Related-Party Transactions

We have related-party transactions and activities with Mr. Craft, MGP, ARH II and their respective affiliates. These related-party transactions and activities relate principally to 1) mineral leases with charitable foundations established by Mr. Craft and Kathleen S. Craft, 2) the use of aircraft, and 3) providing administrative services with respect to the mineral interests Mr. Craft acquired concurrently with the Wing Acquisition. We also have transactions with (a) WKY CoalPlay, LLC ("WKY CoalPlay") regarding three mineral leases, (b) Bluegrass Minerals Management, LLC ("Bluegrass Minerals") through its noncontrolling ownership interest in Cavalier Minerals and (c) AllDale III to support its acquisition of oil & gas mineral interests. For more information regarding the Wing Acquisition, WKY CoalPlay, Bluegrass Minerals and AllDale III, please read "Item 1. Financial Statements (Unaudited) – Note 3. Acquisitions", "– Note 10. Variable Interest Entities" and "– Note 11. Investments" of this Quarterly Report on Form 10-Q. Please read our Annual Report on Form 10-K for the year ended December 31, 2018, "Item 8. Financial Statements and Supplementary Data – Note 18. Related-Party Transactions" for additional information concerning related-party transactions.

Prior to the AllDale Acquisition and Kodiak redemption, we also had transactions with AllDale I & II to support their acquisition of oil & gas mineral interests, and Kodiak to support its gas compression services. For more information regarding the AllDale Acquisition and Kodiak redemption, please read "Item 1. Financial Statements (Unaudited) – Note 3. Acquisitions" and "– Note 11. Investments" of this Quarterly Report on Form 10-Q.

New Accounting Standards

See "Item 1. Financial Statements (Unaudited) – Note 2. New Accounting Standards" of this Quarterly Report on Form 10-Q for a discussion of new accounting standards.

Other Information

Insurance

Effective October 1, 2019, we renewed our annual property and casualty insurance program. Our property insurance was procured from our wholly owned captive insurance company, Wildcat Insurance. Wildcat Insurance charged certain of our subsidiaries for the premiums on this program and in return purchased reinsurance for the program in the standard market. The maximum limit in the commercial property program is \$100.0 million per occurrence, excluding a \$1.5 million deductible for property damage, a 60, 75, 90 or 120 day waiting period for underground business interruption depending on the mining complex and an additional \$10.0 million overall aggregate deductible.

We have elected to retain a 10% participating interest in our commercial property insurance program. As previously stated in our Annual Report on Form 10-K for the year ended December 31, 2018 under "Item 1A. Risk Factors—Our profitability may decline due to unanticipated mine operating conditions and other events that are not within our control and that may not be fully covered under our insurance policies," we can make no assurances that we will not experience significant insurance claims in the future that could have a material adverse effect on our business, financial condition, results of operations and ability to purchase property insurance in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We have significant long-term coal supply agreements. Most of the long-term coal supply agreements are subject to price adjustment provisions, which periodically permit an increase or decrease in the contract price typically to reflect changes in specified indices or changes in production costs resulting from regulatory changes, or both.

Our results of operations are highly dependent upon the prices we receive for our coal. The short-term coal contracts favored by some of our customers leave us more exposed to risks of declining price periods. Also, a significant decline in oil and natural gas prices would have a significant impact on our royalty revenues.

We have exposure to coal, oil and natural gas sales prices and price risk for supplies that are used directly or indirectly in the normal course of coal and oil & gas 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. Historically, we have not utilized any commodity price-hedges or other derivatives related to either our sales price or supply cost risks.

Credit Risk

Most of our coal is sold to United States electric utilities or into the international markets through brokered transactions. Therefore, our credit risk is primarily with domestic electric power generators and reputable global brokerage firms. 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 prepayment for shipments or establishing customer trust accounts held for our benefit in the event of a failure to pay.

Exchange Rate Risk

Almost all of our transactions are denominated in United States dollars, and as a result, we do not have material exposure to currency exchange-rate risks. However, because coal is sold internationally in United States dollars, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide our foreign competitors with a competitive advantage. If our competitors' currencies decline against the United States dollar or against foreign purchasers' local currencies, those competitors may be able to offer lower prices for coal to these purchasers. Furthermore, if the currencies of overseas purchasers were to significantly decline in value in comparison to the United States dollar, those purchasers may seek decreased prices for the coal we sell to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets.

Interest Rate Risk

Borrowings under the Revolving Credit Facility and Securitization Facility 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 and we have not utilized interest rate derivative instruments related to our outstanding debt. We had \$240.0 million in borrowings under the Revolving Credit Facility and \$66.5 million in borrowings under the Securitization Facility at September 30, 2019. A one percentage point increase in the interest rates related to the Revolving Facility and Securitization Facility would result in an annualized increase in interest expense of \$3.1 million, based on borrowing levels at September 30, 2019.

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, 2018.

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 Securities and Exchange Commission ("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 Securities Exchange Act of 1934, as amended (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 Exchange Act) as of September 30, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective as of September 30, 2019.

During the quarterly period ended September 30, 2019, other than the changes that have resulted or may result from the AllDale Acquisition and Wing Acquisition as discussed below, there have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On August 2, 2019, we closed on an agreement to acquire approximately 9,000 net royalty acres in the Midland Basin, (the "Wing Acquisition"). On January 3, 2019 (the "AllDale Acquisition Date"), we acquired all of the limited partner interests in AllDale Minerals, LP and AllDale Minerals II, LP (collectively, "AllDale I & II") not owned by Cavalier Minerals JV, LLC and the general partner interests in AllDale I & II (the "AllDale Acquisition"). As of the AllDale Acquisition Date, we now own 100% of the general partner interests and, including the limited partner interests we hold indirectly through our ownership in Cavalier Minerals, approximately 97% of the limited partner interests in AllDale I & II. In addition, we assumed control and began accounting for AllDale I & II on a consolidated basis. For more information on the Wing and AllDale Acquisitions, please see "Item 1. Financial Statements (Unaudited) – Note 3. Acquisitions" of this Quarterly Report on Form 10-Q.

