CNX Coal Resources LP
Form 10-Q
November 01, 2016

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-14901

CNX Coal Resources LP
(Exact name of registrant as specified in its charter)

Delaware	47-3445032
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 CONSOL Energy Drive
Canonsburg, PA 15317-6506
(724) 485-4000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
CNX Coal Resources LP had 11,618,456 common units, 11,611,067 subordinated units, 3,956,496 Class A Preferred Units and a 1.7% general partner interest outstanding at October 31, 2016.

TABLE OF CONTENTS

Significant Relationships and Other Terms Referenced in this Quarterly Report

- “CNX Coal Resources LP,” our "Partnership,” “we,” “our,” “us” and similar terms, when used in a historical context, refer to CNX Coal Resources LP, a Delaware limited partnership, and its subsidiaries;
- “CNX Operating” refers to CNX Operating LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of the Partnership;
- “CNX Thermal Holdings” refers to CNX Thermal Holdings LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of CNX Operating; subsequent to the PA Mining Acquisition, CNX Thermal Holdings owns a 25% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania Mining Complex;
- “CONSOL Energy” and our “sponsor” refer to CONSOL Energy Inc., a Delaware corporation and the parent of our general partner, and its subsidiaries other than our general partner, us and our subsidiaries;
- “CPCC” refers to CONSOL Pennsylvania Coal Company LLC, a Delaware limited liability company and a wholly-owned subsidiary of CONSOL Energy;
- “Conrhein” refers to Conrhein Coal Company, a Pennsylvania general partnership and a wholly-owned subsidiary of CONSOL Energy;
- the “Pennsylvania Mining Complex” refers to coal mines, coal reserves and related assets and operations, located primarily in southwestern Pennsylvania, subsequent to the PA Mining Acquisition, owned 75% by CONSOL Energy and 25% by CNX Thermal Holdings, as of September 30, 2016;
- "PA Mining Acquisition" refers to the transaction on September 30, 2016, where the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement with CONSOL Energy, CPCC and Conrhein and together with CPCC, under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties’ right, title and interest in and to the Pennsylvania mining complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex);
- "IPO" refers to the completion of the Partnership's initial public offering on July 7, 2015; and
- our “general partner” refers to CNX Coal Resources GP LLC, a Delaware limited liability company and our general partner.

PART I : FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CNX COAL RESOURCES LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except unit data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Coal Revenue	$66,922	$ 80,793	$186,103	$ 256,651
Freight Revenue	2,407	302	8,473	1,571
Other Income	485	343	2,254	813
Total Revenue and Other Income	69,814	81,438	196,830	259,035
Operating and Other Costs [1]	45,531	46,936	130,066	153,654
Depreciation, Depletion and Amortization	10,592	10,788	31,332	34,057
Freight Expense	2,407	302	8,473	1,571
Selling, General and Administrative Expenses [2]	2,660	2,616	6,558	8,913
Interest Expense [3]	2,223	1,872	6,277	7,758
Total Costs	63,413	62,514	182,706	205,953
Net Income	$6,401	$ 18,924	$14,124	$ 53,082
Less: Net Income Attributable to CONSOL Energy, Pre-IPO and Pre-PA Mining Acquisition	1,379	4,241	3,995	38,399
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Coal Resources [4]	$5,022	$ 14,683	$10,129	$ 14,683
Less: General Partner Interest in Net Income	100	294	202	294
Limited Partner Interest in Net Income	4,922	14,389	9,927	14,389
Less: Effect of Subordinated Distribution Suspension	—	—	119	—
Net Income Allocable to Limited Partner Units - Basic & Diluted	$4,922	$ 14,389	$9,808	$ 14,389
Net Income per Limited Partner Unit - Basic	$0.21	$ 0.62	$0.42	$ 0.62
Net Income per Limited Partner Unit - Diluted	$0.21	$ 0.62	$0.42	$ 0.62
Limited Partner Units Outstanding - Basic	23,226,712	23,222,134	23,223,671	23,222,134
Limited Partner Units Outstanding - Diluted	23,469,615	23,222,592	23,344,554	23,222,592
Cash Distributions Declared per Unit [5]				
Common Unit	$0.5125	$ 0.4791	$1.5375	$ 0.4791
Subordinated Unit	$0.5125	$ 0.4791	$1.0250	$ 0.4791

