
**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, 2014

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.: 0-51952

ALLIANCE HOLDINGS GP, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

03-0573898
(IRS Employer Identification No.)

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

(918) 295-1415
(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [] No

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

Large Accelerated Filer [X] Accelerated Filer [] Non-Accelerated Filer [] Smaller Reporting Company []
(Do not check if smaller reporting company)

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

As of November 7, 2014, 59,863,000 common units are outstanding.

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**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**ALLIANCE HOLDINGS GP, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)**

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,454	\$ 98,375
Trade receivables	175,770	153,662
Other receivables	857	776
Due from affiliates	2,406	1,889
Inventories	67,896	44,214
Advance royalties	10,779	11,454
Prepaid expenses and other assets	2,916	16,264
Total current assets	<u>279,078</u>	<u>326,634</u>
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	2,771,664	2,645,872
Less accumulated depreciation, depletion and amortization	<u>(1,126,199)</u>	<u>(1,031,493)</u>
Total property, plant and equipment, net	1,645,465	1,614,379
OTHER ASSETS:		
Advance royalties	16,312	18,813
Due from affiliate	11,256	11,560
Equity investments in affiliates	201,624	130,410
Other long-term assets	23,561	24,883
Total other assets	<u>252,753</u>	<u>185,666</u>
TOTAL ASSETS	<u>\$ 2,177,296</u>	<u>\$ 2,126,679</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	\$ 99,235	\$ 79,772
Due to affiliates	367	290
Accrued taxes other than income taxes	20,381	19,086
Accrued payroll and related expenses	50,231	47,105
Accrued interest	6,021	996
Workers' compensation and pneumoconiosis benefits	9,287	9,065
Current capital lease obligations	1,305	1,288
Other current liabilities	15,436	18,625
Current maturities, long-term debt	230,000	36,750
Total current liabilities	<u>432,263</u>	<u>212,977</u>
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities	527,500	831,250
Pneumoconiosis benefits	52,131	48,455
Accrued pension benefit	16,290	18,182
Workers' compensation	52,603	54,949
Asset retirement obligations	76,660	80,807
Long-term capital lease obligations	16,005	17,135
Other liabilities	6,031	7,331
Total long-term liabilities	<u>747,220</u>	<u>1,058,109</u>
Total liabilities	<u>1,179,483</u>	<u>1,271,086</u>
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Alliance Holdings GP, L.P. ("AHGP") Partners' Capital:		
Limited Partners – Common Unitholders 59,863,000 units outstanding	561,076	500,070
Accumulated other comprehensive loss	(4,281)	(4,198)
Total AHGP Partners' Capital	<u>556,795</u>	<u>495,872</u>
Noncontrolling interests	441,018	359,721
Total Partners' Capital	<u>997,813</u>	<u>855,593</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$ 2,177,296</u>	<u>\$ 2,126,679</u>

See notes to condensed consolidated financial statements.

ALLIANCE HOLDINGS GP, 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,	
	2014	2013	2014	2013
SALES AND OPERATING REVENUES:				
Coal sales	\$ 548,357	\$ 518,447	\$ 1,649,093	\$ 1,594,530
Transportation revenues	6,001	11,554	17,816	23,459
Other sales and operating revenues	14,872	7,135	42,719	20,595
Total revenues	<u>569,230</u>	<u>537,136</u>	<u>1,709,628</u>	<u>1,638,584</u>
EXPENSES:				
Operating expenses (excluding depreciation, depletion and amortization)	349,170	346,045	1,024,305	1,042,057
Transportation expenses	6,001	11,554	17,816	23,459
Outside coal purchases	3	636	7	2,028
General and administrative	19,185	15,237	57,352	47,956
Depreciation, depletion and amortization	69,646	66,099	203,539	198,688
Total operating expenses	<u>444,005</u>	<u>439,571</u>	<u>1,303,019</u>	<u>1,314,188</u>
INCOME FROM OPERATIONS	125,225	97,565	406,609	324,396
Interest expense (net of interest capitalized for the three months ended September 30, 2013 of \$2,816 and the nine months ended September 30, 2014 and 2013 of \$833 and \$8,220, respectively)	(8,584)	(6,168)	(25,395)	(19,004)
Interest income	432	253	1,238	565
Equity in income (loss) of affiliates, net	68	(5,990)	(13,546)	(15,556)
Other income	549	372	1,178	999
INCOME BEFORE INCOME TAXES	117,690	86,032	370,084	291,400
INCOME TAX BENEFIT	-	(718)	-	(1,307)
NET INCOME	117,690	86,750	370,084	292,707
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(49,141)	(32,539)	(156,741)	(117,517)
NET INCOME ATTRIBUTABLE TO ALLIANCE HOLDINGS GP, L.P. ("NET INCOME OF AHGP")	<u>\$ 68,549</u>	<u>\$ 54,211</u>	<u>\$ 213,343</u>	<u>\$ 175,190</u>
BASIC AND DILUTED NET INCOME OF AHGP PER LIMITED PARTNER UNIT	<u>\$ 1.15</u>	<u>\$ 0.91</u>	<u>\$ 3.56</u>	<u>\$ 2.93</u>
DISTRIBUTIONS PAID PER LIMITED PARTNER UNIT	<u>\$ 0.87</u>	<u>\$ 0.785</u>	<u>\$ 2.545</u>	<u>\$ 2.2875</u>
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING - BASIC AND DILUTED	<u>59,863,000</u>	<u>59,863,000</u>	<u>59,863,000</u>	<u>59,863,000</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	\$ 117,690	\$ 86,750	\$ 370,084	\$ 292,707
OTHER COMPREHENSIVE (LOSS)/INCOME:				
Defined benefit pension plan				
Amortization of actuarial loss (1)	193	557	580	1,675
Total defined benefit pension plan adjustments	193	557	580	1,675
Pneumoconiosis benefits				
Amortization of actuarial (gain)/loss (1)	(263)	168	(789)	503
Total pneumoconiosis benefits adjustments	(263)	168	(789)	503
OTHER COMPREHENSIVE (LOSS)/INCOME	(70)	725	(209)	2,178
COMPREHENSIVE INCOME	117,620	87,475	369,875	294,885
Less: Comprehensive income attributable to noncontrolling interest	(49,102)	(32,951)	(156,615)	(118,713)
COMPREHENSIVE INCOME ATTRIBUTABLE TO AHGP	<u>\$ 68,518</u>	<u>\$ 54,524</u>	<u>\$ 213,260</u>	<u>\$ 176,172</u>

(1) Amortization of actuarial (gain)/loss is included in the computation of net periodic benefit cost (see Notes 8 and 10 for additional details).

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 582,900	\$ 548,884
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(233,659)	(242,653)
Changes in accounts payable and accrued liabilities	145	(354)
Proceeds from sale of property, plant and equipment	272	124
Proceeds from insurance settlement for property, plant and equipment	4,512	-
Purchases of equity investments in affiliate	(85,250)	(47,500)
Payments to affiliate for acquisition and development of coal reserves	(1,401)	(21,318)
Advances/loans to affiliate	-	(7,500)
Net cash used in investing activities	(315,381)	(319,201)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under term loan	(12,500)	-
Borrowings under revolving credit facilities	221,800	211,000
Payments under revolving credit facilities	(301,800)	(216,000)
Payment on long-term debt	(18,000)	(18,000)
Payments on capital lease obligations	(1,113)	(886)
Net settlement of employee withholding taxes on vesting of ARLP Long-Term Incentive Plan	(2,991)	(3,015)
Distributions paid by consolidated partnership to noncontrolling interests	(80,484)	(73,835)
Distributions paid to Partners	(152,352)	(136,937)
Net cash used in financing activities	(347,440)	(237,673)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(79,921)	(7,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	98,375	31,111
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 18,454	\$ 23,121
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 20,381	\$ 21,638
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Accounts payable for purchase of property, plant and equipment	\$ 18,069	\$ 20,618
Market value of ARLP common units issued under ARLP's Long-Term Incentive and Directors Deferred Compensation Plans before minimum statutory tax withholding requirements	\$ 8,417	\$ 8,583
Disposition of property, plant and equipment:		
Net change in assets	\$ 846	\$ -
Book value of liabilities transferred	(5,246)	-
Gain recognized	\$ (4,400)	\$ -

See notes to condensed consolidated financial statements.

ALLIANCE HOLDINGS GP, 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 “AHGP” mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.
- References to “AHGP Partnership” mean the business and operations of Alliance Holdings GP, L.P., the parent company, as well as its consolidated subsidiaries, which include Alliance Resource Management GP, LLC and Alliance Resource Partners, L.P. and its consolidated subsidiaries.
- References to “AGP” mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., also referred to as our general partner.
- References to “ARLP Partnership” mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to “ARLP” mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to “MGP” mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P.
- References to “SGP” mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P.
- 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 operations of Alliance Resource Operating Partners, L.P.

Organization and Formation

We are a Delaware limited partnership listed on the NASDAQ Global Select Market under the ticker symbol “AHGP.” We own directly and indirectly 100% of the members’ interest in MGP, ARLP’s managing general partner. The ARLP Partnership is a diversified producer and marketer of coal to major United States (“U.S.”) utilities and industrial users. ARLP conducts substantially all of its business through its wholly-owned subsidiary, the Intermediate Partnership. ARLP and the Intermediate Partnership were formed in May 1999, to acquire upon completion of ARLP’s initial public offering on August 19, 1999, certain coal production and marketing assets of Alliance Resource Holdings, Inc. (“ARH”), a Delaware corporation. We and ARH, through its wholly-owned subsidiary, SGP, maintain general partner interests in ARLP and the Intermediate Partnership. ARH is owned by Joseph W. Craft III, the Chairman, President and Chief Executive Officer of AGP as well as the President and Chief Executive Officer and a Director of MGP, and Kathleen S. Craft. SGP, a Delaware limited liability company, holds a 0.01% general partner interest in each of ARLP and the Intermediate Partnership.

We are owned 100% by limited partners. Our general partner, AGP, has a non-economic interest in us and is owned by Mr. Craft.

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Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts and operations of the AHGP Partnership and present our financial position as of September 30, 2014 and December 31, 2013, the results of our operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013 and the cash flows for the nine months ended September 30, 2014 and 2013. All of our intercompany transactions and accounts have been eliminated. Net income attributable to Alliance Holdings GP, L.P. from within our accompanying condensed consolidated financial statements will be described as “Net Income of AHGP.”

Since we own MGP, our condensed consolidated financial statements reflect the consolidated results of the ARLP Partnership. The earnings of the ARLP Partnership allocated to its limited partners’ interests not owned by us and allocated to SGP’s general partner interest in ARLP are reflected as net income attributable to noncontrolling interest on our condensed consolidated statement of income and as noncontrolling interest on our condensed consolidated balance sheets. Our consolidated financial statements do not differ materially from those of the ARLP Partnership. The differences between our financial statements and those of the ARLP Partnership are primarily attributable to (a) amounts reported as noncontrolling interests and (b) additional general and administrative costs and taxes attributable to us. The additional general and administrative costs principally consist of costs incurred by us as a result of being a publicly traded partnership, amounts billed by, and reimbursed to, Alliance Coal under an administrative services agreement and amounts billed by, and reimbursed to, AGP under our partnership agreement.

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

These condensed consolidated financial statements and notes are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.

On June 16, 2014, the ARLP Partnership completed a two-for-one split of its common units, whereby holders of record as of May 30, 2014 received a one unit distribution on each unit outstanding on that date. The unit split resulted in the issuance of approximately 37.0 million ARLP common units. Accordingly, AHGP received an additional 15,544,169 ARLP common units, which brought its total ownership to 31,088,338 ARLP common units. All references to the number of ARLP units and distribution amounts included in this report have been adjusted to give effect for this unit split for all periods presented. Provisions of ARLP’s partnership agreement affecting ARLP’s incentive distribution rights that we own have been amended to reflect the unit split.

Use of Estimates

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

2. NEW ACCOUNTING STANDARDS

New Accounting Standards Issued and Not Yet Adopted

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). ASU 2014-08 changes the requirements for reporting discontinued operations in Accounting Standards Codification 205, *Presentation of Financial Statements*, by updating the criteria for determining which disposals can be presented as discontinued operations and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of discontinued operations. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. We do not anticipate the adoption of ASU 2014-08 on January 1, 2015 will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a new revenue recognition standard that provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the new standard is an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently evaluating the effect of adopting ASU 2014-09 on January 1, 2017.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 provides guidance on management’s responsibility in evaluating whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter with early adoption permitted. We do not anticipate the adoption of ASU 2014-15 will have a material impact on our consolidated financial statements.

3. CONTINGENCIES

We are not engaged in any material litigation. The ARLP Partnership is involved in various lawsuits, claims and regulatory proceedings incidental to its business. The ARLP Partnership records an accrual for a potential loss related to these matters when, in management’s opinion, such loss is probable and reasonably estimable. Based on known facts and circumstances, the ARLP Partnership believes the ultimate outcome of these outstanding lawsuits, claims and regulatory proceedings will not have a material adverse effect on its 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 the ARLP Partnership’s accruals, then they could have a material adverse effect.

4. FAIR VALUE MEASUREMENTS

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

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

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

The carrying amounts for cash equivalents, accounts receivable, accounts payable, due from affiliates and due to affiliates approximate fair value because of the short maturity of those instruments. At September 30, 2014 and December 31, 2013, the estimated fair value of the ARLP Partnership's long-term debt, including current maturities, was approximately \$776.1 million and \$884.8 million, respectively, based on interest rates that it believes are currently available to it for issuance of debt with similar terms and remaining maturities (Note 5). The fair value of debt, which is based upon interest rates for similar instruments in active markets, is classified as a Level 2 measurement under the fair value hierarchy.

5. LONG-TERM DEBT

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
ARLP Revolving credit facility	\$ 170,000	\$ 250,000
ARLP Senior notes	-	18,000
ARLP Series A senior notes	205,000	205,000
ARLP Series B senior notes	145,000	145,000
ARLP Term loan	<u>237,500</u>	<u>250,000</u>
	757,500	868,000
Less current maturities	<u>(230,000)</u>	<u>(36,750)</u>
Total long-term debt	<u>\$ 527,500</u>	<u>\$ 831,250</u>

The Intermediate Partnership has \$205.0 million in ARLP Series A and \$145.0 million in ARLP Series B senior notes (collectively, the "2008 Senior Notes"), a \$700.0 million revolving credit facility ("ARLP Revolving Credit Facility") and a \$237.5 million term loan ("ARLP Term Loan") (collectively, with the 2008 Senior Notes and the ARLP Revolving Credit Facility, the "ARLP Debt Arrangements"), which are guaranteed by all of the material direct and indirect subsidiaries of the Intermediate Partnership. At September 30, 2014, current maturities include ARLP Series A Senior notes, due in June 2015, and a portion of the ARLP Term Loan. The ARLP Debt Arrangements contain various covenants affecting the Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by the Intermediate Partnership, incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require the Intermediate Partnership to maintain (a) debt to cash flow ratio of not more than 3.0 to 1.0 and (b) cash flow to interest expense ratio of not less than 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

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expense ratio were 0.97 to 1.0 and 22.9 to 1.0, respectively, for the trailing twelve months ended September 30, 2014. The ARLP Partnership was in compliance with the covenants of the ARLP Debt Arrangements as of September 30, 2014.