At this time, we continue to evaluate the business and internal controls and processes around the mineral interests acquired in both the Wing and AllDale Acquisitions and are making various changes to their management and organizational structures based on our business plan. We are in the process of implementing our internal control structure over the acquired businesses. We expect to complete the evaluation and integration of the internal controls and processes of the mineral interests acquired in the AllDale and Wing Acquisitions in the first and third quarters of 2020, respectively.

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 coal prices, which could affect our operating results and cash flows;
- changes in competition in domestic and international coal markets and our ability to respond to such changes;
- legislation, regulations, and court decisions and interpretations thereof, both domestic and foreign, including those relating to the environment and the release of greenhouse gases, mining, miner health and safety and health care;
- deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions;
- risks associated with the expansion of our operations and properties;
- our ability to identify and complete acquisitions;
- dependence on significant customer contracts, including renewing existing contracts upon expiration;
- adjustments made in price, volume or terms to existing coal supply agreements;
- changing global economic conditions or in industries in which our customers operate;
- recent action and the possibility of future action on trade made by United States and foreign governments;
- the effect of new tariffs and other trade measures;
- 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;
- fluctuations in coal demand, prices and availability;
- changes in oil & gas prices, which could, among other things, affect our investments in oil & gas mineral interests;
- our productivity levels and margins earned on our coal sales;
- decline in or change in the coal industry'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 other sources of electricity, such as natural gas, nuclear energy and renewable fuels;
- changes in raw material costs;
- changes in the availability of skilled labor;
- our ability to maintain satisfactory relations with our employees;
- increases in labor costs including costs of health insurance and taxes resulting from the Affordable Care Act, adverse changes in work rules, or cash payments or projections associated with post-mine reclamation and workers' compensation claims;
- increases in transportation costs and risk of transportation delays or interruptions;
- operational interruptions due to geologic, permitting, labor, weather-related or other factors;
- risks associated with major mine-related accidents, mine fires, mine floods or other interruptions;
- results of litigation, including claims not yet asserted;
- foreign currency fluctuations that could adversely affect the competitiveness of our coal abroad;
- 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 post-mine reclamation as well as pension, black lung benefits and other post-retirement benefit liabilities;
- uncertainties in estimating and replacing our coal reserves;
- uncertainties in estimating and replacing our oil & gas reserves;
- uncertainties in the amount of oil & gas production due to the level of drilling and completion activity by the operators of our oil & gas properties;

- a loss or reduction of benefits from certain tax deductions and credits;
- difficulty obtaining commercial property insurance, and risks associated with our participation 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 "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2018.

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 risk factors described in "Item 1A. Risk Factors" below. These risk factors 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.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 5. 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 our Annual Report on Form 10-K for the year ended December 31, 2018.

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 risk factors discussed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 and in Part II, Item 1A "Risk Factors" in our Form 10-Q for the quarterly period ended June 30, 2019, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and on our prior Form 10-Qs 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

On May 31, 2018, ARLP announced that the MGP board of directors approved the establishment of a unit repurchase program authorizing ARLP to repurchase up to \$100 million of its outstanding limited partner common units. The unit repurchase program is intended to enhance ARLP's ability to achieve its goal of creating long-term value for its unitholders and provides another means, along with quarterly cash distributions, of returning cash to unitholders. The program has no time limit and ARLP may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate ARLP to repurchase any dollar amount or number of units, and repurchases may be commenced or suspended from time to time without prior notice.

During the three months ended September 30, 2019, we did not repurchase and retire any units. Since inception of the program through September 30, 2019, we have repurchased and retired 3,985,010 units at an average unit price of \$19.03 for an aggregate purchase price of \$75.8 million with the remaining authorized amount for unit repurchases under this program being \$24.2 million.

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 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.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	SEC File No. and Film No.	Exhibit	Filing Date	Filed Herewith*
3.1	Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 17990766	3.2	07/28/2017	
3.2	Amendment No. 1 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	10-K	000-26823 18634634	3.9	02/23/2018	
3.3	Amendment No. 2 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 18883834	3.3	06/06/2018	
3.4	Amendment No. 3 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 18883834	3.4	06/06/2018	
3.5	Amended and Restated Agreement of Limited Partnership of Alliance Resource Operating Partners, L.P.	10-K	000-26823 583595	3.2	03/29/2000	
3.6	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Alliance Resource Operating Partners, L.P.	8-K	000-26823 18883834	3.5	06/06/2018	
3.7	Amended and Restated Certificate of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 17990766	3.6	07/28/2017	
3.8	Certificate of Limited Partnership of Alliance Resource Operating Partners, L.P.	S-1/A	333-78845 99669102	3.8	07/23/1999	
3.9	Certificate of Formation of Alliance Resource Management GP, LLC	S-1/A	333-78845 99669102	3.7	07/23/1999	
3.10	Third Amended and Restated Operating Agreement of Alliance Resource Management GP, LLC	8-K	000-26823 18883834	3.7	06/06/2018	
3.11	Certificate of Formation of MGP II, LLC	8-K	000-26823 17990766	3.5	07/28/2017	
3.12	Amended and Restated Operating Agreement of MGP II, LLC	8-K	000-26823 17990766	3.4	07/28/2017	
10.1	Purchase and Sale Agreement by and between Wing Resources LLC, and Wing Resources II LLC, as sellers, and Alliance Resource Partners, L.P., as buyer, dated as of June 21, 2019	10-Q	000-26823 19997858	10.1	08/05/2019	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith*
		Form	SEC File No. and Film No.	Exhibit	Filing Date	
10.2	Eighth Amendment to the Receivables Financing Agreement, dated as of October 22, 2019					<input checked="" type="checkbox"/>
31.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the general partner of Alliance Resource Partners, L.P., dated November 5, 2019, 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 general partner of Alliance Resource Partners, L.P., dated November 5, 2019, 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 general partner of Alliance Resource Partners, L.P., dated November 5, 2019, 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 general partner of Alliance Resource Partners, L.P., dated November 5, 2019, 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 September 30, 2019 filed in Inline XBRL).					<input checked="" type="checkbox"/>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					<input checked="" type="checkbox"/>

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

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 November 5, 2019.