[1] Related Party of $854 and $2,736 for the three months ended and $3,390 and $5,177 for the nine months ended September 30, 2016 and September 30, 2015, respectively.
[2] Related Party of $856 and $2,598 for the three months ended and $3,090 and $6,904 for the nine months ended September 30, 2016 and September 30, 2015, respectively.
[3] Related Party of $6,050 for the nine months ended September 30, 2015.
[4] Represents the general and limited partner interest in net income since closing of IPO.

[5] Represents the cash distributions declared related to the period presented. See Note 14 - Subsequent Events.

The accompanying notes are an integral part of these consolidated financial statements.

CNX COAL RESOURCES LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$6,401	$18,924	$14,124	$53,082
Actuarially Determined Long-Term Liability Adjustments:				
Amortization of prior service credits	—	(995)	—	(8,703)
Recognized net actuarial (gain) loss	(22)	90	(70)	1,260
Other comprehensive income before reclassifications	—	889	—	5,691
Total Actuarially Determined Long-Term Liability Adjustments	(22)	(16)	(70)	(1,752)
Other Comprehensive Loss	(22)	(16)	(70)	(1,752)
Comprehensive Income	$6,379	$18,908	$14,054	$51,330

The accompanying notes are an integral part of these consolidated financial statements.

CNX COAL RESOURCES LP
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash	$ 6,314	$ 6,534
Trade Receivables	21,001	19,398
Other Receivables	200	471
Inventories	11,580	12,238
Prepaid Expenses	4,739	5,089
Total Current Assets	43,834	43,730
Property, Plant and Equipment:		
Property, Plant and Equipment	873,767	865,527
Less—Accumulated Depreciation, Depletion and Amortization	432,106	400,911
Total Property, Plant and Equipment—Net	441,661	464,616
Other Assets:		
Other	21,302	17,598
Total Other Assets	21,302	17,598
TOTAL ASSETS	$ 506,797	$ 525,944
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts Payable	$18,095	$17,405
Accounts Payable—Related Party	1,320	4,310
Other Accrued Liabilities	41,186	37,281
Total Current Liabilities	60,601	58,996
Long-Term Debt:		
Revolver, net of debt issuance and financing fees	204,619	180,946
Capital Lease Obligations	166	124
Total Long-Term Debt	204,785	181,070
Deferred Credits and Other Liabilities:		
Pneumoconiosis Benefits	2,537	1,934
Workers’ Compensation	3,133	2,929
Asset Retirement Obligations	9,271	8,499
Other	648	713
Total Deferred Credits and Other Liabilities	15,589	14,075
TOTAL LIABILITIES	280,975	254,141
Partners' Capital:		
Preferred Units (3,956,496 units outstanding at September 30, 2016 and no units outstanding at December 31, 2015)	67,300	—
Common Units (11,618,456 units outstanding at September 30, 2016 and 11,611,067 units outstanding at December 31, 2015)	141,800	154,309
Subordinated Units (11,611,067 Units Outstanding at September 30, 2016 and December 31, 2015)	(6,518)	6,188
General Partner Interest	12,319	13,081
Parent Net Investment	—	87,234
Accumulated Other Comprehensive Income	10,921	10,991

Total Partners' Capital	225,822	271,803
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$506,797	$525,944

The accompanying notes are an integral part of these consolidated financial statements.