At September 30, 2014, the ARLP Partnership had borrowings of \$170.0 million and \$5.4 million of letters of credit outstanding with \$524.6 million available for borrowing under the ARLP Revolving Credit Facility. The ARLP Partnership utilizes the ARLP Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments in affiliates, scheduled debt payments and distribution payments. The ARLP Partnership incurs an annual commitment fee of 0.25% on the undrawn portion of the ARLP Revolving Credit Facility.

6. WHITE OAK TRANSACTIONS

On September 22, 2011 (the “Transaction Date”), the ARLP Partnership entered into a series of transactions with White Oak Resources LLC (“White Oak”) and related entities to support development of a longwall mining operation. The initial longwall system commenced operation in late October 2014. The transactions with White Oak feature several components, including an equity investment in White Oak (represented by “Series A Units” containing certain distribution and liquidation preferences), the acquisition and lease-back of certain coal reserves and surface rights and a construction loan. The ARLP Partnership’s initial investment funding to White Oak at the Transaction Date, consummated utilizing existing cash on hand, was \$69.5 million and it funded an additional \$303.3 million to White Oak between the Transaction Date and September 30, 2014. The ARLP Partnership expects to fund a total of approximately \$395.5 million to \$435.5 million from the Transaction Date through December 31, 2015, which includes the funding made to White Oak through September 30, 2014 discussed above. The ARLP Partnership will continue to assess and provide funding, as needed, to White Oak after December 31, 2015. The ARLP Partnership expects to fund additional commitments utilizing existing cash balances, future cash flows from operations, borrowings under credit facilities and cash provided from the issuance of debt or equity. On the Transaction Date, the ARLP Partnership also entered into a coal handling and preparation agreement, pursuant to which the ARLP Partnership constructed and is operating a preparation plant and other surface facilities. The following information discusses each component of these transactions in further detail.

Hamilton County, Illinois Reserve Acquisition

On the Transaction Date, the ARLP Partnership’s subsidiary, Alliance WOR Properties, LLC (“WOR Properties”), acquired from White Oak the rights to approximately 204.9 million tons of proven and probable high-sulfur coal reserves, of which 105.2 million tons have been developed for mining by White Oak, and certain surface properties and rights in Hamilton County, Illinois (the “Reserve Acquisition”), which is adjacent to White County, Illinois, where the White County Coal, LLC Pattiki mine is located. The asset purchase price of \$33.8 million cash paid at closing was allocated to owned and leased coal rights. Between the Transaction Date and December 31, 2012, WOR Properties provided \$51.6 million to White Oak for development of the acquired coal reserves, fulfilling its initial commitment for further development funding. During the twelve months ended December 31, 2013, WOR Properties acquired from White Oak, for \$25.3 million cash paid at various closings, an additional 90.1 million tons of reserves. During the nine months ended September 30, 2014, WOR Properties acquired from White Oak, for \$1.4 million cash paid at closing, an additional 5.1 million tons of reserves. Of the additional tons acquired in 2013 and the nine months ended September 30, 2014, 48.5 million tons have been developed for mining by White Oak. At September 30, 2014, WOR Properties had provided \$112.1 million to acquire a total of 300.1 million tons of coal reserves and fund the development of the acquired reserves. WOR Properties has a remaining commitment of \$27.9 million for additional coal reserve acquisitions.

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Equity Investment – Series A Units

Concurrent with the Reserve Acquisition, the ARLP Partnership's subsidiary, Alliance WOR Processing, LLC ("WOR Processing"), made an initial equity investment of \$35.7 million in White Oak to purchase Series A Units representing ownership in White Oak. WOR Processing purchased \$129.3 million of additional Series A Units between the Transaction Date and December 31, 2013, and fulfilled WOR Processing's minimum equity investment commitment of \$150.0 million. During the nine months ended September 30, 2014, WOR Processing purchased \$85.3 million of additional Series A Units, bringing the total investment in Series A Units to \$250.3 million at September 30, 2014.

WOR Processing's ownership and member's voting interest in White Oak at September 30, 2014 were 37.5% based upon currently outstanding voting units. The remainder of the equity ownership in White Oak, represented by Series A and B Units, is held by other investors and members of White Oak management.

The ARLP Partnership continually reviews all rights provided to WOR Processing as well as the ARLP Partnership by various agreements with White Oak and the ARLP Partnership continues to conclude that all such rights are protective or participating in nature and do not provide WOR Processing or the ARLP Partnership the ability to unilaterally direct any of the primary activities of White Oak that most significantly impact its economic performance. As such, WOR Processing's interest in White Oak is recognized as an equity investment in affiliate in our consolidated balance sheets. As of September 30, 2014, WOR Processing had invested \$250.3 million in Series A Units of White Oak equity, which represents the ARLP Partnership's current maximum exposure to loss as a result of its equity investment in White Oak exclusive of capitalized interest. White Oak has made no distributions to the ARLP Partnership.

WOR Processing's equity in income or losses of affiliates are recorded under the hypothetical liquidation at book value ("HLBV") method of accounting due to the preferences to which WOR Processing is entitled to distributions. The ARLP Partnership was allocated \$39,000 of losses for the three months ended September 30, 2014 due primarily to losses incurred by White Oak offset in part by the impact of changes in allocations of equity income or losses resulting from the purchase of Series A Units during the period by another White Oak owner concurrent with the continued purchase of Series A Units by WOR Processing. Series A Unit purchases impact the future preferred distributions allocable to each owner and the ongoing allocation of income and losses for GAAP purposes under the HLBV method. For the three months ended September 30, 2013, the ARLP Partnership was allocated losses of \$6.2 million. For the nine months ended September 30, 2014 and 2013, the ARLP Partnership was allocated losses of \$13.8 million and \$16.3 million, respectively.

Services Agreement

Simultaneous with the closing of the Reserve Acquisition, WOR Processing entered into a Coal Handling and Preparation Agreement with White Oak pursuant to which WOR Processing committed to construct and operate a coal preparation plant and related facilities and a rail loop and loadout facility to service the White Oak longwall Mine No. 1. WOR Processing earned throughput fees of \$2.7 million and \$10.1 million, for the three and nine months ended September 30, 2014, respectively, and \$0.6 million for each of the three and nine months ended September 30, 2013, from White Oak for processing and loading coal through the facilities. Throughput fees earned from White Oak are included in the other sales and operating revenues line item within our condensed consolidated statements of income.

In addition, the Intermediate Partnership agreed to loan \$10.5 million to White Oak for the construction of various assets on the surface property, including a bathhouse, office and warehouse ("Construction Loan"). The Construction Loan has a term of 20 years, with repayment scheduled to begin in 2015. White Oak had borrowed the entire amount available under the Construction Loan as of September 30, 2014.

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7. NONCONTROLLING INTERESTS

As required by FASB ASC 810, our noncontrolling ownership interest in consolidated subsidiaries is presented in the condensed consolidated balance sheet within partners' capital as a separate component from the limited partners' equity. In addition, consolidated net income includes earnings attributable to both the limited partners' and the noncontrolling interests.

The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate (Note 1). The following table summarizes the components of noncontrolling interests recorded in Partners' Capital for the periods indicated (in thousands):

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Noncontrolling interests reflected in Partners' Capital:		
Affiliate (SGP)	\$ (303,789)	\$ (303,799)
Non-Affiliates (ARLP's non-affiliate limited partners)	750,454	669,041
Accumulated other comprehensive loss attributable to noncontrolling interests	(5,647)	(5,521)
Total noncontrolling interests	<u>\$ 441,018</u>	<u>\$ 359,721</u>

The noncontrolling interest designated as Affiliate represents SGP's 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership.

The noncontrolling interest designated as Non-Affiliates represents the limited partners' interest in ARLP controlled through the common unit ownership, excluding the 31,088,338 common units of ARLP held by us. The total obligation associated with ARLP's Long-Term Incentive Plan ("ARLP LTIP"), MGP Amended and Restated Deferred Compensation Plan for Directors ("MGP Deferred Compensation Plan") and the Supplemental Executive Retirement Plan ("SERP") are also included in the Non-Affiliates component of noncontrolling interest (Note 9).

The following table summarizes net income attributable to each component of the noncontrolling interests for the periods indicated (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net income attributable to noncontrolling interest:				
Affiliate (SGP)	\$ 17	\$ 11	\$ 55	\$ 41
Non-Affiliates (ARLP's non-affiliate limited partners)	49,124	32,528	156,686	117,476
	<u>\$ 49,141</u>	<u>\$ 32,539</u>	<u>\$ 156,741</u>	<u>\$ 117,517</u>

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The following table summarizes cash distributions paid by ARLP to each component of the noncontrolling interests for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Distributions paid to noncontrolling interests:		
Affiliate (SGP) (1)	\$ 45	\$ 41
Non-Affiliates (ARLP's non-affiliate limited partners) (1)	<u>80,439</u>	<u>73,794</u>
	<u>\$ 80,484</u>	<u>\$ 73,835</u>

(1) Distributions paid to noncontrolling interests, in the table above, represent ARLP's quarterly distributions in accordance with the ARLP partnership agreement.

The Affiliate component of noncontrolling interest represents SGP's cumulative investment basis in the net assets of the ARLP Partnership. After the consummation of the various transactions associated with the ARLP Partnership's formation and initial public offering in 1999 (which included the contribution of net assets by SGP to the ARLP Partnership, the retention by SGP of debt borrowings assumed by ARLP and a distribution by ARLP to SGP), SGP's investment basis in ARLP totaled \$(303.9) million. SGP's investment basis as of September 30, 2014 and December 31, 2013 also reflects the cumulative amount of nominal ARLP income allocations and distributions to SGP and nominal contributions by SGP to ARLP and the Intermediate Partnership to maintain its general partner interests.

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The following tables present the change in Partners' Capital for the nine months ended September 30, 2014 and 2013 (in thousands):

Alliance Holdings GP, L.P.				
	Limited Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Partners' Capital
Balance at January 1, 2014	\$ 500,070	\$ (4,198)	\$ 359,721	\$ 855,593
Net income	213,343	-	156,741	370,084
Other comprehensive loss	-	(83)	(126)	(209)
Settlement of directors deferred compensation	(218)	-	-	(218)
Vesting of ARLP Long-Term Incentive Plan	-	-	(2,991)	(2,991)
Common unit-based compensation	233	-	8,157	8,390
Distributions on ARLP common unit-based compensation	-	-	(1,666)	(1,666)
Distributions to AHGP Partners	(152,352)	-	-	(152,352)
Distributions paid by consolidated partnership to noncontrolling interest	-	-	(78,818)	(78,818)
Balance at September 30, 2014	<u>\$ 561,076</u>	<u>\$ (4,281)</u>	<u>\$ 441,018</u>	<u>\$ 997,813</u>

Alliance Holdings GP, L.P.				
	Limited Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Partners' Capital
Balance at January 1, 2013	\$ 448,976	\$ (18,296)	\$ 277,095	\$ 707,775
Net income	175,190	-	117,517	292,707
Other comprehensive income	-	982	1,196	2,178
Vesting of ARLP Long-Term Incentive Plan	-	-	(3,015)	(3,015)
Common unit-based compensation	224	-	6,437	6,661
Distributions on ARLP common unit-based compensation	-	-	(1,282)	(1,282)
Distributions to AHGP Partners	(136,937)	-	-	(136,937)
Distributions paid by consolidated partnership to noncontrolling interest	-	-	(72,553)	(72,553)
Balance at September 30, 2013	<u>\$ 487,453</u>	<u>\$ (17,314)</u>	<u>\$ 325,395</u>	<u>\$ 795,534</u>

8. WORKERS' COMPENSATION AND PNEUMOCONIOSIS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Beginning balance	\$ 61,515	\$ 80,630	\$ 62,909	\$ 77,046
Accruals increase	1,291	452	8,755	8,399
Payments	(2,667)	(2,553)	(8,194)	(8,156)
Interest accretion	646	621	1,939	1,861
Valuation gain (1)	-	-	(4,624)	-
Ending balance	<u>\$ 60,785</u>	<u>\$ 79,150</u>	<u>\$ 60,785</u>	<u>\$ 79,150</u>

- (1) The liability for the estimated present value of current workers' compensation benefits is based on the ARLP Partnership's actuarial estimates. The ARLP Partnership's actuarial calculations are based on a blend of actuarial projection methods and numerous assumptions including claim development patterns, mortality, medical costs and interest rates. The ARLP Partnership conducted a mid-year review of its actuarial assumptions which resulted in a valuation gain in June 2014 primarily attributable to favorable changes in claims development, offset partially by a decrease in the discount rate used to calculate the estimated present value of future obligations from 4.11% at December 31, 2013 to 3.67% at June 30, 2014.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	\$ 857	\$ 953	\$ 2,571	\$ 2,858
Interest cost	566	563	1,697	1,690
Amortization of net (gain)/loss (1)	(263)	168	(789)	503
Net periodic benefit cost	<u>\$ 1,160</u>	<u>\$ 1,684</u>	<u>\$ 3,479</u>	<u>\$ 5,051</u>

- (1) Amortization of net (gain)/loss is included in the operating expenses line item within our condensed consolidated statements of income.

9. COMPENSATION PLANS

ARLP Partnership

The ARLP Partnership has established the ARLP LTIP for certain employees and officers of MGP and its affiliates who perform services for the ARLP Partnership. The ARLP LTIP awards are grants of non-vested "phantom" or notional units, which upon satisfaction of vesting requirements, entitle the ARLP LTIP participant to receive ARLP common units. Annual grant levels and vesting provisions for designated participants are recommended by the President and Chief Executive Officer of the MGP, subject to review and approval of the compensation committee of the MGP board of directors (the "MGP

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Compensation Committee”). On January 22, 2014, the MGP Compensation Committee determined that the vesting requirements for the 2011 grants of 202,742 restricted units (which is net of 14,090 forfeitures) had been satisfied as of January 1, 2014. As a result of this vesting, on February 14, 2014, the ARLP Partnership issued 128,610 unrestricted common units to the ARLP LTIP participants. The remaining units were settled in cash to satisfy the individual statutory minimum tax obligations of the ARLP LTIP participants. On January 22, 2014, the MGP Compensation Committee authorized additional grants of up to 370,410 restricted units, of which 356,154 were granted during the nine months ended September 30, 2014 and will vest on January 1, 2017, subject to satisfaction of certain financial tests. The fair value of these 2014 grants is equal to the intrinsic value at the date of grant, which was \$40.72 per unit. ARLP LTIP expense was \$2.5 million and \$1.8 million for the three months ended September 30, 2014 and 2013, respectively, and \$7.1 million and \$5.4 million for the nine months ended September 30, 2014 and 2013, respectively. After consideration of the January 1, 2014 vesting and subsequent issuance of 128,610 common units, approximately 3.9 million units remain available under the ARLP LTIP for issuance in the future, assuming all grants issued in 2012, 2013 and 2014 currently outstanding are settled with ARLP common units, without reduction for tax withholding, and no future forfeitures occur.

As of September 30, 2014, there was \$15.1 million in total unrecognized compensation expense related to the non-vested ARLP LTIP grants that are expected to vest. That expense is expected to be recognized over a weighted-average period of 1.4 years. As of September 30, 2014, the intrinsic value of the non-vested ARLP LTIP grants was \$36.3 million. As of September 30, 2014, the total obligation associated with the ARLP LTIP was \$15.4 million and is included in the noncontrolling interests line item in our condensed consolidated balance sheets.

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

AHGP Partnership

We have also adopted a Long-Term Incentive Plan (the “AHGP LTIP”) for employees, directors and consultants of our general partner and its affiliates, including the ARLP Partnership. Grants under the AHGP LTIP are to be made in AHGP restricted units, which are “phantom” units that entitle the grantee to receive either a common unit or equivalent amount of cash upon the vesting of the phantom units. The aggregate number of common units reserved for issuance under the AHGP LTIP is 5,215,000. There have been no grants under the AHGP LTIP as of September 30, 2014.

SERP and Directors Deferred Compensation Plans

The ARLP Partnership has 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. The SERP is administered by the MGP Compensation Committee.

Our directors participate in the AGP Amended and Restated Deferred Compensation Plan for Directors (“AGP Deferred Compensation Plan”), and the directors of MGP participate in the MGP Deferred Compensation Plan (collectively, the “Deferred Compensation Plans”). Pursuant to the Deferred Compensation Plans, 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 or AHGP, as appropriate, which are described in the Deferred Compensation Plans as “phantom” units.

For both the SERP and Deferred Compensation Plans, when quarterly cash distributions are made with respect to ARLP or AHGP common units, an amount equal to such quarterly distribution is credited

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to each participant's notional account as additional phantom units. All grants of phantom units under the SERP and Deferred Compensation Plans vest immediately.

For the nine months ended September 30, 2014 and 2013, SERP and MGP Deferred Compensation Plan participant notional account balances were credited with a total of 15,860 and 21,670 phantom units, respectively, and the fair value of these phantom units was \$44.47 per unit and \$34.16 per unit, respectively, on a weighted-average basis. For the nine months ended September 30, 2014 and 2013, AGP Deferred Compensation Plan participant notional account balances were credited with a total of 3,745 and 4,086 phantom units, respectively, and the fair value of these phantom units was \$62.20 per unit and \$54.61 per unit, respectively, on a weighted-average basis. Total SERP and Deferred Compensation Plans expense was approximately \$0.4 million for each of the three months ended September 30, 2014 and 2013, and \$1.1 million for each of the nine months ended September 30, 2014 and 2013.

As of September 30, 2014, there were 375,517 total phantom units outstanding under the SERP and Deferred Compensation Plans and the total intrinsic value of the SERP and Deferred Compensation Plans phantom units was \$16.6 million. As of September 30, 2014, the total obligation associated with the SERP and MGP Deferred Compensation Plan was \$12.0 million, which was included in the noncontrolling interests line item in our condensed consolidated balance sheets. The total obligation associated with the AGP Deferred Compensation Plan was \$1.0 million, which was included in the partners' capital-limited partners line item in our condensed consolidated balance sheets. On February 14, 2014, the ARLP Partnership issued 5,916 ARLP common units to MGP directors under the MGP Deferred Compensation Plan. On February 14, 2014, we provided 3,572 AHGP common units to an AGP director under the AGP Deferred Compensation Plan.

10. COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COSTS

Eligible employees at certain of the ARLP Partnership's mining operations participate in a defined benefit plan (the "Pension Plan") sponsored by the ARLP Partnership. The benefit formula for the Pension Plan is a fixed dollar unit based on years of service.

Components of the net periodic benefit cost for each of the periods presented are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Service cost	\$ 543	\$ 674	\$ 1,630	\$ 2,108
Interest cost	1,019	929	3,056	2,710
Expected return on plan assets	(1,368)	(930)	(4,106)	(3,094)
Amortization of net loss (1)	193	557	580	1,675
Net periodic benefit cost	<u>\$ 387</u>	<u>\$ 1,230</u>	<u>\$ 1,160</u>	<u>\$ 3,399</u>

(1) Amortization of net loss is included in the operating expenses line item within our condensed consolidated statements of income.

We previously disclosed in our financial statements for the year ended December 31, 2013 that the ARLP Partnership expected to contribute \$3.6 million to the Pension Plan in 2014. During the nine months ended September 30, 2014, the ARLP Partnership made contribution payments of \$0.8 million to the Pension Plan for the 2013 plan year and \$1.7 million for the 2014 plan year. On October 15, 2014, the ARLP Partnership made a contribution payment of \$0.2 million for the 2014 plan year.

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On August 8, 2014, new federal legislation extending the *Moving Ahead for Progress in the 21st Century Act* was passed, which includes a provision aimed at stabilizing the interest rates used to calculate pension plan liabilities for pension funding purposes. The ARLP Partnership anticipates that as a result of this new legislation, that it will not make any further contributions during 2014 beyond the \$2.7 million noted above.

11. SEGMENT INFORMATION

The ARLP Partnership operates in the eastern U.S. as a producer and marketer of coal to major utilities and industrial users. We aggregate multiple operating segments into four reportable segments: the Illinois Basin, Appalachia, White Oak and Other and Corporate. The first two reportable segments correspond to major coal producing regions in the eastern U.S. Similar economic characteristics for the operating segments within each of these two reportable segments generally include coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The White Oak reportable segment includes the ARLP Partnership's activities associated with the White Oak longwall Mine No. 1, which commenced initial longwall operation in late October 2014.

The Illinois Basin reportable segment is comprised of multiple operating segments, including Webster County Coal, LLC's Dotiki mining complex, Gibson County Coal, LLC's mining complex, which includes the Gibson North mine and Gibson South mine, Hopkins County Coal, LLC's Elk Creek mining complex, White County Coal, LLC's Pattiki mining complex, Warrior Coal, LLC's mining complex, Sebree Mining, LLC's mining complex, which includes the Onton mine, and River View Coal, LLC's mining complex. The development of the Gibson South mine continues and includes incidental production which began in April 2014.

The Appalachian reportable segment is comprised of multiple operating segments, including the Mettiki mining complex, the Tunnel Ridge, LLC mining complex, the MC Mining, LLC mining complex and the Penn Ridge Coal, LLC ("Penn Ridge") property. The Mettiki mining complex includes Mettiki Coal (WV), LLC's Mountain View mine, Mettiki Coal, LLC's preparation plant and a small third-party mining operation which has been idled since July 2013. The ARLP Partnership is in the process of permitting the Penn Ridge property for future mine development.

The White Oak reportable segment is comprised of two operating segments, WOR Processing and WOR Properties. WOR Processing includes both the surface operations at White Oak and the equity investment in White Oak. WOR Properties owns coal reserves acquired from White Oak under lease-back arrangements (Note 6).

The Other and Corporate segment includes the ARLP Partnership and AHGP's marketing and administrative expenses, Alliance Service, Inc. ("ASI") and its subsidiary, Matrix Design Group, LLC ("Matrix Design"), Alliance Design Group, LLC ("Alliance Design") (collectively, Matrix Design and Alliance Design are referred to as the "Matrix Group"), ASI's ownership of aircraft, the Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") dock activities, coal brokerage activity, the ARLP Partnership's equity investment in Mid-America Carbonates, LLC, certain activities of Alliance Resource Properties, the Pontiki Coal, LLC mining complex ("Pontiki"), which ceased operations in November 2013 and sold most of its assets in May 2014, and Wildcat Insurance, LLC.

As a result of the cessation of operations at Pontiki in November 2013, the ARLP Partnership evaluated the ongoing management of its mining operations and coal sales efforts to ensure that resources were appropriately allocated to maximize overall results. Based on this evaluation, the ARLP Partnership has realigned the management of its operating and marketing teams and changed the reportable segment presentation to reflect this realignment. Due to the change in our reportable segment presentation in 2014, certain reclassifications of 2013 segment information have been made to conform to the 2014 presentation. These reclassifications include changes to the Appalachian segment and Other and Corporate segment.

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Reportable segment results as of and for the three and nine months ended September 30, 2014 and 2013 are presented below.

	Illinois Basin	Appalachia	White Oak	Other and Corporate	Elimination (1)	Consolidated
	(in thousands)					
Reportable segment results for the three months ended September 30, 2014 were as follows:						
Total revenues (2)	\$ 392,401	\$ 167,391	\$ 3,583	\$ 7,632	\$ (1,777)	\$ 569,230
Segment Adjusted EBITDA Expense (3)	245,481	95,956	2,144	6,820	(1,777)	348,624
Segment Adjusted EBITDA (4)(5)	143,854	68,501	1,401	917	-	214,673
Capital expenditures (7)	62,583	13,371	247	2,880	-	79,081
Reportable segment results for the three months ended September 30, 2013 were as follows:						
Total revenues (2)	\$ 405,597	\$ 111,789	\$ 566	\$ 23,437	\$ (4,253)	\$ 537,136
Segment Adjusted EBITDA Expense (3)	239,962	89,578	546	20,476	(4,253)	346,309
Segment Adjusted EBITDA (4)(5)	156,790	19,504	(6,190)	3,179	-	173,283
Capital expenditures (7)	58,569	14,528	6,632	2,352	-	82,081
Reportable segment results as of and for the nine months ended September 30, 2014 were as follows:						
Total revenues (2)	\$ 1,213,426	\$ 468,671	\$ 11,451	\$ 23,360	\$ (7,280)	\$ 1,709,628
Segment Adjusted EBITDA Expense (3)	731,014	275,446	5,160	18,794	(7,280)	1,023,134
Segment Adjusted EBITDA (4)(5)	473,362	184,460	(7,511)	4,821	-	655,132
Total assets (6)	1,136,731	591,516	390,013	60,436	(1,400)	2,177,296
Capital expenditures (7)	180,458	42,040	2,426	10,136	-	235,060
Reportable segment results as of and for the nine months ended September 30, 2013 were as follows:						
Total revenues (2)	\$ 1,210,806	\$ 367,733	\$ 566	\$ 74,288	\$ (14,809)	\$ 1,638,584
Segment Adjusted EBITDA Expense (3)	707,810	282,056	1,074	66,955	(14,809)	1,043,086
Segment Adjusted EBITDA (4)(5)	488,634	76,581	(16,777)	8,045	-	556,483
Total assets (6)	1,064,268	605,759	306,002	75,809	(865)	2,050,973
Capital expenditures (7)	163,595	58,947	35,502	5,927	-	263,971

- (1) The elimination column represents the elimination of intercompany transactions and is primarily comprised of sales from the Matrix Group to the ARLP Partnership's mining operations and coal sales and purchases between mining operations (2013 only).
- (2) Revenues included in the Other and Corporate column are primarily attributable to the Matrix Group revenues, Mt. Vernon transloading revenues, brokerage sales and Pontiki's coal sales revenue (primarily 2013).
- (3) Segment Adjusted EBITDA Expense includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to the ARLP Partnership's customers and consequently it does not realize any gain or loss on transportation revenues. We review Segment Adjusted EBITDA Expense per ton for cost trends.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Segment Adjusted EBITDA Expense	\$ 348,624	\$ 346,309	\$ 1,023,134	\$ 1,043,086
Outside coal purchases	(3)	(636)	(7)	(2,028)
Other income	549	372	1,178	999
Operating expenses (excluding depreciation, depletion and amortization)	<u>\$ 349,170</u>	<u>\$ 346,045</u>	<u>\$ 1,024,305</u>	<u>\$ 1,042,057</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Consolidated Segment Adjusted EBITDA	\$ 214,673	\$ 173,283	\$ 655,132	\$ 556,483
General and administrative	(19,185)	(15,237)	(57,352)	(47,956)
Depreciation, depletion and amortization	(69,646)	(66,099)	(203,539)	(198,688)
Interest expense, net	(8,152)	(5,915)	(24,157)	(18,439)
Income tax benefit	-	718	-	1,307
Net income	<u>\$ 117,690</u>	<u>\$ 86,750</u>	<u>\$ 370,084</u>	<u>\$ 292,707</u>

- (5) Segment Adjusted EBITDA attributable to the White Oak segment includes equity in income (loss) of affiliates for the three and nine months ended September 30, 2014 of \$39,000 and \$(13.8) million, respectively, and \$0.2 million and \$0.3 million, respectively, included in the Other and Corporate segment. Segment Adjusted EBITDA includes equity in income (loss) of affiliates for the three and nine months ended September 30, 2013 of \$(6.2) million and \$(16.3) million, respectively, included in the White Oak segment and \$0.1 million and \$0.7 million, respectively, included in the Other and Corporate segment.
- (6) Total assets for the White Oak and Other and Corporate segments include investments in affiliate of \$200.1 million and \$1.5 million, respectively, at September 30, 2014 and \$122.7 million and \$1.6 million, respectively, at September 30, 2013.
- (7) Capital expenditures shown above include funding to White Oak of \$1.4 million for the nine months ended September 30, 2014, no funding for the three months ended September 30, 2014 and \$2.5 million and \$21.3 million of funding, respectively, for the three and nine months ended September 30, 2013, for the acquisition and development of coal reserves from White Oak (Note 6), which is described as "Payments to affiliate for acquisition and development of coal reserves" in our condensed consolidated statements of cash flow.

12. SUBSEQUENT EVENTS

On October 27, 2014, we declared a quarterly distribution for the quarter ended September 30, 2014, of \$0.8925 per unit on all common units outstanding, totaling approximately \$53.4 million, payable on November 19, 2014 to all unitholders of record as of November 12, 2014.

On October 27, 2014, the ARLP Partnership declared a quarterly distribution for the quarter ended September 30, 2014, of \$0.6375 per unit, on all common units outstanding, totaling approximately \$81.8 million (which includes MGP's incentive distributions), payable on November 14, 2014 to all unitholders of record as of November 7, 2014.

**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 "AHGP" mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.
- References to "AHGP Partnership" mean the business and operations of Alliance Holdings GP, L.P., the parent company, as well as its consolidated subsidiaries, which include Alliance Resource Management GP, LLC and Alliance Resource Partners, L.P. and its consolidated subsidiaries.
- References to "AGP" mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., also referred to as our general partner.
- References to "ARLP Partnership" mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to "ARLP" mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to "MGP" mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P.
- References to "SGP" mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P.
- 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 operations of Alliance Resource Operating Partners, L.P.

Summary

Our cash flows currently consist primarily of distributions from ARLP for our ARLP partnership interests, including the incentive distribution rights that we own. We reflect our ownership interest in the ARLP Partnership on a consolidated basis, which means that our financial results are combined with the ARLP Partnership's financial results and the results of our other subsidiaries. The earnings of the ARLP Partnership allocated to its limited partners' interest not owned by us and allocated to SGP's general partner interest in ARLP are reflected as a noncontrolling interest in our condensed consolidated statement of income and balance sheet. In addition to the ARLP Partnership, our results of operations include the results of operations of MGP, our wholly-owned subsidiary.

The AHGP Partnership's results of operations principally reflect the results of operations of the ARLP Partnership adjusted for noncontrolling partners' interest in the ARLP Partnership's net income. Accordingly, the discussion of our financial position and results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" reflects the operating activities and results of operations of the ARLP Partnership.

The ARLP Partnership is a diversified producer and marketer of coal primarily to major United States ("U.S.") utilities and industrial users. The ARLP Partnership began mining operations in 1971 and, since then, has grown through acquisitions and internal development to become the third largest coal producer in the eastern U.S. As is customary in the coal industry, the ARLP Partnership has entered into long-term coal supply agreements with many of its customers. The ARLP Partnership operates ten underground mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia and it operates a coal loading terminal on the Ohio River at Mt. Vernon, Indiana. The development of an

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additional mine (the “Gibson South mine”) at the ARLP Partnership’s southern Indiana Gibson County Coal, LLC mining complex (“Gibson County Coal”) continues and includes incidental production which began in April 2014. Also, the ARLP Partnership owns a preferred equity interest and is making additional equity investments in White Oak Resources LLC (“White Oak”), the ARLP Partnership owns and is purchasing additional coal reserves under lease-back arrangements with White Oak, and has constructed and is operating surface facilities at White Oak’s new longwall mining complex in southern Illinois. White Oak’s initial longwall system commenced operation in late October 2014.

We have four reportable segments: Illinois Basin, Appalachia, White Oak and Other and Corporate. The first two reportable segments correspond to major coal producing regions in the eastern U.S. Factors similarly affecting financial performance of the operating segments within each of these two reportable segments generally include coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The White Oak segment includes activities associated with the White Oak longwall Mine No. 1 in southern Illinois more fully described below.

- *Illinois Basin* reportable segment is comprised of multiple operating segments, including Webster County Coal, LLC’s Dotiki mining complex (“Dotiki”), Gibson County Coal, which includes the Gibson North mine and Gibson South mine, Hopkins County Coal, LLC mining complex (“Hopkins”), which includes the Elk Creek mine and the Fies property, White County Coal, LLC’s Pattiki mining complex (“Pattiki”), Warrior Coal, LLC’s mining complex (“Warrior”), Sebree Mining, LLC’s mining complex (“Sebree”), which includes the Onton mine, Steamport, LLC and certain undeveloped coal reserves, River View Coal, LLC’s mining complex (“River View”), CR Services, LLC, and certain properties of Alliance Resource Properties, LLC (“Alliance Resource Properties”), ARP Sebree, LLC and ARP Sebree South, LLC. The development of the Gibson South mine continues and includes incidental production which began in April 2014. The Sebree and Fies properties are held by the ARLP Partnership for future mine development.
- *Appalachian* reportable segment is comprised of multiple operating segments, including the Mettiki mining complex (“Mettiki”), the Tunnel Ridge, LLC mining complex (“Tunnel Ridge”), the MC Mining, LLC mining complex (“MC Mining”) and the Penn Ridge Coal, LLC (“Penn Ridge”) property. The Mettiki mining complex includes Mettiki Coal (WV), LLC’s Mountain View mine, Mettiki Coal, LLC’s preparation plant and a small third-party mining operation which has been idled since July 2013. The ARLP Partnership is in the process of permitting the Penn Ridge property for future mine development.
- *White Oak* reportable segment is comprised of two operating segments, Alliance WOR Properties, LLC (“WOR Properties”) and Alliance WOR Processing, LLC (“WOR Processing”). WOR Properties owns coal reserves acquired from White Oak, and is committed to acquiring additional reserves from White Oak, under lease-back arrangements. WOR Properties has also provided certain funding to White Oak for development of these reserves. WOR Processing includes both the surface operations at White Oak and the equity investments the ARLP Partnership is making in White Oak. The White Oak reportable segment also includes a loan to White Oak from the Intermediate Partnership to construct certain surface facilities. For more information on White Oak, please read “Item 1. Financial Statements (Unaudited) – Note 6. White Oak Transactions” of this Quarterly Report on Form 10-Q.
- *Other and Corporate* segment includes marketing and administrative expenses, Alliance Service, Inc. (“ASI”) and its subsidiary, Matrix Design Group, LLC (“Matrix Design”), Alliance Design Group, LLC, ASI’s ownership of aircraft, the Mt. Vernon Transfer Terminal, LLC (“Mt. Vernon”) dock activities, coal brokerage activity, the ARLP Partnership’s equity investment in Mid-America Carbonates, LLC (“MAC”), certain activities of Alliance Resource Properties, the

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Pontiki Coal, LLC mining complex (“Pontiki”) which ceased operations in November 2013 and sold most of its assets in May 2014, and Wildcat Insurance, LLC (“Wildcat Insurance”), which was established in September 2014 to assist the ARLP Partnership with its insurance requirements.

As a result of a change in our reportable segments in 2014, certain reclassifications of 2013 segment information have been made to conform to the 2014 presentation. These reclassifications include changes to the Appalachian reportable segment and Other and Corporate segment.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

We reported net income of \$117.7 million for the three months ended September 30, 2014 (“2014 Quarter”) compared to \$86.8 million for the three months ended September 30, 2013 (“2013 Quarter”). The increase of \$30.9 million was principally due to increased sales and production volumes, which rose to 9.8 million tons sold and 10.2 million tons produced in the 2014 Quarter compared to 9.5 million tons sold and 9.7 million tons produced in the 2013 Quarter. The increase in tons sold and produced resulted from increased volumes at the Tunnel Ridge, Onton and MC Mining mines, new development coal production at the Gibson South mine and strong sales performance at the Dotiki mine. Net income was also favorably impacted by a \$1.26 increase in average coal sales price per ton sold to \$55.81 per ton sold in the 2014 Quarter compared to \$54.55 per ton sold in the 2013 Quarter. Higher operating expenses during the 2014 Quarter primarily resulted from increased sales and production volumes, which particularly impacted sales-related expenses, materials and supplies expenses, labor-related expenses and maintenance costs compared to the 2013 Quarter. Increases in operating expenses were partially offset by higher costs in the 2013 Quarter related to costs associated with an adverse geological event at the Onton mine.

	Three Months Ended September 30,			
	2014	2013	2014	2013
	(in thousands)		(per ton sold)	
Tons sold	9,825	9,504	N/A	N/A
Tons produced	10,219	9,682	N/A	N/A
Coal sales	\$548,357	\$518,447	\$55.81	\$54.55
Operating expenses and outside coal purchases	\$349,173	\$346,681	\$35.54	\$36.48

Coal sales. Coal sales for the 2014 Quarter increased 5.8% to \$548.4 million from \$518.4 million for the 2013 Quarter. The increase of \$30.0 million in coal sales reflected the benefit of increased tons sold (contributing \$17.6 million in additional coal sales) and higher average coal sales prices (contributing \$12.4 million in coal sales). Average coal sales prices in the 2014 Quarter increased to \$55.81 compared to \$54.55 per ton in the 2013 Quarter, primarily as a result of higher-priced coal sales at the Mettiki and Tunnel Ridge mines and higher-priced coal sales from development production at the Gibson South mine.

Operating expenses and outside coal purchases. Operating expenses and outside coal purchases combined increased slightly to \$349.2 million for the 2014 Quarter from \$346.7 million for the 2013 Quarter, primarily due to increased coal sales and production volumes. On a per ton basis, operating expenses and outside coal purchases decreased 2.6% to \$35.54 per ton sold primarily due to the favorable impact of increased lower-cost production at the Tunnel Ridge mine, strong production performance at the MC Mining mine, improved production and operating conditions at the Onton mine and the absence of higher cost production at the Pontiki mine, which was closed in late 2013. Operating expenses were impacted by various other factors, the most significant of which are discussed below:

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- Labor and benefit expenses per ton produced, excluding workers' compensation, decreased 1.8% to \$11.70 per ton in the 2014 Quarter from \$11.92 per ton in the 2013 Quarter. This decrease of \$0.22 per ton was primarily attributable to lower labor and benefit costs per ton resulting from increased production discussed above and lower medical expenses at the Mettiki mine, partially offset by higher labor cost per ton resulting from decreased coal recoveries at the Warrior and Gibson North mines, higher labor and benefit costs per ton during the development phase of the Gibson South mine and higher medical expense at certain Illinois Basin mines;
- Material and supplies expenses per ton produced were \$11.96 for the 2014 and 2013 Quarters. Material and supplies expenses remained unchanged on a per ton basis due to the increase in cost of certain products and services, primarily roof support (increase of \$0.13 per ton), various preparation plant expenses (increase of \$0.11 per ton) and other outside services used in the mining process (increase of \$0.09 per ton), offset by the decrease in cost of certain products and services, primarily attributable to safety-related expenses (decrease of \$0.36 per ton) and contract labor used in the mining process (decrease of \$0.08 per ton). Lower safety-related materials and supplies in the 2014 Quarter resulted from the absence of higher costs associated with the adverse geological event at the Onton mine which occurred in the 2013 Quarter;
- Maintenance expenses per ton produced increased 1.8% to \$4.00 per ton in the 2014 Quarter from \$3.93 per ton in the 2013 Quarter. The increase of \$0.07 per ton produced was primarily due to higher cost production during the development phase of the Gibson South mine, partially offset by increased production at certain locations as discussed above and the absence of higher cost production at the Pontiki mine;
- Production taxes and royalties expenses (which were incurred as a percentage of coal sales prices and volumes) increased \$0.22 per produced ton sold in the 2014 Quarter compared to the 2013 Quarter primarily as a result of increased sales and production from certain mines in states with higher severance tax rates; and
- Operating expenses for the 2014 Quarter were also favorably impacted by the absence of \$3.8 million of asset retirements which occurred in the 2013 Quarter resulting from the adverse geological event at the Onton mine.

Other sales and operating revenues. Other sales and operating revenues are principally comprised of Mt. Vernon transloading revenues, Matrix Design sales, throughput fees received from White Oak and other outside services. Other sales and operating revenues increased to \$14.9 million in the 2014 Quarter from \$7.1 million in the 2013 Quarter. The increase of \$7.8 million was primarily due to increased White Oak throughput fees, payments in lieu of shipments received from a customer in the 2014 Quarter related to an Appalachian coal sales contract and increased Matrix Design sales.

General and administrative. General and administrative expenses for the 2014 Quarter increased to \$19.2 million compared to \$15.2 million in the 2013 Quarter. The increase of \$4.0 million was primarily due to increased incentive compensation expense and other professional services.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to \$69.6 million for the 2014 Quarter from \$66.1 million for the 2013 Quarter. The increase of \$3.5 million was primarily attributable to increased production volumes mentioned above, as well as capital expenditures related to production expansion and infrastructure investments at various operations.

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Interest expense. Interest expense, net of capitalized interest, increased to \$8.6 million for the 2014 Quarter from \$6.2 million for the 2013 Quarter. The increase of \$2.4 million was principally attributable to decreased capitalized interest on the equity investment in White Oak and increased borrowings under the revolving credit facilities during the 2014 Quarter. This increase was partially offset by principal repayments, made during 2014, of \$12.5 million and \$18.0 million on the term loan and original senior notes issued in 1999, respectively. Interest payable under the senior notes, term loan and revolving credit facilities is discussed below under “–Debt Obligations.”

Equity in income (loss) of affiliates, net. Equity in income (loss) of affiliates, net includes the equity investments in MAC and White Oak. For the 2014 Quarter, the ARLP Partnership recognized net equity in income of affiliates of \$0.1 million compared to net equity in loss of affiliates of \$6.0 million for the 2013 Quarter. The change in net equity in earnings of affiliates is primarily related to the equity investment in White Oak and the impact of changes in allocations of equity income or losses resulting from equity contributions during the 2014 Quarter by another White Oak owner partially offset by increased losses incurred by White Oak during the 2014 Quarter. Equity contributions impact the future preferred distributions allocable to each owner and the ongoing allocation of income and losses for generally accepted accounting principles (“GAAP”) purposes.

Transportation revenues and expenses. Transportation revenues and expenses were \$6.0 million and \$11.6 million for the 2014 and 2013 Quarters, respectively. The decrease of \$5.6 million was primarily attributable to a decrease in average transportation rates reflecting the absence of export sales from the Warrior mine in the 2014 Quarter compared to the 2013 Quarter. The cost of transportation services are passed through to the ARLP Partnership’s customers. Consequently, the ARLP Partnership does not realize any gain or loss on transportation revenues.

Net income attributable to noncontrolling interests. The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate. The noncontrolling interest designated as Affiliate represents SGP’s 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership. The noncontrolling interest designated as Non-Affiliates represents the limited partners’ interest in ARLP controlled through the common unit ownership, excluding the 31,088,338 common units of ARLP held by us. The net income attributable to noncontrolling interest was \$49.1 million and \$32.5 million for the 2014 and 2013 Quarters, respectively. The increase in net income attributable to noncontrolling interest is due to the increase in the consolidated net income of the ARLP Partnership resulting from the changes in revenues and expenses described above, partially offset by an increase in ARLP’s priority distribution to the MGP, which is deducted from ARLP’s net income in the allocation of net income attributable to noncontrolling interest.

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Segment Adjusted EBITDA. Our 2014 Quarter Segment Adjusted EBITDA increased \$41.4 million, or 23.9%, to \$214.7 million from the 2013 Quarter Segment Adjusted EBITDA of \$173.3 million. Segment Adjusted EBITDA, tons sold, coal sales, other sales and operating revenues and Segment Adjusted EBITDA Expense by segment are (in thousands):

	Three Months Ended		Increase/(Decrease)	
	September 30,			
	2014	2013		
Segment Adjusted EBITDA				
Illinois Basin	\$ 143,854	\$ 156,790	\$ (12,936)	(8.3)%
Appalachia (4)	68,501	19,504	48,997	(1)
White Oak	1,401	(6,190)	7,591	(1)
Other and Corporate (4)	917	3,179	(2,262)	(71.2)%
Elimination	-	-	-	-
Total Segment Adjusted EBITDA (2)	<u>\$ 214,673</u>	<u>\$ 173,283</u>	<u>\$ 41,390</u>	23.9%
Tons sold				
Illinois Basin	7,361	7,598	(237)	(3.1)%
Appalachia (4)	2,464	1,724	740	42.9%
White Oak	-	-	-	-
Other and Corporate (4)	-	206	(206)	(1)
Elimination	-	(24)	24	(1)
Total tons sold	<u>9,825</u>	<u>9,504</u>	<u>321</u>	3.4%
Coal sales				
Illinois Basin	\$ 388,802	\$ 396,056	\$ (7,254)	(1.8)%
Appalachia (4)	159,555	108,077	51,478	47.6%
White Oak	-	-	-	-
Other and Corporate (4)	-	15,821	(15,821)	(1)
Elimination	-	(1,507)	1,507	(1)
Total coal sales	<u>\$ 548,357</u>	<u>\$ 518,447</u>	<u>\$ 29,910</u>	5.8%
Other sales and operating revenues				
Illinois Basin	\$ 533	\$ 696	\$ (163)	(23.4)%
Appalachia (4)	4,902	1,005	3,897	(1)
White Oak	3,584	566	3,018	(1)
Other and Corporate (4)	7,630	7,614	16	0.2%
Elimination	(1,777)	(2,746)	969	35.3%
Total other sales and operating revenues	<u>\$ 14,872</u>	<u>\$ 7,135</u>	<u>\$ 7,737</u>	(1)
Segment Adjusted EBITDA Expense				
Illinois Basin	\$ 245,481	\$ 239,962	\$ 5,519	2.3%
Appalachia (4)	95,956	89,578	6,378	7.1%
White Oak	2,144	546	1,598	(1)
Other and Corporate (4)	6,820	20,476	(13,656)	(66.7)%
Elimination	(1,777)	(4,253)	2,476	58.2%
Total Segment Adjusted EBITDA Expense (3)	<u>\$ 348,624</u>	<u>\$ 346,309</u>	<u>\$ 2,315</u>	0.7%

(1) Percentage change was greater than or equal to 100%.

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(2) Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as EBITDA, excluding general and administrative expense. EBITDA is defined as net income (prior to the allocation of noncontrolling interest) before net interest expense, income taxes, and depreciation, depletion and amortization. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of the ARLP Partnership's assets without regard to financing methods, capital structure or historical cost basis;
- the ability of the ARLP Partnership's assets to generate cash sufficient to pay interest costs and support its indebtedness;
- the ARLP Partnership's operating performance and return on investment compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Segment Adjusted EBITDA is also used as a supplemental financial measure by our management for reasons similar to those stated in the previous explanation of EBITDA. In addition, the exclusion of corporate general and administrative expenses from 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 (in thousands):

	Three Months Ended	
	September 30,	
	2014	2013
Segment Adjusted EBITDA	\$ 214,673	\$ 173,283
General and administrative	(19,185)	(15,237)
Depreciation, depletion and amortization	(69,646)	(66,099)
Interest expense, net	(8,152)	(5,915)
Income tax benefit	-	718
Net income	<u>\$ 117,690</u>	<u>\$ 86,750</u>

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

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

	Three Months Ended September 30,	
	2014	2013
Segment Adjusted EBITDA Expense	\$ 348,624	\$ 346,309
Outside coal purchases	(3)	(636)
Other income	549	372
Operating expenses (excluding depreciation, depletion and amortization)	<u>\$ 349,170</u>	<u>\$ 346,045</u>

(4) In 2014, we realigned our segment presentation. The Appalachia segment is now comprised of the MC Mining, Mettiki and Tunnel Ridge mines. Results for the Pontiki mine, which ceased operations in November 2013, are now reflected in the Other and Corporate segment. Reclassifications of the 2013 segment information have been made to the Appalachia and Other and Corporate segments above to conform to the 2014 presentation.

Illinois Basin – Segment Adjusted EBITDA decreased 8.3% to \$143.9 million in the 2014 Quarter from \$156.8 million in the 2013 Quarter. The decrease of \$12.9 million was primarily attributable to fewer tons sold which decreased 3.1% to 7.4 million tons in the 2014 Quarter. Coal sales decreased 1.8% to \$388.8 million compared to \$396.1 million in the 2013 Quarter. The decrease of \$7.3 million reflects decreased tons produced and sold from the Warrior, Hopkins, River View and Gibson North mines as a result of difficult mining conditions, offset partially by improved production and operating conditions at the Onton mine, new development coal production from the Gibson South mine, which began in April 2014, and higher average coal sales price of \$52.82 per ton sold during the 2014 Quarter compared to \$52.13 per ton sold in the 2013 Quarter resulting primarily from higher-priced coal sales from the new development coal production at the Gibson South mine. Segment Adjusted EBITDA Expense increased 2.3% to \$245.5 million in the 2014 Quarter from \$240.0 million in the 2013 Quarter and increased \$1.77 per ton sold to \$33.35 from \$31.58 per ton sold in the 2013 Quarter, primarily due to lower recoveries at the Warrior mine as it continues to transition into a new mining area, difficult mining conditions at the Gibson North, Pattiki and Hopkins mines, increased inventory costs and higher cost development production at the new Gibson South mine, as well as certain cost increases described above under “–Operating expenses and outside coal purchases.”

Appalachia – Segment Adjusted EBITDA increased to \$68.5 million for the 2014 Quarter from \$19.5 million in the 2013 Quarter. The increase of \$49.0 million was primarily attributable to higher tons sold, which increased 42.9% to 2.5 million tons sold in the 2014 Quarter, as well as a higher average coal sales price of \$64.76 per ton sold during the 2014 Quarter compared to \$62.69 per ton sold in the 2013 Quarter. Coal sales increased 47.6% to \$159.6 million compared to \$108.1 million in the 2013 Quarter. The increase of \$51.5 million was primarily due to increased production at the Tunnel Ridge and MC Mining mines. Segment Adjusted EBITDA also benefited from increased other sales and operating revenues due to payments in lieu of shipments received from a customer in the 2014 Quarter. Segment Adjusted EBITDA Expense increased 7.1% to \$96.0 million in the 2014 Quarter from \$89.6 million in the 2013 Quarter, primarily due to increased production discussed above. Although Segment Adjusted EBITDA Expense increased for the 2014 Quarter, Segment Adjusted EBITDA Expense per ton decreased \$13.02 per ton sold to \$38.94 per ton sold compared to \$51.96 per ton sold in the 2013 Quarter, primarily due to improved productivity and geological conditions at the Tunnel Ridge mine and new Excel No. 4 mining area at the MC Mining operation, lower inventory costs and reduced contract mining and lower medical expenses at the Mettiki mine.

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White Oak – Segment Adjusted EBITDA was \$1.4 million and \$(6.2) million in the 2014 and 2013 Quarters, respectively, primarily attributable to income and losses allocated to the ARLP Partnership due to its equity interest in White Oak. The equity in income (loss) of affiliates from White Oak for the 2014 Quarter was favorably impacted by reduced allocation of losses to the ARLP Partnership as a result of equity contributions by another White Oak owner as discussed above. The ARLP Partnership also received revenues for surface facility services of \$3.6 million and \$0.6 million for the 2014 and 2013 Quarters, respectively. For more information on White Oak, please read “Item 1. Financial Statements (Unaudited) – Note 6. White Oak Transactions” of this Quarterly Report on Form 10-Q.

Other and Corporate – Segment Adjusted EBITDA decreased \$2.3 million in the 2014 Quarter from the 2013 Quarter and Segment Adjusted EBITDA Expense decreased 66.7% to \$6.8 million for the 2014 Quarter compared to \$20.5 million for the 2013 Quarter. These decreases were primarily attributable to the absence of production and sales at the Pontiki mine reflecting its closure in late 2013 and sale of assets in May 2014 as discussed above.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

We reported net income of \$370.1 million for the nine months ended September 30, 2014 (“2014 Period”) compared to \$292.7 million for the nine months ended September 30, 2013 (“2013 Period”). The increase of \$77.4 million was principally due to increased sales from low-cost production at the Tunnel Ridge mine in addition to record coal sales and production volumes, which rose to 29.7 million tons sold and 30.2 million tons produced in the 2014 Period compared to 29.0 million tons sold and 29.6 million tons produced in the 2013 Period. The increase in tons sold and produced resulted primarily from increased production as a result of improved mining conditions at the Tunnel Ridge, MC Mining, Onton and Dotiki mines and the start-up of coal production at the Gibson South mine. Lower operating expenses during the 2014 Period resulted primarily from reduced expenses per ton at the Tunnel Ridge, MC Mining and Dotiki mines, in addition to a significant increase in sales of lower cost production from Tunnel Ridge, insurance proceeds received in the 2014 Period related to the previously mentioned adverse geological event at the Onton mine which also increased operating expenses in the 2013 Period, the idling of a higher cost third-party mining operation at the Mettiki mine and the absence of higher cost production at the Pontiki mine, which was closed in late 2013.

	Nine Months Ended September 30,			
	2014	2013	2014	2013
	(in thousands)		(per ton sold)	
Tons sold	29,682	29,019	N/A	N/A
Tons produced	30,233	29,621	N/A	N/A
Coal sales	\$1,649,093	\$1,594,530	\$55.56	\$54.95
Operating expenses and outside coal purchases	\$1,024,312	\$1,044,085	\$34.51	\$35.98

Coal sales. Coal sales for the 2014 Period increased 3.4% to \$1.65 billion from \$1.59 billion for the 2013 Period. The increase of \$54.6 million in coal sales reflected the benefit of record tons sold (contributing \$36.5 million in additional coal sales) and higher average coal sales prices (contributing \$18.1 million in additional coal sales). Average coal sales prices increased \$0.61 per ton sold to \$55.56 per ton in the 2014 Period as compared to \$54.95 per ton sold in the 2013 Period, primarily as a result of increased contract pricing at the Mettiki mine, an increase of higher-priced coal sales at the Tunnel Ridge mine and the addition of higher-priced coal sales at the new Gibson South mine, offset partially by the absence of higher-priced Pontiki sales in the 2014 Period.

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Operating expenses and outside coal purchases. Operating expenses and outside coal purchases decreased a combined 1.9% to \$1.02 billion for the 2014 Period from \$1.04 billion for the 2013 Period. On a per ton basis, operating expenses and outside coal purchases decreased 4.1% to \$34.51 per ton sold in the 2014 Period, primarily due to increased lower-cost production at the Tunnel Ridge mine, strong production performance at the MC Mining and Dotiki mines, improved production and operating conditions at the Onton mine and the absence of higher cost production at the Pontiki mine discussed above. Operating expenses were impacted by various other factors, the most significant of which are discussed below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, decreased 1.5% to \$11.51 per ton in the 2014 Period from \$11.69 per ton in the 2013 Period. This decrease of \$0.18 per ton was primarily attributable to lower labor cost per ton resulting from increased production discussed above, lower medical expenses at the Mettiki mine and the absence of higher cost per ton labor and benefits at the Pontiki mine;
- Workers' compensation expenses per ton produced decreased to \$0.37 per ton in the 2014 Period from \$0.61 per ton in the 2013 Period. The decrease of \$0.24 per ton produced resulted primarily from favorable claim trends;
- Material and supplies expenses per ton produced decreased 0.8% to \$11.54 per ton in the 2014 Period from \$11.63 per ton in the 2013 Period. The decrease of \$0.09 per ton produced resulted primarily from the benefits of increased production discussed above and a decrease in certain products and services, primarily contract labor used in the mining process (decrease of \$0.22 per ton), safety-related expenses (decrease of \$0.14 per ton) and lower longwall subsidence expense (decrease of \$0.08 per ton), partially offset by increases in certain products and services, primarily ventilation-related materials and supplies (increase of \$0.11 per ton), various preparation plant expenses (increase of \$0.09 per ton) and power and fuel used in the mining process (increase of \$0.11 per ton). Lower safety-related materials and supplies in the 2014 Period resulted from the absence of higher costs associated with the adverse geological event at the Onton mine which occurred in the 2013 Period;
- Contract mining expenses decreased \$4.8 million for the 2014 Period compared to the 2013 Period. The decrease reflects lower production from a third-party mining operation at the Mettiki mine complex due to reduced metallurgical coal export market opportunities;
- Outside coal purchases decreased \$2.0 million in the 2014 Period. The decrease was primarily attributable to reduced coal brokerage activity and less coal purchased for sale into the metallurgical coal export markets;
- Production taxes and royalties expenses (which were incurred as a percentage of coal sales prices and volumes) increased \$0.10 per produced ton sold in the 2014 Period compared to the 2013 Period primarily as a result of increased sales and production from certain mines in states with higher severance tax rates;
- Operating expenses also benefited in the 2014 Period due to a gain of \$4.4 million recognized on the sale of Pontiki's assets. In May 2014, Pontiki completed the sale of most of its assets, including certain coal reserves, mining equipment and infrastructure and surface facilities;
- Operating expenses benefited from insurance proceeds of \$7.0 million received in the 2014 Period related to claims from the adverse geological event at the Onton mine in the 2013 Period; and

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- Operating expenses for the 2014 Period were also favorably impacted by the absence of \$3.8 million of asset retirements which occurred in the 2013 Period resulting from the Onton mine's previously mentioned adverse geological event.

Other sales and operating revenues. Other sales and operating revenues are principally comprised of Mt. Vernon transloading revenues, Matrix Design sales, throughput fees received from White Oak and other outside services and administrative services revenue from affiliates. Other sales and operating revenues increased to \$42.7 million for the 2014 Period from \$20.6 million for the 2013 Period. The increase of \$22.1 million was primarily due to increased White Oak throughput fees, payments in lieu of shipments received from a customer in the 2014 Period related to an Appalachian coal sales contract and increased Matrix Design sales.

General and administrative. General and administrative expenses for the 2014 Period increased to \$57.4 million compared to \$48.0 million in the 2013 Period. The increase of \$9.4 million was primarily due to increased incentive compensation expense and other professional services.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to \$203.5 million for the 2014 Period from \$198.7 million for the 2013 Period. The increase of \$4.8 million was primarily attributable to record production volumes mentioned above, as well as capital expenditures related to production expansion and infrastructure investments at various operations.

Interest expense. Interest expense, net of capitalized interest, increased to \$25.4 million for the 2014 Period from \$19.0 million for the 2013 Period. The increase of \$6.4 million was principally attributable to decreased capitalized interest on the ARLP Partnership's equity investment in White Oak and increased borrowings under the revolving credit facilities during the 2014 Period, partially offset by decreased interest resulting from principal repayments, made during 2014, of \$12.5 million and \$18.0 million on the term loan and original senior notes issued in 1999, respectively. Interest payable under the senior notes, term loan and revolving credit facilities is discussed in more detail below under "--Debt Obligations."

Equity in income (loss) of affiliates, net. Equity in income (loss) of affiliates, net includes the ARLP Partnership's equity investments in MAC and White Oak. For the 2014 Period, net equity in loss of affiliates was \$13.5 million compared to \$15.6 million for the 2013 Period. The decrease in net equity in loss of affiliates is primarily related to the equity investment in White Oak and the impact of changes in allocations of equity income or losses resulting from equity contributions during the 2014 Period by another White Oak owner partially offset by increased losses incurred by White Oak during the 2014 Period. Equity contributions impact the future preferred distributions allocable to each owner and the ongoing allocation of income and losses for GAAP purposes.

Transportation revenues and expenses. Transportation revenues and expenses were \$17.8 million and \$23.5 million for the 2014 and 2013 Periods, respectively. The decrease of \$5.7 million was primarily attributable to a decrease in average transportation rates reflecting the absence of export sales to a certain customer from the Warrior mine in the 2014 Period compared to the 2013 Period, as well as decreased tonnage for which the ARLP Partnership arranged transportation at certain other mines in the 2014 Period. The cost of transportation services are passed through to the ARLP Partnership's customers. Consequently, the ARLP Partnership does not realize any gain or loss on transportation revenues.

Net income attributable to noncontrolling interests. The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate. The noncontrolling interest designated as Affiliate represents SGP's 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership. The

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noncontrolling interest designated as Non-Affiliates represents the limited partners' interest in ARLP controlled through the common unit ownership, excluding the 31,088,388 common units of ARLP held by us. The net income attributable to noncontrolling interest was \$156.7 million and \$117.5 million for the 2014 and 2013 Periods, respectively. The increase in net income attributable to noncontrolling interest is due to the increase in the consolidated net income of the ARLP Partnership resulting from the changes in revenues and expenses described above, partially offset by an increase in ARLP's priority distribution to the MGP, which is deducted from ARLP's net income in the allocation of net income attributable to noncontrolling interest.

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Segment Adjusted EBITDA. Our 2014 Period Segment Adjusted EBITDA increased \$98.6 million, or 17.7%, to \$655.1 million from the 2013 Period Segment Adjusted EBITDA of \$556.5 million. Segment Adjusted EBITDA, tons sold, coal sales, other sales and operating revenues and Segment Adjusted EBITDA Expense by segment are (in thousands):

	Nine Months Ended			
	September 30,			
	2014	2013	Increase/(Decrease)	
Segment Adjusted EBITDA				
Illinois Basin	\$ 473,362	\$ 488,634	\$ (15,272)	(3.1)%
Appalachia (4)	184,460	76,581	107,879	(1)
White Oak	(7,511)	(16,777)	9,266	55.2%
Other and Corporate (4)	4,821	8,045	(3,224)	(40.1)%
Elimination	-	-	-	-
Total Segment Adjusted EBITDA (2)	<u>\$ 655,132</u>	<u>\$ 556,483</u>	<u>\$ 98,649</u>	17.7%
Tons sold				
Illinois Basin	22,857	22,851	6	-
Appalachia (4)	6,825	5,598	1,227	21.9%
White Oak	-	-	-	-
Other and Corporate (4)	-	643	(643)	(1)
Elimination	-	(73)	73	(1)
Total tons sold	<u>29,682</u>	<u>29,019</u>	<u>663</u>	2.3%
Coal sales				
Illinois Basin	\$ 1,201,980	\$ 1,193,740	\$ 8,240	0.7%
Appalachia (4)	446,953	355,509	91,444	25.7%
White Oak	-	-	-	-
Other and Corporate (4)	160	49,873	(49,713)	(99.7)%
Elimination	-	(4,592)	4,592	(1)
Total coal sales	<u>\$ 1,649,093</u>	<u>\$ 1,594,530</u>	<u>\$ 54,563</u>	3.4%
Other sales and operating revenues				
Illinois Basin	\$ 2,396	\$ 2,704	\$ (308)	(11.4)%
Appalachia (4)	12,953	3,128	9,825	(1)
White Oak	11,451	566	10,885	(1)
Other and Corporate (4)	23,199	24,414	(1,215)	(5.0)%
Elimination	(7,280)	(10,217)	2,937	28.7%
Total other sales and operating revenues	<u>\$ 42,719</u>	<u>\$ 20,595</u>	<u>\$ 22,124</u>	(1)
Segment Adjusted EBITDA Expense				
Illinois Basin	\$ 731,014	\$ 707,810	\$ 23,204	3.3%
Appalachia (4)	275,446	282,056	(6,610)	(2.3)%
White Oak	5,160	1,074	4,086	(1)
Other and Corporate (4)	18,794	66,955	(48,161)	(71.9)%
Elimination	(7,280)	(14,809)	7,529	50.8%
Total Segment Adjusted EBITDA Expense (3)	<u>\$ 1,023,134</u>	<u>\$ 1,043,086</u>	<u>\$ (19,952)</u>	(1.9)%

(1) Percentage change was greater than or equal to 100%.

(2) Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as EBITDA, excluding general and administrative expense. EBITDA is defined as net income (prior to the allocation of

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noncontrolling interest) before net interest expense, income taxes, and depreciation, depletion and amortization. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of the ARLP Partnership's assets without regard to financing methods, capital structure or historical cost basis;
- the ability of the ARLP Partnership's assets to generate cash sufficient to pay interest costs and support its indebtedness;
- the ARLP Partnership's operating performance and return on investment compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

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

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

	Nine Months Ended	
	September 30,	
	2014	2013
Segment Adjusted EBITDA	\$ 655,132	\$ 556,483
General and administrative	(57,352)	(47,956)
Depreciation, depletion and amortization	(203,539)	(198,688)
Interest expense, net	(24,157)	(18,439)
Income tax benefit	-	1,307
Net income	<u>\$ 370,084</u>	<u>\$ 292,707</u>

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

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

	Nine Months Ended September 30,	
	2014	2013
Segment Adjusted EBITDA Expense	\$ 1,023,134	\$ 1,043,086
Outside coal purchases	(7)	(2,028)
Other income	1,178	999
Operating expenses (excluding depreciation, depletion and amortization)	\$ 1,024,305	\$ 1,042,057

- (4) In 2014, we realigned our segment presentation. The Appalachia segment is now comprised of the MC Mining, Mettiki and Tunnel Ridge mines. Results for the Pontiki mine, which ceased operations in November 2013, are now reflected in the Other and Corporate segment. Reclassifications of the 2013 segment information have been made to the Appalachia and Other and Corporate segments above to conform to the 2014 presentation.

Illinois Basin – Segment Adjusted EBITDA decreased 3.1% to \$473.4 million for the 2014 Period from \$488.6 million for the 2013 Period. The decrease of \$15.2 million was primarily attributable to decreased coal recoveries at the Warrior mine as it continues to transition into a new mining area and increased expenses per ton at the Pattiki and Hopkins mines due to difficult mining conditions, partially offset by improved sales and production from the Dotiki mine and improved production and operating conditions at the Onton mine. The 2014 Period benefited from a higher average coal sales price which increased slightly to \$52.59 per ton sold compared to \$52.24 for the 2013 Period. Coal sales increased to \$1.20 billion in the 2014 Period compared to \$1.19 billion in the 2013 Period. The increase of \$8.2 million primarily reflects increased tons sold from the Dotiki mine and higher-priced coal sales from start-up production at the Gibson South mine, partially offset by reduced tons sold at the Warrior and Hopkins mines. Segment Adjusted EBITDA Expense increased 3.3% to \$731.0 million in the 2014 Period from \$707.8 million in the 2013 Period and increased \$1.00 per ton sold to \$31.98 from \$30.98 per ton sold in the 2013 Period primarily as a result of difficult mining conditions and lower recoveries discussed above. The increase in Segment Adjusted EBITDA Expense was partially offset by insurance proceeds received in the 2014 Period related to the impact of the adverse geological event at the Onton mine in the 2013 Period mentioned above, as well as certain other cost decreases discussed above under “–Operating expenses and outside coal purchases.”

Appalachia – Segment Adjusted EBITDA increased to \$184.5 million for the 2014 Period as compared to \$76.6 million for the 2013 Period. The increase of \$107.9 million was primarily attributable to increased tons sold, which increased 21.9% to 6.8 million tons in the 2014 Period compared to 5.6 million tons in the 2013 Period, as well as a higher average coal sales price of \$65.49 per ton sold during the 2014 Period compared to \$63.51 per ton sold in the 2013 Period. Coal sales increased 25.7% to \$447.0 million in the 2014 Period compared to \$355.5 million in the 2013 Period. The increase of \$91.5 million was primarily due to increased production at the Tunnel Ridge and MC Mining operations and higher contract coal sales prices at the Mettiki mine. Segment Adjusted EBITDA also benefited from increased other sales and operating revenues due to payments in lieu of shipments received from a customer in the 2014 Period. Segment Adjusted EBITDA Expense decreased 2.3% to \$275.4 million in the 2014 Period from \$282.1 million in the 2013 Period and decreased \$10.03 per ton sold to \$40.36 from \$50.39 per

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ton sold in the 2013 Period, primarily due to improved productivity and geological conditions at the Tunnel Ridge mine and new Excel No. 4 mining area at the MC Mining operation, reduced contract mining expenses and lower employee benefit cost at the Mettiki mining complex, and lower workers' compensation expense across the region, as well as certain other cost decreases discussed above under "--Operating expenses and outside coal purchases."

White Oak – Segment Adjusted EBITDA was \$(7.5) million and \$(16.8) million in the 2014 and 2013 Periods, respectively, primarily attributable to losses allocated to the ARLP Partnership due to its equity interest in White Oak. The ARLP Partnership was allocated \$13.8 million and \$16.3 million in losses for the 2014 and 2013 Period, respectively. Segment Adjusted EBITDA for the 2014 Period was favorably impacted by reduced allocation of losses to the ARLP Partnership as a result of equity contributions made by another White Oak owner as discussed above under "--Equity in income (loss) of affiliates, net." The ARLP Partnership also received revenues for surface facility services of \$11.3 million and \$0.6 million for the 2014 and 2013 Periods, respectively. For more information on White Oak, please read "Item 1. Financial Statements (Unaudited) – Note 6. White Oak Transactions" of this Quarterly Report on Form 10-Q.

Other and Corporate – Segment Adjusted EBITDA decreased \$3.2 million in the 2014 Period from the 2013 Period and Segment Adjusted EBITDA Expense decreased 71.9% to \$18.8 million for the 2014 Period. These decreases were primarily attributable to the absence of production and sales in the 2014 Period from the Pontiki mine discussed above.

Liquidity and Capital Resources

Liquidity

Our only cash generating assets are limited partnership and general partnership interests in the ARLP Partnership, including incentive distribution rights, from which we receive quarterly distributions. We rely on distributions from the ARLP Partnership to fund our cash requirements.

The ARLP Partnership has historically satisfied its working capital requirements and funded its capital expenditures and debt service obligations with cash generated from operations, cash provided by the issuance of debt or equity and borrowings under credit facilities. The ARLP Partnership believes that existing cash balances, future cash flows from operations, borrowings under credit facilities and cash provided from the issuance of debt or equity will be sufficient to meet its working capital requirements, capital expenditures and additional equity investments, debt payments, commitments and distribution payments. The ARLP Partnership's ability to satisfy its obligations and planned expenditures will depend upon its future operating performance and access to and cost of financing sources, which will be affected by prevailing economic conditions generally and in the coal industry specifically, which are beyond its control. Based on the ARLP Partnership's recent operating results, current cash position, anticipated future cash flows and sources of financing that it expects to have available, it does not anticipate any significant liquidity constraints in the foreseeable future. However, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. Please read "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Cash Flows

Cash provided by operating activities was \$582.9 million for the 2014 Period compared to \$548.9 million for the 2013 Period. The increase in cash provided by operating activities was primarily due to higher net income and an increase in accounts payable during the 2014 Period, partially offset by an

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increase in trade receivables during the 2014 Period as compared to a decrease during the 2013 Period and a decrease in accrued payroll and related benefits in the 2014 Period.

Net cash used in investing activities was \$315.4 million for the 2014 Period compared to \$319.2 million for the 2013 Period. The decrease in cash used in investing activities was primarily attributable to a decrease in the acquisition and funding for development of coal reserves in the 2014 Period, lower capital expenditures for mine infrastructure and equipment at various mines, particularly at the Gibson South and Tunnel Ridge mines, and proceeds from insurance for property, plant and equipment related to claims from the adverse geological event at the Onton mine in the 2013 Period. These decreases were offset by an increase in funding of the White Oak equity investment during the 2014 Period.

Net cash used in financing activities was \$347.4 million for the 2014 Period compared to \$237.7 million for the 2013 Period. The increase in cash used in financing activities was primarily attributable to increased distributions paid to partners in the 2014 Period, as well as net payments under the revolving credit facilities during the 2014 Period and payments under the term loan in the 2014 Period, which are discussed in more detail below under “–Debt Obligations.”

Capital Expenditures

Capital expenditures decreased slightly to \$233.7 million in the 2014 Period from \$242.7 million in the 2013 Period.

The ARLP Partnership’s anticipated total capital expenditures for the year ending December 31, 2014 are estimated in a range of \$320.0 million to \$350.0 million, which includes expenditures for mine expansion to complete development of the new Gibson South mine, reserve acquisitions related to the White Oak mine and infrastructure projects and maintenance capital at various mines. In addition to these capital expenditures, the ARLP Partnership anticipates funding a total of approximately \$100.0 million to \$115.0 million of its preferred equity investment commitment to White Oak in 2014. Management anticipates funding remaining 2014 capital requirements with cash and cash equivalents (\$14.8 million as of September 30, 2014), cash flows from operations, borrowings under the revolving credit facility as discussed below and, if necessary, accessing the debt or equity capital markets. The ARLP Partnership will continue to have significant capital requirements over the long-term, which may require it to obtain additional debt or equity capital. The availability and cost of additional capital will depend upon prevailing market conditions, the market price of ARLP common units and several other factors over which the ARLP Partnership has limited control, as well as its financial condition and results of operations.

Debt Obligations

ARLP Credit Facility. On May 23, 2012, the Intermediate Partnership entered into a credit agreement (the “Credit Agreement”) with various financial institutions for a revolving credit facility (the “ARLP Revolving Credit Facility”) of \$700.0 million and a term loan (the “ARLP Term Loan”) in the aggregate principal amount of \$250.0 million (collectively, the ARLP Revolving Credit Facility and ARLP Term Loan are referred to as the “ARLP Credit Facility”). Borrowings under the Credit Agreement bear interest at a Base Rate or Eurodollar Rate, at the ARLP Partnership’s election, plus an applicable margin that fluctuates depending upon the ratio of Consolidated Debt to Consolidated Cash Flow (each as defined in the Credit Agreement). The ARLP Partnership has elected a Eurodollar Rate which, with applicable margin, was 1.81% on borrowings outstanding as of September 30, 2014. The ARLP Credit Facility matures May 23, 2017, at which time all amounts outstanding are required to be repaid. Interest is payable quarterly, with principal of the ARLP Term Loan due as follows: quarterly principal payments commenced with the second quarter of 2014 and continue each quarter thereafter ending on March 31, 2016, an amount per quarter equal to 2.50% of the aggregate amount of the ARLP

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Term Loan advances outstanding; for each quarter beginning June 30, 2016 through December 31, 2016, 20% of the aggregate amount of the ARLP Term Loan advances outstanding; and the remaining balance of the ARLP Term Loan advances at maturity. In June 2014, the ARLP Partnership began making the quarterly principal payments on the ARLP Term Loan, leaving a balance of \$237.5 million at September 30, 2014. The ARLP Partnership has the option to prepay the ARLP Term Loan at any time in whole or in part subject to terms and conditions described in the Credit Agreement. Upon a “change in control” (as defined by the Credit Agreement), the unpaid principal amount of the ARLP Credit Facility, all interest thereon and all other amounts payable under the Credit Agreement would become due and payable.

At September 30, 2014, the ARLP Partnership had borrowings of \$170.0 million and \$5.4 million of letters of credit outstanding with \$524.6 million available for borrowing under the ARLP Revolving Credit Facility. The ARLP Partnership utilizes the ARLP Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments in affiliates, scheduled debt payments and distribution payments. The ARLP Partnership incurs an annual commitment fee of 0.25% on the undrawn portion of the ARLP Revolving Credit Facility.

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

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

The ARLP 2008 Senior Notes and the ARLP Credit Facility described above (collectively, “ARLP Debt Arrangements”) are guaranteed by all of the material direct and indirect subsidiaries of the Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting the Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by the Intermediate Partnership, incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require the Intermediate Partnership to maintain (a) debt to cash flow ratio of not more than 3.0 to 1.0 and (b) cash flow to interest expense ratio of not less than 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 0.97 to 1.0 and 22.9 to 1.0, respectively, for the trailing twelve months ended September 30, 2014. The ARLP Partnership was in compliance with the covenants of the ARLP Debt Arrangements as of September 30, 2014.

Other. In addition to the letters of credit available under the ARLP Credit Facility discussed above, the ARLP Partnership also has agreements with two banks to provide additional letters of credit in an aggregate amount of \$31.1 million to maintain surety bonds to secure certain asset retirement obligations and its obligations for workers’ compensation benefits. At September 30, 2014, the ARLP Partnership had \$30.7 million in letters of credit outstanding under agreements with these two banks.

Related-Party Transactions

The ARLP Partnership has continuing related-party transactions with us, SGP and our respective affiliates. These related-party transactions relate principally to the provision of administrative services to us and Alliance Resource Holdings II, Inc. and our respective affiliates, mineral and equipment leases

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with SGP and its affiliates and agreements relating to the use of aircraft. The ARLP Partnership also has ongoing transactions with White Oak to support their longwall mining operation.

Please read our Annual Report on Form 10-K for the year ended December 31, 2013, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related-Party Transactions” for additional information concerning related-party transactions.

New Accounting Standards

New Accounting Standards Issued and Not Yet Adopted

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). ASU 2014-08 changes the requirements for reporting discontinued operations in Accounting Standards Codification 205, *Presentation of Financial Statements*, by updating the criteria for determining which disposals can be presented as discontinued operations and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of discontinued operations. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. We do not anticipate the adoption of ASU 2014-08 on January 1, 2015 will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a new revenue recognition standard that provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the new standard is an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently evaluating the effect of adopting ASU 2014-09 on January 1, 2017.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 provides guidance on management’s responsibility in evaluating whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter with early adoption permitted. We do not anticipate the adoption of ASU 2014-15 will have a material impact on our consolidated financial statements.

Other Information

IRS Notice

On April 12, 2013, we received a “Notice of Beginning of Administrative Proceeding” (“NBAP”) from the Internal Revenue Service notifying us of an audit of the income tax return of Alliance Coal, the holding company for the operations of the Intermediate Partnership, for the tax year ending December 31, 2011. We believe this is a routine audit of our lower-tier subsidiary’s income, gain, deductions, losses and credits. The audit is ongoing.

ARLP Unit Split

On June 16, 2014, the ARLP Partnership completed a two-for-one split of its common units, whereby holders of record as of May 30, 2014 received a one unit distribution on each unit outstanding on that date. The unit split resulted in the issuance of approximately 37.0 million ARLP common units. Accordingly, AHGP received an additional 15,544,169 ARLP common units, which brought its total ownership to 31,088,338 ARLP common units. All references to the number of ARLP units and distribution amounts included in this report have been adjusted to give effect for this unit split for all periods presented. Provisions of ARLP's partnership agreement affecting ARLP's incentive distribution rights that we own have been amended to reflect the unit split.

Regulation and Laws

Reference is made to "Item 1. Business – Regulation and Laws – Air Emissions" in our Annual Report on Form 10-K for the year ended December 31, 2013.

On April 29, 2014, the Supreme Court reversed the D.C. Circuit's ruling vacating the Cross-State Air Pollution Rule ("CSAPR"), upheld the rule, and remanded the case for the D.C. Circuit to resolve the remaining implementation issues consistent with the Supreme Court's opinion. The Supreme Court held that the U.S. Environmental Protection Agency's ("EPA") allocation of emissions reductions in upwind states permissibly considered the cost-effectiveness of achieving downwind attainment and that EPA has authority under the Federal Clean Air Act ("CAA") to impose federal implementation plans ("FIPs") immediately after disapproving individual state implementation plans ("SIPs"). Because the D.C. Circuit overturned CSAPR on two over-arching issues, the D.C. Circuit must now consider on remand the other issues that it left unaddressed in its first opinion. On June 26, 2014, the U.S. government filed a motion with the D.C. Circuit to lift the stay of CSAPR. On October 23, 2014, the court granted EPA's request to lift the stay. However, the order was unclear as to whether it also granted EPA's request to toll the compliance deadline for three years. Because it is not yet known how the litigation over CSAPR will be resolved or when compliance will be required, the ARLP Partnership cannot reasonably predict what requirements, if any, may be imposed under CSAPR in the future, or their timing. As a result, the full impact of the Supreme Court's decision on CSAPR cannot be determined until further action by the D.C. Circuit and implementation of CSAPR or an alternative rule promulgated by EPA. However, the rule will likely, if implemented, require retirement of a number of coal-fired electric generating units, rather than retrofitting the units with the necessary emission control technologies, which closures may reduce the demand for coal.

In addition, EPA recently proposed regulations that would impose limits on carbon dioxide emissions from new fossil fuel-fired power plants and, on June 2, 2014, the agency released proposed regulations that would limit carbon emissions from existing power plants. Under the proposed rule for existing power plants, each state would be required to reduce the carbon intensity of its power sector on a statewide basis by an amount specified by EPA. The agency is expected to finalize the proposed rule by June 1, 2015, and states would be required to submit SIPs by June 30, 2016 unless EPA grants an extension. Although the ARLP Partnership's operations will not be directly affected by these regulations, their ultimate effect on the ARLP Partnership's customer base may lead to a reduction in demand for coal. As a result, the ultimate impact on the ARLP Partnership's operations remains uncertain.

Reference is made to "Item 1. Business – Regulation and Laws – Mine Health and Safety Laws" in our Annual Report on Form 10-K for the year ended December 31, 2013.

On April 23, 2014, the Mine Safety and Health Administration ("MSHA") published its final rule titled "Lowering Miner's Exposure to Respirable Coal Mine Dust, Including Continuous Personal Dust Monitors." The rule lowers the permissible level of miners' exposure to respirable coal mine dust,

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increases sampling requirements, and requires use of certain technology to provide real-time information about dust levels. The rule also requires immediate corrective action when a single, full-shift sample finds an excessive concentration of dust. The rule is being challenged in litigation initiated by the National Mining Association and others. The ARLP Partnership is continuing to evaluate the potential impact this rule, if upheld, may have on our results of operations and financial position.

Insurance

Effective October 1, 2014, the ARLP Partnership renewed its annual property and casualty insurance program. The property insurance was procured from the ARLP Partnership's new wholly-owned captive insurance company, Wildcat Insurance. Wildcat Insurance charged certain of the ARLP Partnership's subsidiaries for the premiums on this program and in return purchased reinsurance for the program in the standard market at a reduced cost. The maximum limit in the commercial property program is \$100.0 million per occurrence, excluding a \$1.5 million deductible for property damage, a 90 or 120 day waiting period for underground business interruption depending on the mining complex and an additional \$10.0 million overall aggregate deductible. The ARLP Partnership can make no assurances that it will not experience significant insurance claims in the future that could have a material adverse effect on its business, financial condition, results of operations and ability to purchase property insurance in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our ownership interests, results of operations and cash flows principally reflect those of the ARLP Partnership. As such, our discussions of market risk reflect those risks as they apply to the ARLP Partnership.

Commodity Price Risk

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

The ARLP Partnership has exposure to price risk for items that are used directly or indirectly in the normal course of coal production such as steel, electricity and other supplies. The ARLP Partnership manages its risk for these items through strategic sourcing contracts for normal quantities required by its operations. The ARLP Partnership does not utilize any commodity price-hedges or other derivatives related to these risks.

Credit Risk

Most of the ARLP Partnership's sales tonnage is consumed by electric utilities. Therefore, the ARLP Partnership's credit risk is primarily with domestic electric power generators. The ARLP Partnership's policy is to independently evaluate the creditworthiness of each customer prior to entering into transactions and to constantly monitor outstanding accounts receivable against established credit limits. When deemed appropriate by the ARLP Partnership's credit management department, it will take steps to reduce its credit exposure to customers that do not meet its 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 the ARLP Partnership's benefit in the event of a failure to pay.

Exchange Rate Risk

Almost all of the ARLP Partnership's transactions are denominated in U.S. Dollars, and as a result, it does not have material exposure to currency exchange-rate risks.

Interest Rate Risk

Borrowings under the ARLP Credit Facility are at variable rates and, as a result, the ARLP Partnership has interest rate exposure. Historically, the ARLP Partnership's earnings have not been materially affected by changes in interest rates. The ARLP Partnership does not utilize any interest rate derivative instruments related to its outstanding debt. The ARLP Partnership had \$170.0 million in borrowings under the ARLP Revolving Credit Facility and \$237.5 million outstanding under the ARLP Term Loan at September 30, 2014. A one percentage point increase in the interest rates related to the ARLP Revolving Credit Facility and ARLP Term Loan would result in an annualized increase in 2014 interest expense of \$4.1 million, based on interest rate and borrowing levels at September 30, 2014. With respect to the ARLP Partnership's fixed-rate borrowings, a one percentage point increase in interest rates would result in a decrease of approximately \$6.7 million in the estimated fair value of these borrowings.

As of September 30, 2014, the estimated fair value of the ARLP Debt Arrangements was approximately \$776.1 million. The fair values of long-term debt are estimated using discounted cash flow analyses, based upon the ARLP Partnership's current incremental borrowing rates for similar types of borrowing arrangements as of September 30, 2014. 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, 2013.

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, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective as of September 30, 2014.

During the quarterly period ended September 30, 2014, 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.

FORWARD-LOOKING STATEMENTS

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

- changes in competition in coal markets and the ARLP Partnership’s ability to respond to such changes;
- changes in coal prices, which could affect the ARLP Partnership’s operating results and cash flows;
- risks associated with the ARLP Partnership’s expansion of its operations and properties;
- legislation, regulations, and court decisions and interpretations thereof, including those relating to the environment, 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;
- dependence on significant customer contracts, including renewing customer contracts upon expiration of existing contracts;
- changing global economic conditions or in industries in which the ARLP Partnership’s customers operate;
- liquidity constraints, including those resulting from any future unavailability of financing;
- customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform;
- customer delays, failure to take coal under contracts or defaults in making payments;
- adjustments made in price, volume or terms to existing coal supply agreements;
- fluctuations in coal demand, prices and availability;
- the ARLP Partnership’s productivity levels and margins earned on its coal sales;
- changes in raw material costs;
- changes in the availability of skilled labor;
- the ARLP Partnership’s ability to maintain satisfactory relations with its employees;
- increases in labor costs, 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, such as mine fires, or interruptions;
- results of litigation, including claims not yet asserted;
- difficulty maintaining the ARLP Partnership’s surety bonds for mine reclamation as well as workers’ compensation and black lung benefits;
- difficulty in making accurate assumptions and projections regarding pension, black lung benefits and other post-retirement benefit liabilities;
- 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;

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

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

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

- this Quarterly Report on Form 10-Q;
- other reports filed by us with the SEC;
- our press releases;
- our website <http://www.ahgp.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 3. Contingencies to the Unaudited Condensed Consolidated Financial Statements included in “Part I. Item 1. Financial Statements (Unaudited)” of this Quarterly Report on Form 10-Q herein is hereby incorporated by reference. See also “Item 3. Legal Proceedings” of our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013 which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q are not our only risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial based on current knowledge and factual circumstances, if such knowledge or facts change, also may materially adversely affect our business, financial condition and/or operating results in the future.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

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

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith*
		Form	SEC File No. and Film No.	Exhibit	Filing Date	
31.1	Certification of Joseph W. Craft, III, President and Chief Executive Officer of Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., dated November 7, 2014, 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 GP, LLC, the general partner of Alliance Holdings GP, L.P., dated November 7, 2014, 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 GP, LLC, the general partner of Alliance Holdings GP, L.P., dated November 7, 2014, 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 GP, LLC, the general partner of Alliance Holdings GP, L.P., dated November 7, 2014, 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, 2014 filed in XBRL).					<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 7, 2014.

ALLIANCE HOLDINGS GP, L.P.

By: Alliance GP, LLC
its general partner

/s/ Joseph W. Craft, III

Joseph W. Craft, III

*President, Chief Executive Officer
and Director, duly authorized to sign
on behalf of the registrant*

/s/ Brian L. Cantrell

Brian L. Cantrell

*Senior Vice President and
Chief Financial Officer*

CERTIFICATION

I, Joseph W. Craft III certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Holdings GP, 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, 2014 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 7, 2014

/s/ Joseph W. Craft III

Joseph W. Craft III

President, Chief Executive

Officer and Director

CERTIFICATION

I, Brian L. Cantrell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Holdings GP, 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, 2014 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 7, 2014

/s/ Brian L. Cantrell

Brian L. Cantrell

*Senior Vice President and
Chief Financial Officer*

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 Holdings GP, L.P. (the "Partnership") on Form 10-Q for the three and nine months ended September 30, 2014 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 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 and Chief Executive Officer
of Alliance GP, LLC
(the general partner of Alliance Holdings GP, L.P.)

Date: November 7, 2014

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.

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 Holdings GP, L.P. (the "Partnership") on Form 10-Q for the three and nine months ended September 30, 2014 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 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 GP, LLC
(the general partner of Alliance Holdings GP, L.P.)*

Date: November 7, 2014

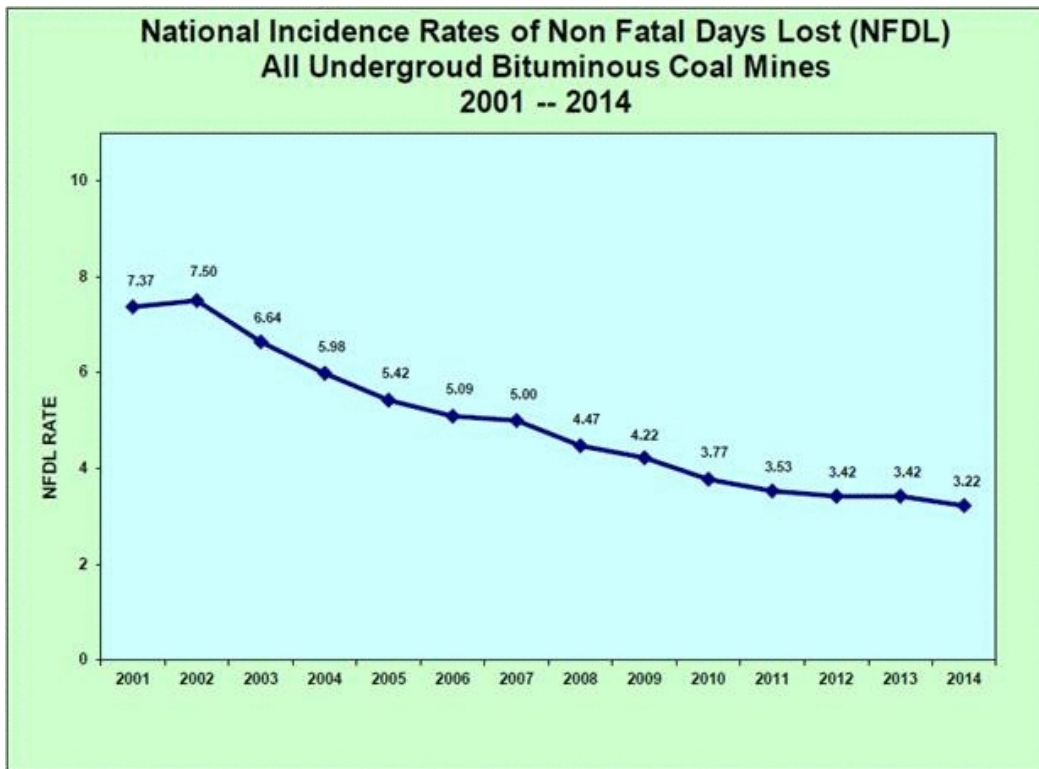
The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership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

Federal Mine Safety and Health Act Information

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

The ARLP Partnership is also a recognized leader in developing and implementing new technologies to improve safety throughout the industry. The ARLP Partnership's subsidiary, Matrix Design, is an innovator in the design and development of technologies intended to improve safety in underground mining operations. In fact, in 2013, Matrix Design was awarded a Mine Safety and Health Technology Innovation Award by the U.S. National Institute for Occupational Safety and Health. Matrix Design products include portable, wireless communication and electronic tracking systems for providing surface personnel the ability to communicate with and locate underground mining personnel, and proximity detection systems designed to improve the safety of continuous mining machines and other mobile equipment used in underground operations. Matrix Design has completed installation of its communication and tracking system at the ARLP Partnership's operating subsidiaries and has either installed or received orders to install this vital safety system at over half of the operating underground coal mines in the U.S. In addition, Matrix Design's first-generation proximity detection system, M3-1000, has been installed on continuous miners in use at underground coal mines operated by the ARLP Partnership's subsidiaries and others. The Mine Safety and Health Administration ("MSHA") also recently approved Matrix Design's second-generation proximity detection system, IntelliZone, expanding the availability of this safety technology to various forms of mobile equipment used in underground mines to carry coal between continuous miners and conveyor belts. In addition, in September 2013, Matrix Design received MSHA approval for the use of Matrix Design's new advanced-technology atmospheric monitoring sensors ("AMS") for underground mining operations. The AMS technology, which was developed at the request of Alpha Natural Resources, Inc. ("Alpha") and is presently being implemented at various Alpha affiliates, is designed to provide services that integrate voice communications, personnel tracking, atmospheric monitoring, and calibration tools for underground mining. The AMS technology is designed to operate by either wired or wireless connections.

The ARLP Partnership's industry is focused on improving employee safety and its safety performance is continuously monitored, including through the mining industry standard of "non-fatal days lost," or "NFDL," which reflects both the frequency and severity of injuries incurred and, it believes, is a better measure of safety performance than compliance statistics. As indicated in the chart below, these efforts have resulted in significant safety improvements as the industry average NFDL as of the third quarter of 2014, as reported^(a) by MSHA, has decreased approximately 56% since 2001.



- (a) Data compiled for all U.S. underground bituminous coal mines and related surface facilities from the MSHA report “Mine Injury and Worktime, Quarterly Closeout Edition.” Data for 2001 through 2013 reflects the “January — December, Final” report for each year. Data for 2014 reflects the “January — June, Preliminary” report for the first six months of 2014.

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

The ARLP Partnership’s 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 the ARLP Partnership’s 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, 2014, the ARLP Partnership’s mines were subject to 1,827 MSHA inspection days with an average of only 0.12 S&S citations written per inspection day.

The ARLP Partnership endeavors to comply at all times with all Mine Act regulations. However, the Mine Act has been construed as authorizing MSHA to issue citations and orders pursuant to the legal doctrine of strict liability, or liability without 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 the ARLP Partnership had any knowledge of, or fault in, the existence of that condition. Many of the Mine Act

standards include one or more subjective elements, so that issuance of a citation often depends on the opinions or experience of the MSHA inspector involved and the frequency of citations will vary from inspector to inspector.

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

The ARLP Partnership takes all allegations of violations of Mine Act standards seriously, and if it disagrees with the assertions of an MSHA inspector, the ARLP Partnership exercises its 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, 2014, the ARLP Partnership's operating subsidiaries have contested approximately 26% of all citations and 67% 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, 2014. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors.

<i>Subsidiary Name / MSHA Identification Number ⁽¹⁾</i>	<i>Section 104(a) S&S Citations⁽²⁾</i>	<i>Section 104(b) Orders ⁽³⁾</i>	<i>Section 104(d) Citations and Orders ⁽⁴⁾</i>	<i>Section 110(b)(2) Violations ⁽⁵⁾</i>	<i>Section 107(a) Orders ⁽⁶⁾</i>	<i>Total Dollar Value of MSHA Assessments Proposed (in thousands) ⁽⁷⁾</i>
<u>Illinois Basin Operations</u>						
Webster County Coal, LLC (KY)						
1502132	27	-	-	-	-	\$ 54.5
1511935	-	-	-	-	-	\$ 0.7
Warrior Coal, LLC (KY)						
1505230	-	-	-	-	-	\$ -
1512083	-	-	-	-	-	\$ -
1513514	-	-	-	-	-	\$ -
1516460	-	-	-	-	-	\$ -
1517216	33	-	4	-	-	\$ 113.1
1517232	6	-	-	-	-	\$ 26.0
1517678	-	-	-	-	-	\$ -
1517740	-	-	-	-	-	\$ -
1517758	-	-	-	-	-	\$ -
1514335	-	-	-	-	-	\$ 0.8
Hopkins County Coal, LLC (KY)						
1502013	1	-	-	-	-	\$ -
1517377	-	-	-	-	-	\$ -
1517515	-	-	-	-	-	\$ -
1518826	32	1	3	-	-	\$ 149.9
1517378	-	-	-	-	-	\$ -
River View Coal, LLC (KY)						
1503178	1	-	-	-	-	\$ 0.9
1519374	40	-	-	-	-	\$ 68.0
White County Coal, LLC (IL)						
1102662	-	-	-	-	-	\$ -
1103058	15	-	-	-	-	\$ 105.5
Alliance WOR Processing, LLC (IL)						
1103242	1	-	-	-	-	\$ 0.3
Gibson County Coal, LLC (IN)						
1202388	-	-	-	-	-	\$ 2.0
1202215	16	-	-	-	-	\$ 40.5
Sebree Mining, LLC (KY)						
1519264	-	-	-	-	-	\$ -
1518547	17	-	-	-	-	\$ 27.8
1518864	-	-	-	-	-	\$ -
1517044	-	-	-	-	-	\$ 0.2
<u>Appalachia Operations</u>						
MC Mining, LLC (KY)						
1508079	-	-	-	-	-	\$ -
1517733	1	-	-	-	-	\$ 2.4
1519515	5	-	-	-	-	\$ 15.8
Mettiki Coal, LLC (MD)						
1800621	-	-	-	-	-	\$ -
1800671	-	-	-	-	-	\$ 1.3
Mettiki Coal (WV), LLC						
4609028	5	-	-	-	-	\$ 8.1
Tunnel Ridge, LLC (PA/WV)						
4608864	14	-	-	-	-	\$ 40.2
<u>Other</u>						
4403236	-	-	-	-	-	\$ -
4403255	-	-	-	-	-	\$ -
4406630	-	-	-	-	-	\$ -
4406867	-	-	-	-	-	\$ -
Pontiki Coal, LLC (KY)						
1508413	-	-	-	-	-	\$ -
1509571	-	-	-	-	-	\$ -
1514324	-	-	-	-	-	\$ -
1518839	-	-	-	-	-	\$ 0.1
1518056	-	-	-	-	-	\$ -

<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) ⁽²⁾</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>
<u>Illinois Basin Operations</u>					
Webster County Coal, LLC (KY)					
1502132	-	No	19	1	12
1511935	-	No	-	-	-
Warrior Coal, LLC (KY)					
1505230	-	No	-	-	-
1512083	-	No	-	-	-
1513514	-	No	-	-	-
1516460	-	No	-	-	-
1517216	-	No	28	2	2
1517232	-	No	4	2	-
1517678	-	No	-	-	-
1517740	-	No	-	-	-
1517758	-	No	-	-	-
1514335	-	No	1	-	-
Hopkins County Coal, LLC (KY)					
1502013	-	No	-	-	-
1517377	-	No	-	-	-
1517515	-	No	-	-	-
1518826	-	No	16	3	6
1517378	-	No	-	-	-
River View Coal, LLC (KY)					
1503178	-	No	-	-	-
1519374	-	No	4	-	8
White County Coal, LLC (IL)					
1102662	-	No	-	-	-
1103058	-	No	12	1	7
Alliance WOR Processing, LLC (IL)					
1103242	-	No	-	-	-
Gibson County Coal, LLC (IN)					
1202388	-	No	2	1	-
1202215	-	No	6	1	-
Sebree Mining, LLC (KY)					
1519264	-	No	-	-	-
1518547	-	No	4	1	8
1518864	-	No	-	-	-
1517044	-	No	-	-	-
<u>Appalachia Operations</u>					
MC Mining, LLC (KY)					
1508079	-	No	4	-	9
1517733	-	No	-	-	-
1519515	-	No	1	1	-
Mettiki Coal, LLC (MD)					
1800621	-	No	-	-	-
1800671	-	No	-	-	-
Mettiki Coal (WV), LLC					
4609028	-	No	10	2	2
Tunnel Ridge, LLC (PA/WV)					
4608864	-	No	14	4	5
<u>Other</u>					
4403236	-	No	-	-	-
4403255	-	No	-	-	-
4406630	-	No	-	-	-
4406867	-	No	-	-	-
Pontiki Coal, LLC (KY)					
1508413	-	No	-	-	-
1509571	-	No	-	-	-
1514324	-	No	-	-	2
1518839	-	No	4	-	-
1518056	-	No	-	-	-

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of September 30, 2014 that fall into each of the following categories is as follows:

<i>Subsidiary Name / MSHA Identification Number ⁽¹⁾</i>	<i>Contests of Citations and Orders</i>	<i>Contests of Proposed Penalties</i>	<i>Complaints for Compensation</i>	<i>Complaints of Discharge/ Discrimination/ Interference</i>	<i>Applications for Temporary Relief</i>	<i>Appeals of Judges Rulings</i>
<u>Illinois Basin Operations</u>						
Webster County Coal, LLC (KY)						
1502132	1	18	-	-	-	-
1511935	-	-	-	-	-	-
Warrior Coal, LLC (KY)						
1505230	-	-	-	-	-	-
1512083	-	-	-	-	-	-
1513514	-	-	-	-	-	-
1516460	-	-	-	-	-	-
1517216	6	22	-	-	-	-
1517232	-	4	-	-	-	-
1517678	-	-	-	-	-	-
1517740	-	-	-	-	-	-
1517758	-	-	-	-	-	-
1514335	-	1	-	-	-	-
Hopkins County Coal, LLC (KY)						
1502013	-	-	-	-	-	-
1517377	-	-	-	-	-	-
1517515	-	-	-	-	-	-
1518826	3	13	-	-	-	4
1517378	-	-	-	-	-	-
River View Coal, LLC (KY)						
1503178	-	-	-	-	-	-
1519374	-	4	-	-	-	-
White County Coal, LLC (IL)						
1102662	-	-	-	-	-	-
1103058	-	12	-	-	-	-
Alliance WOR Processing, LLC (IL)						
1103242	-	-	-	-	-	-
Gibson County Coal, LLC (IN)						
1202388	-	2	-	-	-	-
1202215	-	6	-	-	-	-
Sebree Mining, LLC (KY)						
1519264	-	-	-	-	-	-
1518547	-	4	-	-	-	-
1518864	-	-	-	-	-	-
1517044	-	-	-	-	-	-
<u>Appalachia Operations</u>						
MC Mining, LLC (KY)						
1508079	-	4	-	-	-	-
1517733	-	-	-	-	-	-
1519515	-	1	-	-	-	-
Mettiki Coal, LLC (MD)						
1800621	-	-	-	-	-	-
1800671	-	-	-	-	-	-
Mettiki Coal (WV), LLC						
4609028	-	10	-	-	-	-
Tunnel Ridge, LLC (PA/WV)						
4608864	-	14	-	-	-	-
<u>Other</u>						
4403236	-	-	-	-	-	-
4403255	-	-	-	-	-	-
4406630	-	-	-	-	-	-
4406867	-	-	-	-	-	-
Pontiki Coal, LLC (KY)						
1508413	-	-	-	-	-	-
1509571	-	-	-	-	-	-
1514324	-	-	-	-	-	-
1518839	-	4	-	-	-	1
1518056	-	-	-	-	-	-

- (1) The statistics reported for each of the ARLP Partnership's 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, 2014 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.
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