ALLIANCE RESOURCE PARTNERS, L.P.

By: Alliance Resource Management GP, LLC
its general partner

/s/ Joseph W. Craft, III

Joseph W. Craft, III

President, Chief Executive Officer

*and Chairman, duly authorized to sign on behalf
of the registrant.*

/s/ Robert J. Fouch

Robert J. Fouch

Vice President, Controller and

Chief Accounting Officer

[\(Back To Top\)](#)

Section 2: EX-10.2 (EX-10.2)

Exhibit 10.2

EXECUTION VERSION

EIGHTH AMENDMENT TO THE RECEIVABLES FINANCING AGREEMENT

This EIGHTH AMENDMENT TO THE RECEIVABLES FINANCING AGREEMENT (this “Amendment”), dated as of October 22, 2019, is entered into by and among the following parties:

- (a) AROP FUNDING, LLC, as Borrower;
- (b) ALLIANCE COAL, LLC, as initial Servicer; and
- (c) PNC BANK, NATIONAL ASSOCIATION (“PNC”), as LC Bank, LC Participant, Lender and Administrative Agent.

Capitalized terms used but not otherwise defined herein (including such terms used above) have the respective meanings assigned thereto in the Receivables Financing Agreement described below.

BACKGROUND

A. The parties hereto have entered into a Receivables Financing Agreement, dated as of December 5, 2014 (as amended, restated, supplemented or otherwise modified through to the date hereof, the “Receivables Financing Agreement”).

B. Concurrently herewith, the parties hereto are entering into an Amended and Restated Fee Letter (the “Fee Letter”) dated as of the date hereof.

C. The parties hereto desire to amend the Receivables Financing Agreement as set forth herein.

NOW, THEREFORE, with the intention of being legally bound hereby, and in consideration of the mutual undertakings expressed herein, each party to this Amendment hereby agrees as follows:

SECTION 1. Amendments to the Receivables Financing Agreement. The Receivables Financing Agreement is hereby amended as shown on the marked pages set forth on Exhibit A attached hereto.

SECTION 2. Representations and Warranties of the Borrower and Servicer. The Borrower and the Servicer hereby represent and warrant to each of the parties hereto as of the date hereof as follows:

(a) *Representations and Warranties.* The representations and warranties made by it in the Receivables Financing Agreement and each of the other Transaction Documents to which it is a party are true and correct as of the date hereof.

(b) *Enforceability.* The execution and delivery by it of this Amendment, and the performance of its obligations under this Amendment, the Receivables Financing

Agreement (as amended hereby) and the other Transaction Documents to which it is a party are within its organizational powers and have been duly authorized by all necessary action on its part, and this Amendment, the Receivables Financing Agreement (as amended hereby) and the other Transaction Documents to which it is a party are (assuming due authorization and execution by the other parties thereto) its valid and legally binding obligations, enforceable in accordance with its terms, except (x) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws from time to time in effect relating to creditors' rights, and (y) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(c) *No Event of Default.* No Event of Default or Unmatured Event of Default has occurred and is continuing, or would occur as a result of this Amendment or the transactions contemplated hereby.

SECTION 3. Effect of Amendment; Ratification. All provisions of the Receivables Financing Agreement and the other Transaction Documents, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Receivables Financing Agreement (or in any other Transaction Document) to "this Receivables Financing Agreement", "this Agreement", "hereof", "herein" or words of similar effect referring to the Receivables Financing Agreement shall be deemed to be references to the Receivables Financing Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Receivables Financing Agreement other than as set forth herein. The Receivables Financing Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects.

SECTION 4. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof upon the Administrative Agent's receipt of (a) counterparts of this Amendment and the Fee Letter executed by each of the parties hereto and thereto and (b) the amendment fee owing under the Fee Letter.

SECTION 5. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 6. Transaction Document. This Amendment shall be a Transaction Document for purposes of the Receivables Financing Agreement.

SECTION 7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this

Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 8. GOVERNING LAW AND JURISDICTION.

THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF, EXCEPT TO THE EXTENT THAT THE PERFECTION, THE EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF ADMINISTRATIVE AGENT OR ANY LENDER IN THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK).

EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO (I) WITH RESPECT TO THE BORROWER AND THE SERVICER, THE EXCLUSIVE JURISDICTION, AND (II) WITH RESPECT TO EACH OF THE OTHER PARTIES HERETO, THE NON-EXCLUSIVE JURISDICTION, IN EACH CASE, OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, AND EACH PARTY HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING (I) IF BROUGHT BY THE BORROWER, THE SERVICER OR ANY AFFILIATE THEREOF, SHALL BE HEARD AND DETERMINED, AND (II) IF BROUGHT BY ANY OTHER PARTY TO THIS AMENDMENT, MAY BE HEARD AND DETERMINED, IN EACH CASE, IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY OTHER CREDIT PARTY TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR THE SERVICER OR ANY OF THEIR RESPECTIVE PROPERTY IN THE COURTS OF OTHER JURISDICTIONS. EACH OF THE BORROWER AND THE SERVICER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

SECTION 9. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Receivables Financing Agreement or any provision hereof or thereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their duly authorized officers as of the date first above written.