CNX COAL RESOURCES LP
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(Dollars in thousands)
(unaudited)

		Limited Partners					
	Parent Net Investment	Preferred Class A	Common	Subordinated	General Partner	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2015	$ 87,234	$ —	$ 154,309	$ 6,188	$ 13,081	$ 10,991	$ 271,803
Net Income	3,995	—	4,965	4,962	202	—	14,124
Other Comprehensive Loss	—	—	—	—	—	(70)	(70)
Issuance of Preferred Units	—	67,300	—	—	—	—	67,300
Net Working Capital Advances to the Partnership	(8,953)	—	—	—	—	—	(8,953)
Net Asset Acquired in Pennsylvania Mining Complex	(82,276)	—	—	—	—	—	(82,276)
Purchase Price in Excess of Net Assets Acquired	—	—	(522)	(5,767)	(235)	—	(6,524)
Unitholder Distributions	—	—	(17,856)	(11,901)	(729)	—	(30,486)
Unit Based Compensation	—	—	904	—	—	—	904
Balance at September 30, 2016	$ —	$ 67,300	$ 141,800	$ (6,518)	$ 12,319	$ 10,921	$ 225,822

The accompanying notes are an integral part of these consolidated financial statements.

CNX COAL RESOURCES LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Nine Months Ended September 30, 2016	2015
Cash Flows from Operating Activities:		
Net Income	$ 14,124	$ 53,082
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation, Depletion and Amortization	31,332	34,057
(Gain) Loss on Sale of Assets	10	(45)
Unit Based Compensation	904	15
Other Adjustments to Net Income	679	202
Changes in Operating Assets:		
Accounts and Notes Receivable	(1,332)	(28,974)
Inventories	658	(2,521)
Prepaid Expenses	350	(1,372)
Changes in Other Assets	(3,704)	(7,997)
Changes in Operating Liabilities:		
Accounts Payable	1,468	(119)
Accounts Payable—Related Party	(2,990)	355
Other Operating Liabilities	3,876	5,376
Changes in Other Liabilities	1,949	(4,594)
Net Cash Provided by Operating Activities	47,324	47,465
Cash Flows from Investing Activities:		
Capital Expenditures	(9,569)	(25,712)
PA Mining Acquisition	(21,500)	—
Proceeds from Sales of Assets	21	70
Net Cash Used in Investing Activities	(31,048)	(25,642)

Cash Flows from Financing Activities:				
Proceeds from (Payments on) Miscellaneous Borrowings	(57	)	6,005	
Proceeds from Revolver, Net of Payments	23,000		180,000	
Proceeds from Issuance of Common Units, Net of Offering Costs	—		148,359	
Distribution of Proceeds	—		(342,711	)
Payments for Unitholder Distributions	(30,486	)	—	
Debt Issuance and Financing Fees	—		(4,329	)
Net Change in Parent Advances	(8,953	)	(6,144	)
Net Cash Used In Financing Activities	(16,496	)	(18,820	)
Net (Decrease) Increase in Cash	(220	)	3,003	
Cash at Beginning of Period	6,534		4	
Cash at End of Period	$ 6,314		$ 3,007	

The accompanying notes are an integral part of these consolidated financial statements.

CNX COAL RESOURCES LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
NOTE 1—BASIS OF PRESENTATION:

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

On September 30, 2016, the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement (the “Contribution Agreement”) with CONSOL Energy, CPCC and Conrhein and together with CPCC, (the “Contributing Parties”), under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties’ right, title and interest in and to the Pennsylvania Mining Complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex). The PA Mining Acquisition was a transaction between entities under common control; therefore, the partnership recorded the assets and liabilities of the acquired 5% of Pennsylvania Mining Complex at their carrying amounts to CONSOL Energy on the date of the transaction. The difference between CONSOL Energy’s net carrying amount and the total consideration paid to CONSOL Energy was recorded as a capital transaction with CONSOL Energy, which resulted in a reduction in partners’ capital. The Partnership recast its historical consolidated financial statements to retrospectively reflect the additional 5% interest in Pennsylvania Mining Complex as if the business was owned for all periods presented; however, the consolidated financial statements are not necessarily indicative of the results of operations that would have occurred if the Partnership had owned it during the periods reported.

For the three and nine months ended September 30, 2016 and the three months ended September 30, 2015, the unaudited consolidated financial statements include the accounts of CNX Coal Resources LP and subsidiaries, and separate records maintained by CONSOL Energy, CPCC and Conrhein related to the acquired 5% of the Pennsylvania Mining Complex.

For the nine months ended September 30, 2015, the unaudited consolidated financial statements were prepared from separate records maintained by CONSOL Energy, CPCC and Conrhein and may not necessarily be indicative of the conditions that would have existed, or the results of operations, if CPCC and Conrhein had been operated as unaffiliated entities. As these unaudited consolidated financial statements represent the combination of two separate legal entities wholly owned by CONSOL Energy, the net assets of the Partnership have been presented as a Parent Net Investment. Parent Net Investment is primarily comprised of the Partnership’s undivided interest in (i) CONSOL Energy’s initial investment in CPCC and Conrhein (and any subsequent adjustments thereto); (ii) the accumulated net earnings; (iii) net transfers to or from CONSOL Energy, including those related to cash management functions performed by CONSOL Energy; (iv) non-cash changes in financing arrangements, including the conversion of certain related party liabilities into Parent Net Investment; and (v) corporate cost allocations. Transactions between the Partnership and CONSOL Energy or CONSOL Energy’s other subsidiaries have been identified in the financial statements as transactions between related parties.

Reclassifications:

Certain amounts have been reclassified to conform with the current reporting classifications with no effect on previously reported net income or partners' capital.

Recent Accounting Pronouncements:

In August 2016, the FASB issued Update 2016-15 - Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This update seeks to reduce the existing diversity in practice of the presentation and classification of specific cash flow issues. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The objective of the amendments in this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The core principle of the guidance is that 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 and should disclose sufficient information, both qualitative and quantitative, to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The following updates to Topic 606 were made during 2016:

- In March 2016, the FASB updated Topic 606 by issuing ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies how an entity determines whether it is a principal or an agent for goods or services promised to a customer as well as the nature of the goods or services promised to their customers.
- In April 2016, the FASB issued Update 2016-10 - Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which seeks to address implementation issues in the areas of identifying performance obligations and licensing.
- In May 2016, the FASB issued Update 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients. The update, which was issued in response to feedback received by the FASB-IASB joint revenue recognition transition resource group (TRG), seeks to address implementation issues in the areas of collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition.

The new standards are effective for annual reporting periods beginning after December 15, 2018, with the option to adopt as early as annual reporting periods beginning after December 15, 2016. Management is currently evaluating the method of adoption as it relates to ASU 2014-09 and the impacts that these standards will have on the Partnership's financial statements.

In March 2016, the FASB issued Update 2016-09 - Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The update simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition to those simplifications, the amendments eliminate the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application of the amendments in this update is permitted for all entities. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

In February 2016, the FASB issued Update 2016-02 - Leases (Topic 842). This update is intended to improve financial reporting about leasing transactions. This update will require lessees to recognize all leases with terms greater than 12 months on their balance sheet as lease liabilities with a corresponding right-of-use asset. This update maintains the dual model for lease accounting, requiring leases to be classified as either operating or finance, with lease classification determined in a manner similar to existing lease guidance. The basic principle is that leases of all types convey the right to direct the use and obtain substantially all the economic benefits of an identified asset, meaning they create an asset and liability for lessees. Lessees will classify leases as either finance leases (comparable to current capital leases) or operating leases (comparable to current operating leases). Costs for a finance lease will be split between amortization and interest expense, with a single lease expense reported for operating leases. This update also will require both qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this update is permitted for all entities. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

NOTE 2—NET INCOME PER LIMITED PARTNER AND GENERAL PARTNER INTEREST:

The Partnership allocates net income among our general partner and limited partners using the two-class method in accordance with applicable authoritative accounting guidance. Under the two-class method, we allocate our net income to our limited partners and our general partner in accordance with the terms of our partnership agreement. We

also allocate any earnings in excess of distributions to our limited partners and our general partner in accordance with the terms of our partnership agreement. We allocate any distributions in excess of earnings for the period to our general partner and our limited partners based on their respective proportionate ownership interests in us, after taking into account distributions to be paid with respect to the incentive distribution rights, as set forth in the partnership agreement. Net income attributable the PA Mining Acquisition for periods prior to September 30, 2016 was not allocated to the limited partners for purposes of calculating net income per limited partner unit.
Diluted net income per limited partner unit reflects the potential dilution that could occur if securities or agreements to issue common units, such as awards under the long-term incentive plan, were exercised, settled or converted into common units. When it is determined that potential common units resulting from an award subject to performance or market conditions should be included in the diluted net income per limited partner unit calculation, the impact is reflected by applying the treasury stock method. Diluted net income per limited partner unit also reflects the potential dilution that could occur if the preferred

units of the partnership were converted to common units. If certain conditions are met, Preferred units can be converted by election of the holder, partnership, or by change in control.