AROP FUNDING, LLC

By: /s/ CARY P. MARSHALL
Name: Cary P. Marshall
Title: Vice President – Corporate Finance and Treasurer

ALLIANCE COAL, LLC,
as the Servicer

By: /s/ CARY P. MARSHALL
Name: Cary P. Marshall
Title: Vice President – Corporate Finance and Treasurer

Eighth Amendment to Receivables Financing Agreement

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ MICHAEL BROWN

Name: Michael Brown

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as LC Bank and as an LC Participant

By: /s/ MICHAEL BROWN

Name: Michael Brown

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ MICHAEL BROWN

Name: Michael Brown

Title: Senior Vice President

Eighth Amendment to Receivables Financing Agreement

EXHIBIT A

(Attached)

~~CONFORMED through Seventh~~ EXHIBIT A to Eighth Amendment, dated ~~January~~

~~16,~~ October 22, 2019

RECEIVABLES FINANCING AGREEMENT

Dated as of December 5, 2014

by and among

AROP FUNDING, LLC,
as Borrower,

THE PERSONS FROM TIME TO TIME PARTY HERETO,
as Lenders and LC Participants,

PNC BANK, NATIONAL ASSOCIATION,
as LC Bank,

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

and

ALLIANCE COAL, LLC,
as initial Servicer

“Assignment and Acceptance Agreement” means an assignment and acceptance agreement entered into by a Lender, an Eligible Assignee, and the Administrative Agent, and, if required, the Borrower, pursuant to which such Eligible Assignee may become a party to this Agreement, in substantially the form of Exhibit B hereto.

“Assumption Agreement” has the meaning set forth in Section 14.03(h).

“Attorney Costs” means and includes all reasonable fees, costs, expenses and disbursements of any law firm or other external counsel and all reasonable disbursements of internal counsel.

“Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

“Base Rate” means, for any day and any Lender, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the highest of:

(a) the rate of interest in effect for such day as publicly announced from time to time by such Lender or its Affiliate as its “reference rate” or “prime rate”, as applicable. Such “reference rate” or “prime rate” is set by the applicable Lender or its Affiliate based upon various factors, including such Person’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and is not necessarily the lowest rate charged to any customer;

(b) 0.50% per annum above the latest ~~Federal Funds~~ Overnight Bank Funding Rate; and

(c) 0.50% per annum above the Euro-Rate applicable to the Interest Period for which the Base Rate is then being determined.

“Beneficial Ownership Regulation” means 31 C.F.R § 1010.230. “Borrower” has the meaning specified in the preamble to this Agreement.

“Borrower Indemnified Amounts” has the meaning set forth in Section 13.01(a).

“Borrower Indemnified Party” has the meaning set forth in Section 13.01(a).

“Borrower Obligations” means all present and future indebtedness, reimbursement obligations, and other liabilities and obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or due or to become due) of the Borrower to any Credit Party, Borrower Indemnified Party and/or any Affected Person, arising under or in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby, and shall include, without limitation, all Capital and Interest on the Loans, reimbursement for drawings under the Letters of Credit, all Fees and all other amounts due or to become due under the Transaction Documents (whether in respect of fees, costs, expenses, indemnifications or otherwise), including, without limitation, interest, fees and other

Receivables originated by the Originators during the three most recent Fiscal Months ended on the last day of such Fiscal Month, divided by (ii) 90.

“Debt” means, as to any Person at any time of determination, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person (without duplication) for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any bonds, debentures, notes, note purchase, acceptance or credit facility, or other similar instruments or facilities, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, (iv) any other transaction (including production payments (excluding royalties), installment purchase agreements, forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including accounts payable incurred in the ordinary course of such Person’s business payable on terms customary in the trade), (v) all net obligations of such Person in respect of interest rate on currency hedges or (vi) any Guaranty of any such Debt.

“Deemed Collections” has the meaning set forth in Section 4.01(d).

“Default Ratio” means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each Fiscal Month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that are Defaulted Receivables at such time, by (b) the initial Outstanding Balance of all Pool Receivables generated by the Originators during the month that is three Fiscal Months before such month. For avoidance of doubt, the exclusion of XCoal Receivables from the definition of Defaulted Receivable shall be retroactively applied in calculating the Default Ratio for all months prior to the Xcoal Receivables Eligibility Date.

“Defaulted Receivable” means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 60 days and less than 91 days from the original due date for such payment;

(b) as to which any payment, or part thereof, remains unpaid for less than 61 days from the original due date for such payment and consistent with the Credit and Collection Policy, has been or should be written off the applicable Originator’s or the Borrower’s books as uncollectible; or

(c) as to which any payment, or part thereof, remains unpaid for less than 61 days from the original due date for such payment and an Insolvency Proceeding shall have occurred with respect to the Obligor thereof or any other Person obligated thereon or owning any Related Security with respect thereto;

provided, that no Xcoal Receivable shall constitute a Defaulted Receivable prior to the Xcoal Receivables Eligibility Date.

“Delinquency Ratio” means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each

Fiscal Month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day, by (b) the aggregate Outstanding Balance of all Pool Receivables on such day. For avoidance of doubt, the exclusion of XCoal Receivables from the definition of Delinquent Receivable shall be retroactively applied in calculating the Delinquency Ratio for all months prior to the Xcoal Receivables Eligibility Date.

“Delinquent Receivable” means a Receivable as to which any payment, or part thereof, remains unpaid for 61 days or more from the original due date for such payment ; provided, that no Xcoal Receivable shall constitute a Delinquent Receivable prior to the Xcoal Receivables Eligibility Date.

“Dilution Horizon Ratio” means, for any Fiscal Month, the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of such Fiscal Month by dividing: (a) the aggregate initial Outstanding Balance of all Pool Receivables generated by the Originators during the most recent Fiscal Month, by (b) the Net Receivables Pool Balance as of the last day of such Fiscal Month.

“Dilution Ratio” means, for any Fiscal Month, the greater of (i) 0.50% and (ii) the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward), computed as of the last day of each Fiscal Month by dividing: (a) the aggregate amount of Deemed Collections during such Fiscal Month (other than any Deemed Collections with respect to any Receivables that were both (I) generated by an Originator during such Fiscal Month and (II) written off the applicable Originator’s or the Borrower’s books as uncollectible during such Fiscal Month), by (b) the aggregate initial Outstanding Balance of all Pool Receivables generated by the Originators during the Fiscal Month that is one month prior to such Fiscal Month.

“Dilution Reserve” means, on any day, an amount equal to: (a) the Aggregate Capital plus the LC Participation Amount on such day, multiplied by (b) (i) the Dilution Reserve Percentage on such day, divided by (ii) 100% minus the Dilution Reserve Percentage on such day.

“Dilution Reserve Percentage” means, on any day, the product of (a) the Dilution Horizon Ratio, multiplied by (b) the sum of (i) 2.25 times the average of the Dilution Ratios for the twelve most recent Fiscal Months, plus (ii) the Dilution Volatility Component.

“Dilution Volatility Component” means, for any Fiscal Month, (a) the positive difference, if any, between: (i) the highest Dilution Ratio for any Fiscal Months during the twelve most recent Fiscal Month and (ii) the arithmetic average of the Dilution Ratios for such twelve months times (b) (i) the highest Dilution Ratio for any Fiscal Month during the twelve most recent Fiscal Months, divided by (ii) the arithmetic average of the Dilution Ratios for such twelve months.

“Dollars” and “₹” each mean the lawful currency of the United States of America.

“Drawing Date” has the meaning set forth in Section 3.04(a).

or the Borrower (other than the delivery of the related goods or merchandise with respect to In-Transit Receivables), and the related goods or merchandise shall have been shipped and/or services performed;

(s) that if not yet billed or invoiced, the related coal has been shipped within the last sixty (60) days;

(t) which (i) does not arise from a sale of accounts made as part of a sale of a business or constitute an assignment for the purpose of collection only, (ii) is not a transfer of a single account made in whole or partial satisfaction of a preexisting indebtedness or an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract and (iii) is not a transfer of an interest in or an assignment of a claim under a policy of insurance;

(u) which does not relate to the sale of any consigned goods or finished goods which have incorporated any consigned goods into such finished goods;

(v) if the Obligor of which is a Top Twenty-Five Obligor, in which no

Originator or the Transferor (or any Affiliate of any of the foregoing) owes any amount to such Obligor (including as a result of such Obligor being a Supplier to such Person); provided, that only such portion of such Receivable to the extent subject to potential offset respecting any of the foregoing shall be deemed to be ineligible pursuant to this clause (v); ~~and~~

(w) that satisfies all applicable requirements of clause (j) of Section 6.1 of the Purchase and Sale Agreement; and

(x) that is not an Xcoal Receivable, unless and until such time, if any, that the Administrative Agent and the Borrower have agreed in writing (each in its sole discretion) that Xcoal Receivables will constitute (subject to the satisfaction of each other clause of this definition of "Eligible Receivable") Eligible Receivables and designating the date from which Xcoal Receivables may constitute Eligible Receivables (such date, the "Xcoal Receivables Eligibility Date").

"Eligible Supporting Letter of Credit" means, with respect to any Pool Receivables of an Obligor, an unconditional (except for any draft or documentation required to be presented as a condition to drawings thereunder), irrevocable standby or commercial letter of credit, at all times in form and substance acceptable to the Administrative Agent in its sole discretion, issued or confirmed by an Eligible Supporting Letter of Credit Provider, which letter of credit (i) supports the payment of such Pool Receivables, (ii) names the Originator of such Pool Receivables as the sole beneficiary thereof and (iii) is payable in U.S. Dollars.

"Eligible Supporting Letter of Credit Provider" means a bank so designated in writing by the Administrative Agent to the Servicer (in the sole discretion of the Administrative Agent); provided, at any time after the long-term unsecured senior debt obligation of such bank is withdrawn or falls below a rating of (a) "BBB-" by S&P's on its long-term senior unsecured and uncredit-enhanced debt securities, or (b) "Baa3" by Moody's on its long-term senior unsecured

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

~~“Federal Funds Rate” means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, “H.15(519)”) for such day opposite the caption “Federal Funds (Effective).” If on any relevant day such rate is not yet published in H. 15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the “Composite 3:30 p.m. Quotations”) for such day under the caption “Federal Funds Effective Rate.” If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.~~

~~“Federal Reserve Board” means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.~~

“Fee Letter” has the meaning specified in Section 2.03(a).

“Fees” has the meaning specified in Section 2.03(a).

“Final Maturity Date” means the date that is one hundred eighty (180) days following the Termination Date (as such date may be extended pursuant to Section 2.02(g)), or such earlier date on which the Loans become due and payable pursuant to Section 10.01.

“Final Payout Date” means the date on or after the Termination Date when (i) the Aggregate Capital and Aggregate Interest have been paid in full, (ii) the LC Participation Amount has been reduced to zero (\$0) and no Letters of Credit issued hereunder remain outstanding and undrawn, (iii) all Borrower Obligations shall have been paid in full, (iv) all other amounts owing to the Credit Parties and any other Borrower Indemnified Party or Affected Person hereunder and under the other Transaction Documents have been paid in full and (v) all accrued Servicing Fees have been paid in full.

“Financial Officer” of any Person means, the chief executive officer, the chief financial officer, the chief accounting officer, the principal accounting officer, the controller, the treasurer or the assistant treasurer of such Person.

“Fiscal Month” means each calendar month.

“Fitch” means Fitch, Inc. and any successor thereto that is a nationally recognized statistical rating organization.

imposing such Tax (other than connections arising from such Affected Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold or assigned an interest in any Loan or Transaction Document).

“Other Taxes” means any and all present or future stamp or documentary Taxes or any other excise or property Taxes, charges or similar levies or fees arising from any payment made hereunder or from the execution, delivery, filing, recording or enforcement of, or otherwise in respect of, this Agreement, the other Transaction Documents and the other documents or agreements to be delivered hereunder or thereunder, except any such Taxes that are Other Connection Taxes imposed with respect to any assignment or participation.

“Outstanding Balance” means, at any time of determination, with respect to any Receivable, the then outstanding principal balance thereof.

“Overnight Bank Funding Rate” means for any day, the rate comprised of both overnight federal funds and overnight eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York (“NYFRB”), as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Administrative Agent for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Borrower. “Federal Reserve Board” means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

“Parent” means Alliance Resource Operating Partners, L.P., a Delaware limited partnership.

“Parent Revolving Facility” means the Parent’s revolving credit facility under the Credit Agreement, as it may be extended, refinanced or refunded by some or all of the lenders thereunder.

“Parent Group” has the meaning set forth in Section 8.03(c).

“Participant” has the meaning set forth in Section 14.03(d).

“Participant Register” has the meaning set forth in Section 14.03(e).

“Participation Advance” has the meaning set forth in Section 3.04(b).

effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law.

“Reportable Event” shall mean any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than a Pension Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

“Representatives” has the meaning set forth in Section 14.06(c).

“Required Capital Amount” means \$12,000,000.

“Responsible Officer” of any Person means, any Financial Officer, any vice president, the secretary, the general counsel, or any other officer of such Person customarily performing functions similar to those performed by any of the above-designated officers or responsible for the administration of the obligations of such Person under the Transaction Documents and also, with respect to a particular matter any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“S&P” means Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business, and any successor thereto that is a nationally recognized statistical rating organization.

“Sale Agreements” means the Purchase and Sale Agreement and the Sale and Contribution Agreement.

“Sale and Contribution Agreement” means the Sale and Contribution Agreement, dated as of the Closing Date, among the Servicer, the Transferor and the Borrower, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Sanctioned Country” means a country subject to a sanctions program maintained under any Anti-Terrorism Law.

“Sanctioned Person” means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person, group, regime, entity or thing, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any Anti-Terrorism Law.

“Scheduled Termination Date” means January 15, ~~2020~~, 2021, as such date may be extended from time to time pursuant to Section 2.02(g).

“SEC” shall mean the U.S. Securities and Exchange Commission or any governmental agencies substituted therefor.

“Secured Parties” means each Credit Party and each Borrower Indemnified Party.

“Securities Act” means the Securities Act of 1933, as amended or otherwise modified from time to time.

“Unmatured Event of Default” means an event that but for notice or lapse of time or both would constitute an Event of Default.

“Unsupported Outstanding Balance” means, for any Receivable at any time, (a) the then Outstanding Balance of such Receivable, less (b) the Supported Outstanding Balance for such Receivable.

“U.S. Tax Compliance Certificate” has the meaning set forth in Section 5.03(f)(ii)(B)(3).

“Volcker Rule” means Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

“Weekly Report” means a report substantially in the form of Exhibit I-1.

“Withdrawal Liability” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Xcoal Receivable” means any Receivable the Obligor of which is Xcoal Energy & Resources LLC or any Affiliate thereof.

“Xcoal Receivables Eligibility Date” has the meaning set forth in clause (x) of the definition of “Eligible Receivables.”

“Yield Reserve” means, at any time of determination, an amount equal to the product of (i) the sum of the Aggregate Capital plus the LC Participation Amount on such date, multiplied by (ii) (x) the Yield Reserve Percentage on such date, divided by (y) 100% minus the Yield Reserve Percentage on such date.

“Yield Reserve Percentage” means, at any time of determination:

$$\frac{1.50 \times \text{DSO} \times (\text{BR} + \text{SFR})}{360}$$

where:

BR = the Base Rate at such time;

DSO = Days’ Sales Outstanding for the month most recently ended; and

SFR = the Servicing Fee Rate.

SECTION 1.02. Other Interpretative Matters. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York and not specifically defined herein, are used herein as defined in such Article 9. Unless otherwise expressly indicated, all references herein to “Article,” “Section,” “Schedule,” “Exhibit” or “Annex” shall mean articles and sections of, and schedules, exhibits and annexes to, this Agreement. For purposes of this Agreement, the other Transaction

b) Each LC Participant shall upon any notice pursuant to clause (a) above make available to the LC Bank an amount in immediately available funds equal to its Pro Rata Share of the amount of the drawing (a “Participation Advance”), whereupon the LC Participants shall each be deemed to have made a Loan to the Borrower in that amount. If any LC Participant so notified fails to make available to the LC Bank the amount of such LC Participant’s Pro Rata Share of such amount by 2:00 p.m. (New York City time) on the Drawing Date, then interest shall accrue on such LC Participant’s obligation to make such payment, from the Drawing Date to the date on which such LC Participant makes such payment (i) at a rate per annum equal to the ~~Federal Funds~~Overnight Bank Funding Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the Base Rate on and after the fourth day following the Drawing Date. The LC Bank will promptly give notice to each LC Participant of the occurrence of the Drawing Date, but failure of the LC Bank to give any such notice on the Drawing Date or in sufficient time to enable any LC Participant to effect such payment on such date shall not relieve such LC Participant from its obligation under this clause (b). Each LC Participant’s Commitment shall continue until the last to occur of any of the following events: (A) the LC Bank ceases to be obligated to issue or cause to be issued Letters of Credit hereunder, (B) no Letter of Credit issued hereunder remains outstanding and uncanceled or (C) all Credit Parties have been fully reimbursed for all payments made under or relating to Letters of Credit.

SECTION 3.05. Repayment of Participation Advances.

(a) Upon (and only upon) receipt by the LC Bank for its account of immediately available funds from or for the account of the Borrower (i) in reimbursement of any payment made by the LC Bank under a Letter of Credit with respect to which any LC Participant has made a Participation Advance to the LC Bank or (ii) in payment of Interest on the Loans made or deemed to have been made in connection with any such draw, the LC Bank will pay to each LC Participant, ratably (based on the outstanding drawn amounts funded by each such LC Participant in respect of such Letter of Credit), in the same funds as those received by the LC Bank; it being understood, that the LC Bank shall retain a ratable amount of such funds that were not the subject of any payment in respect of such Letter of Credit by any LC Participant.

(b) If the LC Bank is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to the LC Bank pursuant to this Agreement in reimbursement of a payment made under a Letter of Credit or interest or fee thereon, each LC Participant shall, on demand of the LC Bank, forthwith return to the LC Bank the amount of its Pro Rata Share of any amounts so returned by the LC Bank plus interest at the ~~Federal Funds~~Overnight Bank Funding Rate, from the date the payment was first made to such LC Participant through, but not including, the date the payment is returned by such LC Participant.

(c) If any Letters of Credit are outstanding and undrawn on the Termination Date, the LC Collateral Account shall be funded from Collections (or, in the Borrower’s sole discretion, by other funds available to the Borrower) in an amount equal to the aggregate undrawn face amount of such Letters of Credit plus all related fees to accrue through the stated expiration dates thereof (such fees to accrue, as reasonably estimated by the LC Bank, the “LC Fee Expectation”).

) Business Day, a written notice from the Majority Lenders stating that such Majority Lenders object to such amendment.

(c) Selection of the replacement index, adjustments to the applicable margins, and amendments to this Agreement (i) will be determined with due consideration to the then-current market practices for determining and implementing a rate of interest for newly originated loans in the United States and loans converted from a rate based on the Euro-Rate to a replacement index-based rate, and (ii) may also reflect adjustments to account for (A) the effects of the transition from the Euro-Rate to the replacement index and (B) yield- or risk-based differences between the Euro-Rate and the replacement index.

(d) Until an amendment reflecting a new replacement index in accordance with this [Section 5.06](#) is effective, any Portion of Capital for which Interest is determined by reference to the Euro-Rate will continue to accrue Interest with reference to the Euro-Rate; provided however, that if the Administrative Agent determines in its commercially reasonable discretion that a LIBOR Termination Date has occurred, then following the LIBOR Termination Date, all Portions of Capital for which Interest would otherwise be determined with reference to the Euro-Rate shall automatically begin accruing Interest with reference to the Base Rate until such time as an amendment reflecting a replacement index and related matters as described above is implemented.

(e) Notwithstanding anything to the contrary contained herein, if at any time the replacement index is less than zero, at such times, such index shall be deemed to be zero for purposes of this Agreement.

(f) This Section 5.06 of the Agreement provides a mechanism for determining an alternative rate of interest in the event that the London interbank offered rate is no longer available or in certain other circumstances. The Administrative Agent does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of the Euro-Rate or with respect to any alternative or successor rate thereto, or replacement rate therefor.

ARTICLE VI

CONDITIONS TO EFFECTIVENESS AND CREDIT EXTENSIONS

SECTION 6.01. Conditions Precedent to Effectiveness and the Initial Credit Extension. This Agreement shall become effective as of the Closing Date when (a) the Administrative Agent shall have received each of the documents, agreements (in fully executed form), opinions of counsel, lien search results, UCC filings, certificates and other deliverables listed on the closing memorandum attached as [Exhibit H](#) hereto, in each case, in form and substance acceptable to the Administrative Agent and (b) all fees and expenses payable by the Borrower on the Closing Date to the Credit Parties have been paid in full in accordance with the terms of the Transaction Documents.

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Section 3: EX-31.1 (EX-31.1)

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 September 30, 2019 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: November 5, 2019

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

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Section 4: EX-31.2 (EX-31.2)

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 September 30, 2019 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: November 5, 2019

/s/ Brian L. Cantrell
Brian L. Cantrell
Senior Vice President and
Chief Financial Officer

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Section 5: EX-32.1 (EX-32.1)

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 and nine months ended September 30, 2019 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 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, Chief Executive Officer and Chairman
of Alliance Resource Management GP, LLC
(the general partner of Alliance Resource Partners, L.P.)

Date: November 5, 2019

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 6: EX-32.2 (EX-32.2)

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 and nine months ended September 30, 2019 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 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 general partner of Alliance Resource Partners, L.P.)*

Date: November 5, 2019

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 7: EX-95.1 (EX-95.1)

EXHIBIT 95.1

Federal Mine Safety and Health Act Information

Our mining operations are subject to extensive and stringent compliance standards established pursuant to the Federal Mine Safety and Health Act of 1977, as amended by the Federal Mine Improvement and New Emergency Response Act of 2006 (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 in the opinion of the MSHA inspector could significantly and substantially contribute to the cause and effect of a mine safety or health hazard. During the three months ended September 30, 2019, our mines were subject to 1,640 MSHA inspection days with an average of only 0.06 S&S citations written per inspection day.

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 regard to 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.

If we disagree with the assertions of an MSHA inspector, we may 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 September 30, 2019, our operating subsidiaries contested approximately 26.5% of all citations and 75.3% 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 Wall Street Reform and Consumer Protection Act ("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 September 30, 2019. 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.

EXHIBIT 95.1

<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	9	-	-	-	-	\$ 18.9
1511935	-	-	-	-	-	\$ -
Warrior Coal, LLC (KY)						
1505230	-	-	-	-	-	\$ -
1512083	-	-	-	-	-	\$ -
1513514	-	-	-	-	-	\$ -
1516460	-	-	-	-	-	\$ -
1517216	12	-	-	-	-	\$ 40.1
1517232	-	-	-	-	-	\$ -
1517678	-	-	-	-	-	\$ -
1517740	-	-	-	-	-	\$ -
1517758	-	-	-	-	-	\$ -
1514335	-	-	-	-	-	\$ 0.2
Hopkins County Coal, LLC (KY)						
1502013	-	-	-	-	-	\$ -
1517377	-	-	-	-	-	\$ -
1517515	-	-	-	-	-	\$ -
1518826	-	-	-	-	-	\$ -
1517378	-	-	-	-	-	\$ -
River View Coal, LLC (KY)						
1503178	1	-	-	-	-	\$ 3.4
1519374	23	-	-	-	-	\$ 54.1
White County Coal, LLC (IL)						
1102662	-	-	-	-	-	\$ -
1103058	-	-	-	-	-	\$ -
Hamilton County Coal, LLC (IL)						
1103242	-	-	-	-	-	\$ -
1103203	16	-	-	-	-	\$ 74.8
Gibson County Coal, LLC (IN)						
1202388	12	-	-	-	-	\$ 46.8
1202215	6	-	-	-	-	\$ 18.4
1202494	-	-	-	-	-	\$ -
Sebree Mining, LLC (KY)						
1519264	-	-	-	-	-	\$ -
1518547	-	-	-	-	-	\$ -
1517044	-	-	-	-	-	\$ -
Appalachia Operations						
MC Mining, LLC (KY)						
1508079	-	-	-	-	-	\$ -
1517733	-	-	-	-	-	\$ 0.1
1519515	2	-	-	-	-	\$ 5.7
1519838	-	-	-	-	-	\$ 0.1
Mettiki Coal, LLC (MD)						
1800621	-	-	-	-	-	\$ -
1800671	-	-	-	-	-	\$ 0.4
1800761	-	-	-	-	-	\$ -
Mettiki Coal (WV), LLC						
4609028	7	-	-	-	-	\$ 29.2
Tunnel Ridge, LLC (PA/WV)						
4608864	5	-	-	-	-	\$ 12.5
Other						
4403236	-	-	-	-	-	\$ -
4403255	-	-	-	-	-	\$ -
4406630	-	-	-	-	-	\$ -
4406867	-	-	-	-	-	\$ -
1502709	-	-	-	-	-	\$ -
Mid-America Carbonates, LLC (IL)						
1103176	-	-	-	-	-	\$ -

EXHIBIT 95.1

<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>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	6	6	4
1511935	-	No	-	-	-
Warrior Coal, LLC (KY)					
1505230	-	No	-	-	-
1512083	-	No	-	-	-
1513514	-	No	-	-	-
1516460	-	No	-	-	-
1517216	1	No	3	2	3
1517232	-	No	-	-	-
1517678	-	No	-	-	-
1517740	-	No	-	-	-
1517758	-	No	-	-	-
1514335	-	No	1	1	-
Hopkins County Coal, LLC (KY)					
1502013	-	No	-	-	-
1517377	-	No	-	-	-
1517515	-	No	-	-	-
1518826	-	No	-	-	-
1517378	-	No	-	-	-
River View Coal, LLC (KY)					
1503178	-	No	1	1	1
1519374	-	No	5	5	2
White County Coal, LLC (IL)					
1102662	-	No	-	-	-
1103058	-	No	-	-	-
Hamilton County Coal, LLC (IL)					
1103242	-	No	-	-	-
1103203	-	No	4	2	2
Gibson County Coal, LLC (IN)					
1202388	-	No	5	4	4
1202215	-	No	2	1	2
1202494	-	No	-	-	-
Sebree Mining, LLC (KY)					
1519264	-	No	-	-	-
1518547	-	No	-	-	-
1517044	-	No	-	-	-
Appalachia Operations					
MC Mining, LLC (KY)					
1508079	-	No	-	-	-
1517733	-	No	-	-	-
1519515	-	No	1	1	1
1519838	-	No	-	-	-
Mettiki Coal, LLC (MD)					
1800621	-	No	-	-	-
1800671	-	No	-	-	-
1800761	-	No	-	-	-
Mettiki Coal (WV), LLC					
4609028	-	No	2	2	-
Tunnel Ridge, LLC (PA/WV)					
4608864	-	No	2	2	-
Other					
4403236	-	No	-	-	-
4403255	-	No	-	-	-
4406630	-	No	-	-	-
4406867	-	No	-	-	-
Mid-America Carbonates, LLC (IL)					
1103176	-	No	1	1	-

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of September 30, 2019 that fall into each of the following categories is as follows:

<u>Subsidiary Name / MSHA Identification Number ⁽¹⁾</u>	<u>Contests of Citations and Orders</u>	<u>Contests of Proposed Penalties ⁽²⁾</u>	<u>Complaints for Compensation</u>	<u>Complaints of Discharge/Discrimination/Interference</u>	<u>Applications for Temporary Relief</u>	<u>Appeals of Judges Rulings</u>
Illinois Basin Operations						
Webster County Coal, LLC (KY)						
1502132	-	6	-	-	-	-
1511935	-	-	-	-	-	-
Warrior Coal, LLC (KY)						
1505230	-	-	-	-	-	-
1512083	-	-	-	-	-	-
1513514	-	-	-	-	-	-
1516460	-	-	-	-	-	-
1517216	-	3	-	-	-	-
1517232	-	-	-	-	-	-
1517678	-	-	-	-	-	-
1517740	-	-	-	-	-	-
1517758	-	-	-	-	-	-
1514335	-	1	-	-	-	-
Hopkins County Coal, LLC (KY)						
1502013	-	-	-	-	-	-
1517377	-	-	-	-	-	-
1517515	-	-	-	-	-	-
1518826	-	-	-	-	-	-
1517378	-	-	-	-	-	-
River View Coal, LLC (KY)						
1503178	-	1	-	-	-	-
1519374	-	5	-	-	-	-
White County Coal, LLC (IL)						
1102662	-	-	-	-	-	-
1103058	-	-	-	-	-	-
Hamilton County Coal, LLC (IL)						
1103242	-	-	-	-	-	-
1103203	-	4	-	-	-	-
Gibson County Coal, LLC (IN)						
1202388	-	5	-	-	-	-
1202215	-	2	-	-	-	-
1202494	-	-	-	-	-	-
Sebree Mining, LLC (KY)						
1519264	-	-	-	-	-	-
1518547	-	-	-	-	-	-
1517044	-	-	-	-	-	-
Appalachia Operations						
MC Mining, LLC (KY)						
1508079	-	-	-	-	-	-
1517733	-	-	-	-	-	-
1519515	-	1	-	-	-	-
1519838	-	-	-	-	-	-
Mettiki Coal, LLC (MD)						
1800621	-	-	-	-	-	-
1800671	-	-	-	-	-	-
1800761	-	-	-	-	-	-
Mettiki Coal (WV), LLC						
4609028	-	2	-	-	-	-
Tunnel Ridge, LLC (PA/WV)						
4608864	-	2	-	-	-	-
Other						
4403236	-	-	-	-	-	-
4403255	-	-	-	-	-	-
4406630	-	-	-	-	-	-
4406867	-	-	-	-	-	-
Mid-America Carbonates, LLC (IL)						
1103176	-	1	-	-	-	-

- (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 time period 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 an alleged "flagrant" failure (*i.e.*, reckless or repeated) to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially and 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 September 30, 2019 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.
- (9) Pursuant to the Procedural Rules of the Federal Mine Safety and Health Review Commission, mine operators may contest the underlying validity and fact of an alleged citation or order, as well as any special findings of an alleged citation or order, including a significant and substantial or unwarrantable failure designation, as part of any proceeding contesting a proposed penalty assessment.

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