The following table illustrates the Partnership's calculation of net income per unit for common and subordinated partner units (in thousands, except for per unit information):

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Coal Resources	$ 6,401	$ 18,924	$ 14,124	$ 53,082
Less: Net (Loss) Income Attributable to CONSOL Energy, Pre-IPO	—	(18)	—	27,307
Less: Net Income Attributable to CONSOL Energy, Pre-PA Mining Acquisition	1,379	4,259	3,995	11,092
Less: General Partner Interest in Net Income	100	294	202	294
Less: Effect of Subordinated Distribution Suspension	—	—	119	—
Net Income Allocable to Limited Partner Units - Basic & Diluted	$ 4,922	$ 14,389	$ 9,808	$ 14,389
Limited Partner Interest in Net Income - Common Units	$ 2,462	$ 7,194	$ 4,965	$ 7,194
Effect of Subordinated Distribution Suspension - Common Units	—	—	2,917	—
Net Income Allocable to Common Units - Basic & Diluted	$ 2,462	$ 7,194	$ 7,882	$ 7,194
Limited Partner Interest in Net Income - Subordinated Units	$ 2,460	$ 7,195	$ 4,962	$ 7,195
Effect of Subordinated Distribution Suspension - Subordinated Units	—	—	(3,036)	—
Net Income Allocable to Subordinated Units - Basic & Diluted	$ 2,460	$ 7,195	$ 1,926	$ 7,195
Weighted Average Limited Partner Units Outstanding - Basic				
Common Units	11,615,645	11,611,067	11,612,604	11,611,067
Subordinated Units	11,611,067	11,611,067	11,611,067	11,611,067
Total	23,226,712	23,222,134	23,223,671	23,222,134
Weighted Average Limited Partner Units Outstanding - Diluted				
Common Units	11,858,548	11,611,525	11,733,487	11,611,525
Subordinated Units	11,611,067	11,611,067	11,611,067	11,611,067
Total	23,469,615	23,222,592	23,344,554	23,222,592
Net Income Per Limited Partner Unit - Basic				
Common Units	$ 0.21	$ 0.62	$ 0.68	$ 0.62
Subordinated Units	$ 0.21	$ 0.62	$ 0.17	$ 0.62
Net Income Per Limited Partner Unit - Diluted				
Common Units	$ 0.21	$ 0.62	$ 0.67	$ 0.62
Subordinated Units	$ 0.21	$ 0.62	$ 0.17	$ 0.62

There were no phantom units or preferred units excluded from the computation of the diluted earnings per share because their effect would be anti-dilutive for all periods presented.

NOTE 3—ACQUISITION:

On September 30, 2016, the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement with CONSOL Energy, CPCC and Conrhein and together with CPCC, under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties' right, title and interest in and to the Pennsylvania Mining Complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex), in exchange for (i) cash consideration in the amount of $21,500 and (ii) the Partnership's issuance of 3,956,496 Class A Preferred Units representing limited partner interests in the Partnership at an issue price of $17.01 per Class A Preferred Unit (the "Class A Preferred Unit Issue Price"), or an aggregate $67,300 in equity consideration. The Class A Preferred Unit Issue Price was calculated as the volume-weighted average trading price of the Partnership's common units over the trailing 15-day trading period ending on September 29, 2016 (or $14.79), plus a 15% premium. The PA Mining Acquisition was consummated on September 30, 2016.

Following the PA Mining Acquisition and including interests it held previously, CNX Thermal holds an aggregate 25% undivided interest in and to the Pennsylvania Mining Complex. The Contribution Agreement contains customary representations, warranties, agreements and covenants of the parties. The Partnership and CNX Thermal, on the one hand, and CONSOL Energy, CPCC and Conrhein, on the other hand, have agreed to indemnify each other and their respective affiliates, directors, officers, employees, agents and representatives against certain losses resulting from any breach of their representations, warranties, agreements or covenants contained in the Contribution Agreement, subject to certain limitations. The Conflicts Committee of the board of directors of our general partner, and the board unanimously approved the terms of the Acquisition.

The PA Mining Acquisition was a transaction between entities under common control; therefore, the Partnership recorded the assets and liabilities of the acquired 5% undivided interest in the Pennsylvania Mining Complex at their carrying amounts to CONSOL Energy on the date of the transaction. The difference between CONSOL Energy's net carrying amount and the total consideration paid to CONSOL Energy was recorded as a capital transaction with CONSOL Energy, which resulted in a reduction in partners' capital. The $67,300 in equity consideration was a non-cash transaction, which impacted the investing and financing activities of the Partnership, by $6,524 of excess consideration paid over the net carrying amount and $60,776 of carrying amount paid from equity consideration. The Partnership recast its historical consolidated financial statements to retrospectively reflect the Acquisition as if the assets and liabilities were owned for all periods presented; however, the consolidated financial statements are not necessarily indicative of the results of operations that would have occurred if the Partnership had owned the assets during the periods reported.

NOTE 4—INVENTORIES:

	September 30, 2016	December 31, 2015
Coal	$ 2,092	$ 1,165
Supplies	9,488	11,073
Total Inventories	$ 11,580	$ 12,238

Inventories are stated at the lower of cost or net realizable value. The cost of coal inventories is determined by the first-in, first-out (FIFO) method. Coal inventory costs include labor, supplies, equipment costs, operating overhead, depreciation, depletion and amortization, and other related costs. The cost of supplies inventory is determined by the average cost method and includes operating and maintenance supplies to be used in our coal operations.

NOTE 5—PROPERTY, PLANT AND EQUIPMENT:

	September 30, 2016	December 31, 2015
Coal and other plant and equipment	$ 575,163	$ 571,044
Coal properties and surface lands	120,985	120,912
Airshafts	92,008	87,967
Mine development	81,538	81,538
Coal advance mining royalties	4,073	4,066
Total property, plant and equipment	873,767	865,527
Less: Accumulated depreciation, depletion and amortization	432,106	400,911
Total Net Property, Plant and Equipment	$ 441,661	$ 464,616

Coal reserves are controlled either through fee ownership or by lease. The duration of the leases vary; however, the lease terms generally are extended automatically to the exhaustion of economically recoverable reserves, as long as active mining continues. Coal interests held by lease provide the same rights as fee ownership for mineral extraction and are legally considered real property interests.

As of September 30, 2016 and December 31, 2015, property, plant and equipment includes gross assets under capital lease of $639 and $481, respectively. Accumulated amortization for capital leases was $380 and $296 at September 30, 2016 and December 31, 2015, respectively. Amortization expense for assets under capital leases approximated $22 and $15 for the three months ended, and $53 and $37 for the nine months ended September 30, 2016 and 2015, respectively, and is included in Depreciation, Depletion and Amortization in the accompanying Consolidated Statements of Operations.

NOTE 6—OTHER ACCRUED LIABILITIES:

	September 30, 2016	December 31, 2015
Subsidence liability	$ 25,199	$ 22,403
Accrued payroll and benefits	3,640	3,552
Litigation	2,600	2,138
Equipment lease rental	2,495	2,442
Accrued other taxes	2,057	807
Other	2,886	2,287
Current portion of long-term liabilities:		
Workers' compensation	1,383	1,431
Asset retirement obligations	591	1,913
Long-term disability	191	204
Capital leases	90	61
Pneumoconiosis benefits	54	43
Total Other Accrued Liabilities	$ 41,186	$ 37,281

NOTE 7—REVOLVING CREDIT FACILITY: