

CNX Coal Resources LP  
Form S-3/A  
March 10, 2017  
Table of Contents

As filed with the Securities and Exchange Commission on March 10, 2017

Registration No. 333-215962

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

**PRE-EFFECTIVE AMENDMENT NO. 1 TO**  
**FORM S-3**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**CNX Coal Resources LP\***

**CNX Coal Finance Corp.**

**and certain subsidiaries identified in the Table of Additional Registrants below**

**(Exact name of registrant as specified in its charter)**

**Delaware** **47-3445032**  
**Delaware** **81-5232249**  
**(State or other jurisdiction of** **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**(724) 485-4000**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Lorraine L. Ritter**  
**Chief Financial Officer and Chief Accounting Officer**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**(724) 485-4000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copy to:*

**Martha A. Wiegand**  
**General Counsel and Secretary, CNX Coal Resources LP**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**(724) 485-4000**

**Hannah T. Frank**  
**McGuireWoods LLP**  
**625 Liberty Avenue, 23<sup>rd</sup> Floor**  
**Pittsburgh, Pennsylvania 15222**  
**(412) 667-7936**

**Approximate date of commencement of proposed sale to the public:**

**From time to time after this Registration Statement becomes effective.**

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**Table of Contents**

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 426(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title Of Each Class Of Securities To Be Registered	To Be Registered	Proposed	Proposed	Amount Of Registration Fee
		Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	
<b>Primary Offering</b>				
Common units	(1)		(1)	
Preferred units	(1)		(1)	
Senior debt securities	(1)(2)		(1)(2)	
Subordinated debt securities	(1)(2)		(1)(2)	
Guarantees of debt securities	(1)(2)		(1)(2)	(3)
Total			\$750,000,000(3)(4)	\$86,925.00(3)(4)
<b>Secondary Offering</b>				
Common units	10,494,934(5)	\$18.33(6)(7)	\$119,849,568.50(6)(7)	\$13,890.56(6)(7)
Class A Preferred Units	3,956,496	\$17.01(8)	\$67,299,996.96(8)	\$7,800.07(8)
				\$108,615.63(9)

**Total primary and secondary**

- (1) An unspecified aggregate number or principal amount of securities are being registered as may from time to time be offered at indeterminate prices, along with an indeterminate number of securities that may be issued upon exercise, settlement, exchange or conversion of securities offered hereunder. Separate consideration may or may not be received for common units that are issuable upon exercise, settlement, conversion or exchange of other securities or that are issued in units.
- (2) Debt securities (senior or subordinated) will be issued by CNX Coal Resources LP and may be co-issued by CNX Coal Finance Corp. If any debt securities are issued at an original issue discount, then the offering price of those debt securities shall be in an amount as shall result in an aggregate initial offering price not to exceed the proposed maximum aggregate offering price set forth above, less the dollar amount of any registered securities previously issued.
- (3) One or more subsidiaries of CNX Coal Resources LP may guarantee the debt securities. Pursuant to Rule 457(n) under the Securities Act of 1933, no separate fee is payable with respect to the guarantees of the debt securities being registered.
- (4) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. In no event will the aggregate initial offering price of all securities offered from time to time, in a primary offering, pursuant to the prospectus included as part of this registration statement exceed the proposed maximum aggregate offering price set forth above. The proposed maximum aggregate offering price for each class of securities to be registered is not specified pursuant to General Instruction II.D. of Form S-3.
- (5) Includes 6,538,438 outstanding common units held by the selling unitholders named in the prospectus included as part of this registration statement. Also includes 3,956,496 common units issuable upon conversion of the Class A Preferred Units held by a selling unitholder named in the prospectus included as part of this registration statement. The Class A Preferred Units convert into common units, on a one-for-one basis, at the election of the holder thereof (i) at any time after September 30, 2017, (ii) with respect to any dissolution or liquidation of CNX Coal Resources LP pursuant to the partnership agreement occurring prior to September 30, 2017, and (iii) with respect to a Class A Preferred Unit Change of Control (as defined in the partnership agreement).
- (6) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, with respect to the common units to be sold by the selling unitholders named in the prospectus included as part of

**Table of Contents**

this registration statement, based on the average of the high and low prices of the common units as reported on the New York Stock Exchange on February 3, 2017.

- (7) The common units issuable upon conversion of the Class A Preferred Units will be issued for no additional consideration and, therefore, no additional registration fee is required pursuant to Rule 457(i) under the Securities Act of 1933.
- (8) Calculated based on the price of the Class A Preferred Units of \$17.01 at the time of original issuance on September 30, 2016.
- (9) A filing fee of \$108,615.63 was previously paid in connection with the initial filing of this Registration Statement on February 8, 2017. No filing fee is being paid herewith.

\* **Includes subsidiaries of CNX Coal Resources LP identified on the following page that may guarantee the debt securities.**

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**TABLE OF ADDITIONAL REGISTRANTS**

<b>Exact Name of Registrant as Specified in Its Charter</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>IRS Employer Identification Number</b>
CNX Operating LLC	Delaware	47-3744108
CNX Thermal Holdings LLC	Delaware	47-3744238

The address for each additional registrant guarantor's principal executive offices is c/o CNX Coal Resources LP, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317 and the telephone number for each additional registrant guarantor is (724) 485-4000.

**Table of Contents**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MARCH 10, 2017**

**PROSPECTUS**

**CNX COAL RESOURCES LP**

**CNX COAL FINANCE CORP.**

**Common Units Representing Limited Partner Interests**

**Preferred Units Representing Limited Partner Interests**

**Class A Preferred Units**

**Debt Securities**

We may offer, from time to time, in one or more series, the following securities under this prospectus:

common units representing limited partnership interests in CNX Coal Resources LP;

preferred units representing limited partnership interests in CNX Coal Resources LP; and

debt securities.

The debt securities may be issued by us or co-issued by us with CNX Coal Finance Corp. Subsidiaries of CNX Coal Resources LP may guarantee the debt securities.

Further, the selling unitholders identified in this prospectus may offer and sell from time to time, in one or more offerings, up to 6,538,438 outstanding common units representing partnership interests and up to 3,956,496 Class A Preferred Units or any common units into which such Class A Preferred Units may be converted.



CONSOL Energy Inc., a selling unitholder, who is an affiliate of CNX Coal Resources LP, is an underwriter within the meaning of the Securities Act of 1933 and, as a result, may be deemed to be making a primary offering of securities, indirectly, on our behalf. We will not receive any of the proceeds from any sale by a selling unitholder. For a detailed discussion of the selling unitholders, including CONSOL Energy Inc., please read the section captioned "The Selling Unitholders" in this prospectus.

We or the selling unitholders may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities and the general manner in which we or the selling unitholders will offer the securities. The specific terms of any securities we or the selling unitholders offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we or the selling unitholders will offer the securities.

You should carefully read this prospectus and any prospectus supplement before you invest. You should also read the documents we refer to in the "Where You Can Find More Information" section of this prospectus for information on us and our financial statements. Our common units are traded on the New York Stock Exchange under the symbol

CNXC. The Class A Preferred Units have not been, and will not be, listed for trading on the New York Stock Exchange or any other national securities exchange. We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act.

We will provide information in the prospectus supplement for the trading market, if any, for any debt securities we may offer.

**Investing in our securities involves risks. Limited partnerships are inherently different from corporations. You should carefully consider each of the factors referred to under Risk Factors on page 5 of this prospectus and contained in the applicable prospectus supplement before you make an investment in our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is \_\_\_\_\_, 2017.**

Table of Contents

## TABLE OF CONTENTS

	Page
<u>About This Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Information Regarding Forward-Looking Statements</u>	2
<u>About CNX Coal Resources LP</u>	3
<u>About CNX Coal Finance Corp.</u>	5
<u>Risk Factors</u>	5
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Use of Proceeds</u>	7
<u>Description of the Common Units</u>	8
<u>Description of the Preferred Units</u>	9
<u>Description of the Class A Preferred Units</u>	10
<u>The Partnership Agreement</u>	14
<u>Provisions of Our Partnership Agreement Relating to Distributions</u>	28
<u>Description of Debt Securities</u>	42
<u>Material U.S. Federal Income Tax Consequences</u>	51
<u>Investment in CNX Coal Resources LP by Employee Benefit Plans</u>	72
<u>Plan of Distribution</u>	74
<u>The Selling Unitholders</u>	76
<u>Legal Matters</u>	79
<u>Experts</u>	79

**You should rely only on the information contained in or incorporated by reference into this prospectus and any prospectus supplement. We have not authorized anyone to provide you with additional or different information. If anyone provides you with different or additional information, you should not rely on it. This prospectus and any prospectus supplement are not an offer to sell, nor a solicitation of an offer to buy, these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any sale of a security.**

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, utilizing a shelf registration process or continuous offering process. Under this shelf registration process, we may, from time to time, sell up to \$750,000,000 of the securities described in this prospectus in one or more offerings. In addition, each selling unitholder may sell from time to time, the units registered under this registration statement in their respective names. Each time we or any selling unitholder offer securities with this prospectus, we will provide this prospectus and a prospectus supplement that will describe, among other things, who is selling (the partnership or a selling unitholder or both), the specific amounts and prices of the securities being offered and the terms of the offering, including, in the case of debt securities, the specific terms of the securities. The prospectus supplement may also add to, update, or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement.

The information in this prospectus is accurate as of its date. Therefore, before you invest in our securities, you should carefully read this prospectus and any prospectus supplement and the additional information described under the heading **Where You Can Find More Information**. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus to **CNX Coal Resources LP**, **we**, **our**, **us** or like terms refer to **CNX Coal Resources LP** and its subsidiaries.

**WHERE YOU CAN FIND MORE INFORMATION**

We incorporate by reference into this prospectus information we have filed with the SEC, which means that we disclose important information to you without actually including the specific information in this prospectus by referring you to another document filed with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we file later with the SEC will automatically supersede information in this prospectus and information previously filed with the SEC and incorporated by reference. Therefore, before you decide to invest in a particular offering under this prospectus, you should always check for reports we may have filed with the SEC after the date of this prospectus.

We incorporate by reference into this prospectus the documents listed below:

Our Annual Report on Form 10-K for the year ended December 31, 2016;

Our Current Report on Form 8-K filed January 30, 2017 (excluding any information furnished under Item 2.02 or 7.01 on any Current Report on Form 8-K); and

The description of our common units contained in the Registration Statement on Form 8-A (File No. 333-203165), filed with the SEC on June 17, 2015.

In addition, we incorporate by reference in this prospectus any future filings made by **CNX Coal Resources LP** with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (excluding any information furnished and not filed with the SEC) after the date on which the registration statement that includes this prospectus

Edgar Filing: CNX Coal Resources LP - Form S-3/A

was initially filed with the SEC (including all such documents we may file with the SEC after the date of the initial registration statement and prior to the effectiveness of the registration statement) and until all offerings under this shelf registration statement are terminated.

You may read and copy any document we file at the SEC's public reference facilities at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the SEC's web site on the Internet at <http://www.sec.gov>. Please call the SEC at 1 (800) SEC-0330 for further information on public

**Table of Contents**

reference rooms. Additionally, you can obtain information about us through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common units are listed. We also make available free of charge on our website at <http://www.cnxlp.com> all materials that we file electronically with the SEC as soon as reasonably practicable after we electronically file such materials with the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website as part of this prospectus.

You also may request a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or calling us at the following:

Martha A. Wiegand

General Counsel and Secretary, CNX Coal Resources LP

CNX Center

1000 CONSOL Energy Drive

Canonsburg, PA 15317-6506

(724) 485-4000

**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. Examples include statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words believe, expect, anticipate, intend, estimate and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our expected capital expenditures and the impact of such expenditures on our performance, the costs of being a publicly traded partnership and our capital programs.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

changes in coal prices or the costs of mining or transporting coal;

uncertainty in estimating economically recoverable coal reserves and replacement of reserves;

our ability to develop our existing coal reserves and successfully execute our mining plans;

changes in general economic conditions, both domestically and globally;

competitive conditions within the coal industry;

changes in the consumption patterns of coal-fired power plants and steelmakers and other factors affecting the demand for coal by coal-fired power plants and steelmakers;

the availability and price of coal to the consumer compared to the price of alternative and competing fuels;

competition from the same and alternative energy sources;

energy efficiency and technology trends;

our ability to successfully implement our business plan;

the price and availability of debt and equity financing;

**Table of Contents**

operating hazards and other risks incidental to coal mining;

major equipment failures and difficulties in obtaining equipment, parts and raw materials;

availability, reliability and costs of transporting coal;

adverse or abnormal geologic conditions, which may be unforeseen;

natural disasters, weather-related delays, casualty losses and other matters beyond our control;

interest rates;

labor availability, relations and other workforce factors;

defaults by our sponsor under our operating agreement and employee services agreement;

changes in availability and cost of capital;

changes in our tax status;

delays in the receipt of, failure to receive or revocation of necessary governmental permits;

defects in title or loss of any leasehold interests with respect to our properties;

the effect of existing and future laws and government regulations, including the enforcement and interpretation thereof;

the effect of new or expanded greenhouse gas regulations;

the effects of litigation; and

certain factors discussed elsewhere in this prospectus.

You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described under Risk Factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

All forward-looking statements included in this prospectus, any prospectus supplement and the documents we incorporate by reference and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date of this prospectus or, in the case of forward-looking statements contained in any document incorporated by reference, the date of such document. We expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

### **ABOUT CNX COAL RESOURCES LP**

We are a growth-oriented master limited partnership formed on March 16, 2015 by CONSOL Energy Inc. ( CONSOL Energy or our sponsor ) to manage and further develop all of its thermal coal operations in Pennsylvania. Our assets include a 25% undivided interest in, and operational control over, CONSOL Energy's Pennsylvania mining complex, which consists of three underground mines and related infrastructure that produce high-Btu bituminous thermal coal that is sold primarily to electric utilities in the eastern United States, our core market. We are a leading producer of high-Btu thermal coal in the Northern Appalachian Basin and the eastern United States due to our ability to efficiently produce and deliver large volumes of high-quality coal at competitive prices, the strategic location of our mines, the industry experience of our management team and our relationship with CONSOL Energy.



---

**Table of Contents**

The Pennsylvania mining complex, which includes the Bailey Mine, the Enlow Fork Mine and the Harvey Mine, has extensive high-quality coal reserves. We mine our reserves from the Pittsburgh No. 8 Coal Seam, which is a large contiguous formation of uniform, high-Btu thermal coal that is ideal for high productivity, low-cost longwall operations. As of December 31, 2016, our portion of the Pennsylvania mining complex included 191.7 million tons of proven and probable coal reserves with an average gross heat content of approximately 12,970 Btus per pound and approximately 3.7 pounds sulfur dioxide per million British thermal units ( lbs. SO<sub>2</sub>/MMBTU ). Based on our current production capacity, these reserves are sufficient to support approximately 27 years of production. In addition, our reserves currently exhibit thermoplastic behavior suitable for cokemaking and contain an average of approximately 39-40% volatile matter (on a dry basis), which enables us, if market dynamics are favorable, to capture greater margins from selling our coal in the metallurgical market to cokemakers and steel manufacturers who utilize modern cokemaking technologies.

The design of the Pennsylvania mining complex is optimized to produce large quantities of coal on a cost-efficient basis. We are able to sustain high production volumes at comparatively low operating costs due to, among other things, the technologically advanced longwall mining systems, logistics infrastructure and safety. All of our mines utilize longwall mining, which is a highly automated underground mining technique that produces large volumes of coal at lower costs compared to other underground mining methods. Generally, we operate five longwalls and 16 continuous mining sections at the Pennsylvania mining complex. The current production capacity of our portion of the Pennsylvania mining complex's five longwalls is 7.1 million tons of coal per year. The preparation plant is connected via conveyor belts to each of our mines, to clean and process up to 8,200 tons of coal per hour. Our onsite logistics infrastructure at the preparation plant includes a dual-batch train loadout facility capable of loading up to 9,000 tons of coal per hour and 19.3 miles of track linked to separate Class I rail lines owned by Norfolk Southern Corporation and CONSOL Energy, which enables us to simultaneously accommodate multiple unit trains and significantly increases our efficiency in meeting our customers' transportation needs. Our ability to accommodate multiple unit trains allows for the seamless transition of locomotives from empty inbound trains to fully loaded outbound trains at our facility.

On July 1, 2015, our common units began trading on the New York Stock Exchange under the ticker symbol CNXC . On July 7, 2015, we completed the issuance of common units under the initial public offering, a private placement with Greenlight Capital, and entered into a \$400,000,000 senior secure revolving credit facility. In connection with that offering, CONSOL Energy contributed a 20% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania mining complex.

On September 30, 2016, we acquired an additional 5% of the Pennsylvania mining complex, from CONSOL Energy and its affiliates, for \$21,500,000 in cash and the issuance of 3,956,496 convertible preferred units (the Class A Preferred Units ) with a value of \$67,300,000. All information (except distributable cash flow, which reflects the ownership percentage at the time) included within this filing has been recast to reflect our current 25% interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania mining complex.

Our primary strategy for growing our business and increasing distributions to our unitholders is to make acquisitions that increase our distributable cash flow. The primary component of our growth strategy is based upon our expectation of future divestitures by our sponsor to us of portions of its retained 75% undivided interest in the Pennsylvania mining complex. We have a right of first offer pursuant to our omnibus agreement to purchase part or all of the undivided interest in the Pennsylvania mining complex retained by our sponsor for so long as our sponsor controls our general partner. CONSOL Energy has stated its desire to divest its retained interest in the Pennsylvania mining complex, however the timing and magnitude of such divestitures are dependent upon many market factors.

CNX Coal Resources GP LLC, a Delaware limited liability company and our general partner, manages our operations and activities. Our sponsor owns and controls our general partner and appoints all of the directors of our general

partner.

## **Table of Contents**

Our principal executive offices are located at 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317-6506, and our telephone number is (724) 485-4000. Our website is located at <http://www.cnxlp.com>. Information on our website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

For additional information as to our business, properties and financial condition, please refer to the documents cited in Where You Can Find More Information.

## **ABOUT CNX COAL FINANCE CORP.**

CNX Coal Finance Corp. was incorporated under the laws of the State of Delaware in February 2017, is wholly owned by CNX Coal Resources LP, and has no material assets or any liabilities other than as a co-issuer of debt securities. Its activities are limited to co-issuing debt securities and engaging in other activities incidental thereto.

## **RISK FACTORS**

An investment in our securities involves a significant degree of risk. Before you invest in our securities, you should carefully consider these risk factors, along with those risk factors included in our most recent Annual Report on Form 10-K, as supplemented by our quarterly reports on Form 10-Q and Current Reports on Form 8-K, which are incorporated herein by reference, and those risk factors that may be included in the applicable prospectus supplement, together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference in evaluating an investment in our securities.

If any of the risks discussed in this prospectus or in the foregoing documents were to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, we may be unable to pay distributions to our unitholders, or pay interest on, or the principal of, any debt securities. In that event, the trading price of our securities could decline and you could lose all or part of your investment.

### **Risks Related to the Class A Preferred Units**

#### ***Market interest rates may adversely affect the value of the Class A Preferred Units.***

One of the factors that will influence the price of the Class A Preferred Units will be the distribution yield on the Class A Preferred Units (as a percentage of the price of the Class A Preferred Units) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Class A Preferred Units to expect a higher distribution yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of the Class A Preferred Units to decrease.

#### ***Change of control conversion rights may make it more difficult for a party to acquire us or discourage a party from acquiring us.***

The change of control conversion features of the Class A Preferred Units may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our common units and Class A Preferred Units with the opportunity to realize a premium over the then-current market price of such equity securities or that unitholders may otherwise believe is in their best interests.



**Table of Contents**

***The Internal Revenue Service could challenge our treatment of the holders of Class A Preferred Units as partners for tax purposes, and if such challenge were sustained, certain holders of Class A Preferred Units could be adversely impacted.***

The treatment of the holders of Class A Preferred Units as partners for tax purposes is uncertain. The IRS may disagree with our treatment of the Class A Preferred Units as equity for tax purposes, and no assurance can be given that our treatment will be sustained. If the IRS were to successfully characterize the Class A Preferred Units as indebtedness for tax purposes, certain holders of Class A Preferred Units may be subject to additional withholding and reporting requirements (please read [Material U.S. Federal Income Tax Consequences – Tax-Exempt Organizations and Other Investors](#) ). Holders of Class A Preferred Units are encouraged to consult their tax advisors regarding the tax consequences applicable to the recharacterization of the Class A Preferred Units as indebtedness for tax purposes.

***Treatment of distributions on our Class A Preferred Units as guaranteed payments for the use of capital would create a different tax treatment for the holders of our Class A Preferred Units than the holders of our common units.***

We will treat the holders of Class A Preferred Units as partners for tax purposes. As partners, distributions on the Class A Preferred Units may either be treated as guaranteed payments for the use of capital or as distributions with respect to their partnership interests in us. If distributions on the Class A Preferred Units are properly treated as guaranteed payments for the use of capital, they will generally be taxable to the holders of Class A Preferred Units as ordinary income. If distributions on the Class A Preferred Units are not properly characterized as guaranteed payments, then such distributions will be treated by the holders of the Class A Preferred Units as distributions with respect to their partnership interests in us, in which case the tax consequences described herein related to holders of our common units will apply equally to the holders of the Class A Preferred Units (please read [Material U.S. Federal Income Tax Consequences – Class A Preferred Units](#) ).

***Distributions of Class A Preferred Units to holders of Class A Preferred Units could result in taxable income without a corresponding cash distribution.***

To the extent that we pay such distributions in Class A Preferred Units ( [PIK Units](#) ) or a combination of [PIK Units](#) and cash, the distribution of [PIK Units](#) will be treated as a cash distribution to the holders of Class A Preferred Units followed by a cash contribution to us in exchange for the newly issued [PIK Units](#). As such, the holders of Class A Preferred Units could recognize taxable income in excess of, or in the absence of, a contemporaneous cash distribution.

### **RATIO OF EARNINGS AND PREFERENCE DIVIDENDS TO FIXED CHARGES**

The following table sets forth our ratio of combined earnings and preference dividends to fixed charges for the periods presented:

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Ratio of combined earnings and preference dividends to fixed charges(a)	2.9x	5.8x	9.1x	12.1x	N/A

(a)

Edgar Filing: CNX Coal Resources LP - Form S-3/A

For purposes of computing the ratio of earnings to fixed charges, earnings are defined as income before taxes plus fixed charges less capitalized interest. Fixed charges consist of interest expensed and capitalized, preferred unit distributions and an estimate of interest within rent expense.

**Table of Contents**

**USE OF PROCEEDS**

Except as otherwise provided in the applicable prospectus supplement, we will use the net proceeds we receive from the sale of the securities covered by this prospectus for general partnership purposes, including repayment of debt, acquisitions and capital expenditures.

The actual application of proceeds we receive from the sale of any particular offering of securities using this prospectus will be described in the applicable prospectus supplement relating to such offering.

We will not receive any proceeds from the sale of any units by any selling unitholder.

**Table of Contents**

**DESCRIPTION OF THE COMMON UNITS**

**General**

The common units represent limited partner interests in us. As of the date of this prospectus, we had outstanding 11,717,235 common units. The holders of the common units are entitled to participate in partnership distributions and are entitled to exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units in and to partnership distributions, please read this section and Provisions of Our Partnership Agreement Relating to Distributions. For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read The Partnership Agreement.

Our common units are listed on the New York Stock Exchange, under the symbol CNXC.

**Transfer Agent and Registrar**

*Duties*

Computershare Trust Company, N.A. will serve as the transfer agent and registrar for our common units. We will pay all fees charged by the transfer agent for transfers of common units, except for the following that must be paid by our unitholders:

surety bond premiums to replace lost or stolen certificates, or to cover taxes and other governmental charges in connection therewith;

special charges for services requested by a holder of a common unit; and

other similar fees or charges.

Unless our general partner determines otherwise in respect of some or all of any classes of our partnership interests, our partnership interests will be evidenced by book-entry notation on our partnership register and not by physical certificates.

There will be no charge to our unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their respective stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

*Resignation or Removal*

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If a successor has not been appointed or has not accepted its appointment within 30 days after notice of the resignation or removal, our general partner may act as the transfer agent and registrar until a successor is appointed.



**Transfer of Common Units**

By transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission are reflected in our books and records and in the records of our transfer agent. Each transferee:

represents that the transferee has the capacity, power and authority to become bound by our partnership agreement;

**Table of Contents**

automatically agrees to be bound by the terms and conditions of, and is deemed to have executed, our partnership agreement; and

gives the consents and approvals contained in our partnership agreement, such as the approval of all transactions and agreements entered into in connection with our formation and this offering.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records and in the records of our transfer agent. Our general partner will cause any transfers to be recorded on our books and records from time to time as necessary to accurately reflect the transfers but no less frequently than quarterly.

We may, at our discretion, treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing the transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or securities exchange regulations.

**DESCRIPTION OF THE PREFERRED UNITS**

Our partnership agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for the consideration and with the designations, preferences, rights, powers and duties established by our general partner without the approval of any of our limited partners. In accordance with Delaware law and the provisions of our partnership agreement, we may issue additional partnership interests that, as determined by our general partner, have special voting rights to which our common units are not entitled.

As of the date of this prospectus, we have outstanding 3,956,496 preferred units designated as Class A Preferred Units. For a description of the relative terms, rights and preferences of the Class A Preferred Units, please read the section captioned Description of the Class A Preferred Units.

Should we offer preferred units under this prospectus, a prospectus supplement relating to the particular series of preferred units offered will include the specific terms of those preferred units, including, among other things, the following:

the designation, stated value and liquidation preference of the preferred units and the number of preferred units offered;

the initial public offering price at which the preferred units will be issued;

the conversion or exchange provisions of the preferred units;

any redemption or sinking fund provisions of the preferred units;

the distribution rights of the preferred units, if any;

a discussion of any additional material federal income tax considerations regarding the preferred units; and

any additional rights, preferences, privileges, limitations, and restrictions of the preferred units.

The transfer agent and registrar for any preferred units will be designated in the applicable prospectus supplement.

**Table of Contents**

**DESCRIPTION OF THE CLASS A PREFERRED UNITS**

**General**

On September 30, 2016, we entered into a Second Amended and Restated Agreement of Limited Partnership to provide for the creation and issuance of the Class A Preferred Units and issued 3,596,496 Class A Preferred Units to our sponsor CONSOL Energy in a private placement. The following is a description of the terms, rights and preferences of the Class A Preferred Units. In addition, please read the sections captioned *Provisions of Our Partnership Agreement Relating to Distributions* and *The Partnership Agreement* .

**Distributions**

Distributions on each outstanding Class A Preferred Unit will be cumulative, and will accumulate at 11.0% per annum (the *Class A Preferred Unit Distribution Rate* ) for each calendar quarter beginning with the quarter ending December 31, 2016 until such time as we pay the full cumulative Class A Preferred Unit distribution in respect of such Class A Preferred Unit with respect to such calendar quarter or such Class A Preferred Unit is converted in accordance with the partnership agreement, whether or not such Class A Preferred Unit distributions have been declared.

Subject to certain exceptions, a holder of Class A Preferred Units will be entitled to receive Class A Preferred Unit distributions in respect of each Class A Preferred Unit held by such holder as of the applicable record date from time to time out of any of our assets legally available for the payment of distributions at the Class A Preferred Unit Distribution Rate when, as, and if declared by the board of directors of our general partner. Class A Preferred Unit distributions, to the extent declared by the board of directors of our general partner to be paid by us in accordance with the partnership agreement, will be paid quarterly, in arrears, at the election of the partnership either in additional Class A Preferred Units or in cash. If we fail to pay in full any Class A Preferred Unit distribution (a *Class A Preferred Unit Payment Default* ), then the amount of such Class A Preferred Unit arrearage will be increased at an annual rate of 11.0%, compounded quarterly, from the first day of the quarter immediately following the quarter in respect of which such Class A Preferred Unit distribution was to be paid until the Class A Preferred Unit cumulative arrearage has been paid in full.

Until such time as all Class A Preferred Unit cumulative arrearages are paid in full in cash, we will not be permitted to, and will not, declare or make (i) any distributions in respect of any securities of our ranking junior to the Class A Preferred Units (including common units) or (ii) any distributions in respect of any security of us ranking *pari passu* (a *Parity Security* ) with Class A Preferred Units, other than the Class A Preferred Unit distribution; provided, however, that distributions may be declared and paid in respect of the Class A Preferred Units and any Parity Securities, as long as such distributions are declared and paid *pro rata* such that the amounts of distributions declared per Class A Preferred Unit and per unit of such Parity Security shall in all cases bear to each other the same ratio that accrued but unpaid and accumulated distributions per Class A Preferred Unit and per unit of such Parity Security bear to each other.

**Allocations**

Allocations of profit and loss with respect to the capital accounts for the holders of the Class A Preferred Units will be made as described in the section captioned *Provisions in our Partnership Agreement Relating to Distributions*.

**Liquidation, Dissolution or Winding Up**

The partnership agreement also provides that in the event of any liquidation, dissolution or winding up of the Partnership (voluntary or involuntary), (i) the holders of the Class A Preferred Units shall be entitled to receive, out of the assets of the Partnership available for distribution to unitholders, prior and in preference to any

---

## **Table of Contents**

distribution of any assets of the Partnership to the holders of any class or series of Units, the positive value in each such holder's Capital Account in respect of such Class A Preferred Units and (ii) items of Partnership income, gain, loss and deduction shall be allocated to the Class A Preferred Units so as to cause, to the maximum extent possible, the Capital Account in respect of each Class A Preferred Unit to equal the Class A Preferred Unit Issue Price (which was initially \$17.01 and is subject to certain adjustments under the partnership agreement as described in Adjustments below) plus any cumulative arrearages on the Class A Preferred Units.

### **Voting**

Holders of Class A Preferred Units have the same voting rights under the partnership agreement as the holders of Class A Preferred Units would have if all such Class A Preferred Units held by such person were converted, on a one-for-one basis, into common units that were outstanding as of the relevant record date, and Holders of Class A Preferred Units will vote together with the holders of common units as a single class on an as if converted on the relevant record date basis. Holders of Class A Preferred Units will be entitled to vote as a separate class on any matter that adversely affects the rights, privileges or preferences of the Class A Preferred Units in any material respect or as required by applicable law or regulation.

### **Conversion at the Election of the Holder**

Class A Preferred Units are convertible, at the election of the holder thereof, into common units on a one-for-one basis (i) at any time after September 30, 2017, (ii) with respect to any dissolution or liquidation of us pursuant to the partnership agreement occurring prior to September 30, 2017, as of the business day immediately prior to the effective date of such dissolution or liquidation and (iii) with respect to a Class A Preferred Unit Change of Control (as defined below), as of the business day immediately prior to the record date or effective date, as applicable, of such Class A Preferred Unit Change of Control.

Class A Preferred Unit Change of Control means the occurrence of any of the following events: (i) CONSOL Energy has ceased to directly or indirectly own at least 50% of the voting securities of our general partner, measured by voting power rather than number of units (other than in connection with a qualified initial public offering of our general partner); (ii) the common units are no longer listed or admitted to trading on the New York Stock Exchange or another national securities exchange; (iii) the sale, lease, transfer, conveyance or other disposition (including by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets taken as a whole to any person individually or two or more persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of the issuer; (iv) our general partner withdraws or is removed by the limited partners pursuant to the partnership agreement; (v) the dissolution or liquidation of us or our general partner (other than in connection with a bankruptcy proceeding or statutory winding up), (vi) any transaction pursuant to which our general partner or any of its affiliates exercises its rights to purchase all of the common units pursuant to the partnership agreement and (vii) any transaction or event that constitutes a change of control under any of our Funded Indebtedness (as defined below) in excess of \$20 million in the aggregate for such indebtedness that permits or causes the acceleration of such indebtedness or the termination of any commitment to lend. Funded Indebtedness means all indebtedness for borrowed money that by its terms or by the terms of any instrument or agreement relating thereto matures, or which is otherwise payable or unpaid, one year or more from, or is directly or indirectly renewable or extendible at the option of the obligor in respect thereof to a date one year or more (including, without limitation, an option of such obligor under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more) from, the date of the creation thereof.

### **Conversion at Our Election**

All, but not less than all, of the outstanding Class A Preferred Units are convertible, at our election, into common units on a one-for-one basis, on or after September 30, 2019; *provided*, that (i) no Class A Preferred Unit Payment Default has occurred and is continuing; (ii) the volume-weighted average trading price of the common

## **Table of Contents**

units on the national securities exchange on which the common units are then listed, quoted or admitted to trading over the 15-day trading period ending on the trading day immediately prior to the date of the Class A Preferred Unit conversion notice is equal to or greater than 140% of the Class A Preferred Unit Issue Price; and (iii) the average daily trading volume of the common units on the national securities exchange on which the common units are then listed, quoted or admitted to trading is at least 35,000 common units (subject to customary anti-dilution adjustments) with respect to any 20 trading days within the 30-trading day period ending on the trading day immediately prior to the date of the Class A Preferred Unit conversion notice.

We shall make a cash payment to any holder of Class A Preferred Units with respect to any Class A Preferred Units converted to account for any accrued but unpaid distributions on such Class A Preferred Units up to, but excluding, the date of such conversion. Instead of issuing any fractional common units, we shall, after aggregating all common units to be issued to such holder of Class A Preferred Units at that time, round down the number of common units issued to each holder of Class A Preferred Units to the next lower whole common unit and, subject to the Delaware Act, pay cash in lieu of any such fractional unit based on the then-applicable issue price of Class A Preferred Units.

With respect to Class A Preferred Units that are converted into common units, the holder thereof will not be entitled to a Class A Preferred Unit distribution and a common unit distribution with respect to the same period, but will be entitled only to the distribution to be paid based upon the class of units held as of the close of business on the applicable record date, together with all accrued but unpaid distributions on the converted Class A Preferred Units.

Upon conversion, the rights of a holder of converted Class A Preferred Units as a holder of Class A Preferred Units shall cease with respect to such converted Class A Preferred Units, including any rights under our partnership agreement with respect to holders of Class A Preferred Units, and such person shall continue to be a limited partner and have the rights of a holder of common units under our partnership agreement. Each Class A Preferred Unit shall, upon its conversion be deemed to be transferred to, and cancelled by, us in exchange for the issuance of the common units(s) into which such Class A Preferred Unit is converted. Notwithstanding the foregoing, as a result of a conversion, a holder shall not lose or relinquish any claims or rights of action such holder may then or thereafter have as a result of such holder's previous ownership of Class A Preferred Units.

We will pay any documentary, stamp or similar issue or transfer taxes or duties relating to the issuance or delivery of common units upon conversion of the Class A Preferred Units. However, the holder shall pay any tax or duty which may be payable relating to any transfer involving the issuance or delivery of common units in a name other than the holder's name. The transfer agent may refuse to deliver the certificate representing common units (or notation of book entry) being issued in a name other than the holder's name until the transfer agent receives a sum sufficient to pay any tax or duties due because the units are to be issued in a name other than the holder's name. Nothing herein shall preclude any tax withholding required by law or regulation.

## **Reservation of Common Units Issuable on Conversion of Class A Preferred Units**

We must keep free from preemptive rights a sufficient number of common units to permit the conversion of all outstanding Class A Preferred Units into common units to the extent provided in, and in accordance with our partnership agreement. All common units delivered upon conversion of the Class A Preferred Units shall be (1) newly issued or (2) duly authorized, validly issued, fully paid and non-assessable limited partner interests in us, except as such non-assessability may be affected by Section 17-303, 17-607 or 17-804 of the Delaware Act, and shall be free from preemptive rights and free of any lien, claim, rights or encumbrances, other than those arising under the Delaware Act or our partnership agreement. We will comply with all applicable securities laws regulating the offer and delivery of any common units upon conversion of Class A Preferred Units and, if the common units are then listed or quoted on the New York Stock Exchange or any other national securities exchange or other market shall list or



cause to have quoted and keep listed and quoted the common units issuable upon conversion of the Class A Preferred Units to the extent permitted or required by the rules of such exchange or market.

## **Table of Contents**

### **Restrictions on Transfers Prior to September 30, 2017**

Prior to September 30, 2017, other than transfers to affiliates, CONSOL Energy may not transfer any Class A Preferred Units without our approval (with such approval not to be unreasonably withheld).

### **Adjustments**

The partnership agreement provides for pro rata adjustments to the number of outstanding Class A Preferred Units and the Class A Preferred Unit Price (initially \$17.01) on the occurrence of the following events:

A distribution by the partnership on its common units in common units,

A subdivision or split of outstanding common units into a greater number of common units, or

A combination or reclassification of common units into a smaller number of common or other partnership units

In addition, in the case of a merger, consolidation or business combination in which the partnership is the surviving person, we are required to provide effective provisions to ensure that the provisions in the partnership agreement relating to the Class A Preferred Units shall not be modified or amended with the results that the Class A Preferred Units will continue to have the same powers, preferences and rights that the Class A Preferred Units had immediately prior to such transaction or event and to adjust the Class A Preferred Unit Price to proportionately reflect the transaction.

In addition, the partnership agreement provides that we will not, without the approval of the holders of Class A Preferred Units voting as a separate class:

subdivide or split the outstanding Class A Preferred Units into a greater number of Class A Preferred Units,

combine or reclassify the Class A Preferred Units into a smaller number of Class A Preferred Units, or

issue by reclassification of its Class A Preferred Units any Partnership Interests (including any reclassification in connection with a merger, consolidation or business combination in which the Partnership is the surviving Person).

### **Registration Rights**

So long as the Class A Preferred Units are held by CONSOL Energy or its subsidiaries, the Class A Preferred Units will also be subject to the registration rights provisions in the partnership agreement.

On September 30, 2016, in connection with the issuance of Class A Preferred Units, we entered into a Registration Rights Agreement with CONSOL Energy. Pursuant to the Registration Rights Agreement, we agreed to use our

reasonable best efforts to prepare and file, within 180 days of the date that a holder of common units issued upon conversion of Class A Preferred Units (other than Consol Energy) executes and delivers a joinder agreement to the Registration Rights Agreement (the Trigger Date ), a registration statement under the Securities Act of 1933, to permit the public resale of the common units issued or to be issued upon a conversion of Class A Preferred Units and any common units issued as liquidated damages pursuant to the Registration Rights Agreement. We will use our reasonable best efforts to cause the registration statement to become effective within 360 days after the Trigger Date (the Effectiveness Deadline ). If the registration statement is not declared effective by the Effectiveness Deadline, then each Holder will be entitled to liquidated damages as set forth in the Registration Rights Agreement. The Registration Rights Agreement also provides Holders with rights that allow Holders to include their registrable securities in certain of registered offerings for our own account. Under the Registration Rights Agreement, Holder means the record holder of any registrable securities other than CONSOL Energy or its affiliates.

## **Table of Contents**

### **No Sinking Fund**

The Class A Preferred Units will not have the benefit of any sinking fund.

### **Transfer Agent and Registrar**

Computershare Trust Company, N.A. will serve as the transfer agent and registrar for the Class A Preferred Units.

### **Book-Entry System**

The Class A Preferred Units have been directly registered with the transfer agent and are expected to continue to be held in direct registration unless sold pursuant to this prospectus or pursuant to Rule 144 under the Securities Act of 1933. Otherwise, all Class A Preferred Units offered and sold hereby will be represented by a single certificate issued to The Depository Trust Company (and its successors or assigns or any other securities depository selected by us) (the Depository), and registered in the name of its nominee (initially, Cede & Co.). The Class A Preferred Units offered and sold hereby will be represented by a single certificate registered in the name of the Depository or its nominee, and no holder of the Class A Preferred Units offered and sold hereby will be entitled to receive a certificate evidencing such units unless otherwise required by law or the Depository gives notice of its intention to resign or is no longer eligible to act as such and we have not selected a substitute Depository within 60 calendar days thereafter. Payments and communications made by us to holders of the Class A Preferred Units will be duly made by making payments to, and communicating with, the Depository. Accordingly, unless certificates or direct registration is available to holders of those Class A Preferred Units, each purchaser of Class A Preferred Units must rely on (i) the procedures of the Depository and its participants to receive distributions, any redemption price, liquidation preference and notices, and to direct the exercise of any voting or nominating rights, with respect to such Series A Preferred Units and (ii) the records of the Depository and its participants to evidence its ownership of such Class A Preferred Units.

So long as the Depository (or its nominee) is the holder of Class Preferred Units, no beneficial holder of such Class A Preferred Units through the Depository will be deemed to be a registered unitholder of us. The Depository Trust Company, the initial Depository, is a New York chartered limited purpose trust company that performs services for its participants, some of whom (and/or their representatives) own The Depository Trust Company. The Depository maintains lists of its participants and will maintain the positions (i.e., ownership interests) held by its participants in the Class A Preferred Units, whether as a holder of the Class A Preferred Units for its own account or as a nominee for another holder of the Class A Preferred Units.

## **THE PARTNERSHIP AGREEMENT**

The following is a summary of certain of the material provisions of our partnership agreement. Our partnership agreement is incorporated by reference as an exhibit to this registration statement of which this prospectus constitutes a part. We will provide prospective investors with a copy of this agreement upon request at no charge.

We summarize the following provisions of our partnership agreement elsewhere in this prospectus:

with regard to the terms, rights and preferences of the Class A Preferred Units, please read Class A Preferred Units ;

with regard to distributions, please read Provisions of Our Partnership Agreement Relating to Distributions ;

with regard to the transfer of common units, please read Description of the Common Units Transfer of Common Units ; and

## **Table of Contents**

with regard to allocations of taxable income and taxable loss, please read [Material U.S. Federal Income Tax Consequences](#).

## **Organization and Duration**

Our partnership was organized on March 16, 2015 under the Delaware Act and will have a perpetual existence unless terminated pursuant to the terms of our partnership agreement.

## **Purpose**

Under our partnership agreement, the purpose and nature of the business to be conducted by us shall be to engage directly or indirectly in any business activity that is approved by our general partner, in its sole discretion, and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act; provided, however, that our general partner shall not cause us to engage, directly or indirectly, in any business activity that our general partner determines would be reasonably likely to cause us to be treated as an association taxable as a corporation or otherwise taxable as an entity for U.S. federal income tax purposes.

Although our general partner has the ability to cause us and our subsidiaries to engage in activities other than those related to the coal business, our general partner currently has no plans to do so and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interests of us or our limited partners, other than the implied contractual covenant of good faith and fair dealing. In general, our general partner is authorized to perform all acts it determines to be necessary or appropriate to carry out our purposes and to conduct our business.

## **Capital Contributions**

Unitholders are not obligated to make additional capital contributions, except as described below under [Limited Liability](#). For a discussion of our general partner's right to contribute capital to maintain its general partner interest if we issue additional partnership interests, please read [Issuance of Additional Partnership Interests](#).

## **Voting Rights**

The following is a summary of the unitholder vote required for the matters specified below. Matters that require the approval of a unit majority require:

during the subordination period, the approval of a majority of the outstanding common units, excluding those common units held by our general partner and its affiliates, and a majority of the outstanding subordinated units, voting as separate classes; and

after the subordination period, the approval of a majority of the outstanding common units.

Holder of Class A Preferred Units have such voting rights pursuant to our partnership agreement as such holders of Class A Preferred Units would have if such Class A Preferred Units were converted, on a one-for-one basis, into common units that were outstanding as of the relevant record date and will vote together with the holders of common units as a single class as if they were converted on the relevant record date. Holders of Class A Preferred Units will be entitled to vote as a separate class on any matter that adversely affects the rights, privileges or preferences of the Class A Preferred Units in any material respect or as required by applicable law or regulation.

Our sponsor has the ability to ensure passage of, as well as the ability to ensure the defeat of, any amendment that requires a unit majority by virtue of its ownership of 1,050,000 common units, 3,956,496 Class A Preferred Units (which vote together with the common units on a one-for-one basis) and 11,611,067 subordinated units, representing a 60.9% limited partner interest.

**Table of Contents**

In voting their common, preferred and subordinated units, our general partner and its affiliates have no duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interests of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing.

Issuance of additional units	No approval right.
Amendment of our partnership agreement	Certain amendments may be made by our general partner without the approval of the limited partners. Other amendments generally require the approval of a unit majority. Please read <a href="#">Amendment of Our Partnership Agreement</a> .
Merger of our partnership or the sale of all or substantially all of our assets	Unit majority in certain circumstances. Please read <a href="#">Merger, Sale or Other Disposition of Assets</a> .
Dissolution of our partnership	Unit majority. Please read <a href="#">Termination and Dissolution</a> .
Continuation of our business upon dissolution	Unit majority. Please read <a href="#">Termination and Dissolution</a> .
Withdrawal of the general partner	Under most circumstances, the approval of unitholders holding at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, is required for the withdrawal of the general partner prior to June 30, 2025, in a manner which would cause a dissolution of our partnership. Please read <a href="#">Withdrawal or Removal of Our General Partner</a> .
Removal of our general partner	Not less than 66 2/3% of the outstanding units, voting as a single class, including units held by our general partner and its affiliates, for cause. Please read <a href="#">Withdrawal or Removal of Our General Partner</a> .
Transfer of our general partner interest	Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our limited partners to an affiliate or to another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to, such person. The approval of a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, is required in other circumstances for a transfer of the general partner interest to a third party prior to June 30, 2025. Please read <a href="#">Transfer of General Partner Interest</a> .
Transfer of incentive distribution rights	Our general partner may transfer any or all of its incentive distribution rights to an affiliate or another person without a vote of our unitholders. Please read <a href="#">Transfer of Incentive Distribution Rights</a> .
Reset of incentive distribution levels	No approval right.
Transfer of ownership interests in our general partner	No approval right. Please read <a href="#">Transfer of Ownership Interests in Our General Partner</a> .

**Limited Liability**

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that it otherwise acts in conformity with the provisions of our partnership agreement, its liability under the



Delaware Act will be limited, subject to possible exceptions, to the amount of capital it is obligated to contribute to us for its common units plus its share of any undistributed profits and assets. If it were determined, however, that the right, or exercise of the right of, by the limited partners as a group to:

remove or replace our general partner for cause;

approve some amendments to our partnership agreement; or

take other action under our partnership agreement;

## **Table of Contents**

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that a limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their limited partner interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited is included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, a substituted limited partner of a limited partnership is liable for the obligations of its assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to it at the time it became a limited partner and that could not be ascertained from the partnership agreement.

Our operating subsidiaries conduct business in Pennsylvania and West Virginia. We may have subsidiaries that conduct business in other states in the future. Maintenance of our limited liability as a partner or member of our subsidiaries may require compliance with legal requirements in the jurisdictions in which such subsidiaries conduct business, including qualifying such entities to do business there.

Limitations on the liability of members or limited partners for the obligations of a limited liability company or limited partnership have not been clearly established in many jurisdictions. If, by virtue of our ownership interests in our operating subsidiaries or otherwise, it were determined that we were conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace our general partner for cause, to approve some amendments to our partnership agreement, or to take other action under our partnership agreement constituted participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We will operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

## **Issuance of Additional Partnership Interests**

Our partnership agreement authorizes us to issue an unlimited number of additional partnership interests and options, rights, warrants and appreciation rights relating to the partnership interests for any partnership purpose at any time and from time to time to such persons for such consideration and on such terms and conditions as our general partner shall determine in its sole discretion, all without the approval of any partners.

It is possible that we will fund acquisitions through the issuance of additional common units, subordinated units or other partnership interests. Holders of any additional common units we issue will be entitled to share equally with the

then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other partnership interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

## **Table of Contents**

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership interests that, as determined by our general partner, may have special voting rights to which the common units are not entitled. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity interests, which may effectively rank senior to the common units.

Our general partner currently has a 1.71% general partner interest in us.

Upon issuance of additional limited partner interests (other than the issuance of common units in connection with a reset of the incentive distribution target levels or the issuance of common units upon conversion of outstanding partnership interests), our general partner will be entitled, but not required, to make additional capital contributions to the extent necessary to maintain its general partner interest in us. Our general partner's 1.71% general partner interest in us will be reduced if we issue additional partnership interests in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its general partner interest. Moreover, our general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units, subordinated units or other partnership interests whenever, and on the same terms that, we issue those interests to persons other than our general partner and its affiliates, to the extent necessary to maintain the percentage interest of the general partner and its affiliates represented by common units, subordinated units and other partnership interests that existed immediately prior to each issuance. The other holders of common units will not have preemptive rights to acquire additional common units or other partnership interests.

## **Amendment of Our Partnership Agreement**

### *General*

Amendments to our partnership agreement may be proposed only by our general partner. However, our general partner will have no duty or obligation to propose any amendment and may decline to do so free of any duty or obligation whatsoever to us or our limited partners, including any duty to act in the best interests of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing. In order to adopt a proposed amendment, other than the amendments discussed below, our general partner is required to seek written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a unit majority.

### *Prohibited Amendments*

No amendment may be made that would, among other actions:

enlarge the obligations of any limited partner without its consent, unless such is deemed to have occurred as a result of an amendment approved by at least a majority of the type or class of limited partner interests so affected; or

enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without its consent, which consent may be given or withheld at its option.

The provisions of our partnership agreement preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of the holders of at least 90% of the outstanding units voting together as a single class (including units owned by our general partner and its affiliates).

*No Unitholder Approval*

Our general partner may generally make amendments to our partnership agreement without the approval of any limited partner to reflect:

a change in our name, the location of our principal office, our registered agent or our registered office;

**Table of Contents**

the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;

a change that our general partner determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we nor any of our subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

an amendment that is necessary, in the opinion of our counsel, to prevent us or our general partner or its directors, officers, agents or trustees, from in any manner, being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974 ( ERISA ), each as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;

an amendment that (i) sets forth the designations, preferences, rights, powers and duties of any class or series of partnership interests or (ii) our general partner determines to be necessary, appropriate or advisable in connection with the authorization or issuance of additional partnership interests;

any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone;

an amendment effected, necessitated or contemplated by a merger agreement or plan of conversion that has been approved under the terms of our partnership agreement;

any amendment that our general partner determines to be necessary or appropriate to reflect and account for the formation by us of, or our investment in, any corporation, partnership or other entity, in connection with our conduct of activities permitted by our partnership agreement;

a change in our fiscal year or taxable year and any other changes that our general partner determines to be necessary or appropriate as a result of such change;

mergers with, conveyances to or conversions into another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger, conveyance or conversion other than those it receives by way of the merger, conveyance or conversion; or

any other amendments substantially similar to any of the matters described in the clauses above.

In addition, our general partner may make amendments to our partnership agreement without the approval of any limited partner if our general partner determines that those amendments:

do not adversely affect in any material respect the limited partners considered as a whole or any particular class of partnership interests as compared to other classes of partnership interests;

are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;

are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed or admitted to trading;

are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement; or

are required to effect the intent expressed in this prospectus or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

## **Table of Contents**

### *Opinion of Counsel and Unitholder Approval*

For amendments that do not require unitholder approval, our general partner is not required to obtain an opinion of counsel to the effect that an amendment will not affect the limited liability of any limited partner under Delaware law. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90% of the outstanding units voting as a single class unless we first obtain such an opinion of counsel.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests requires the approval of at least a majority of the type or class of partnership interests so affected. Any amendment that would reduce the percentage of units required to take any action, other than to remove our general partner for cause or call a meeting of unitholders, must be approved by the written consent or the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the percentage sought to be reduced. Any amendment that would increase the percentage of units required to remove our general partner for cause must be approved by the written consent or the affirmative vote of limited partners whose aggregate outstanding units constitute not less than 90% of outstanding units. Any amendment that would increase the percentage of units required to call a meeting of unitholders must be approved by the written consent or the affirmative vote of limited partners whose aggregate outstanding units constitute at least a majority of the outstanding units.

### **Merger, Consolidation, Conversion Sale or Other Disposition of Assets**

A merger, consolidation or conversion of our partnership requires the prior consent of our general partner. However, our general partner will have no duty or obligation to consent to any merger, consolidation or conversion and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interest of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing.

In addition, our partnership agreement generally prohibits our general partner, without the prior approval of the holders of a unit majority, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions. Our general partner may, however, mortgage, pledge, hypothecate, or grant a security interest in all or substantially all of our assets without that approval. Our general partner may also sell any or all of our assets under a foreclosure or other realization upon those encumbrances without that approval. Finally, our general partner may consummate any merger with another limited liability entity without the prior approval of our unitholders if we are the surviving entity in the transaction, our general partner has received an opinion of counsel regarding limited liability and tax matters, the transaction would not result in an amendment to our partnership agreement requiring unitholder approval, each of our units will be an identical unit of our partnership following the transaction and the partnership interests to be issued by us in such merger do not exceed 20% of our outstanding partnership interests immediately prior to the transaction.

If the conditions specified in our partnership agreement are satisfied, our general partner may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey all of our assets to, a newly formed entity if the sole purpose of that conversion, merger or conveyance is to effect a mere change in our legal form into another limited liability entity, our general partner has received an opinion of counsel regarding limited liability and tax matters, and our general partner determines that the governing instruments of the new entity provide the limited partners and our general partner with the same rights and obligations as contained in our partnership agreement. The unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets or any other similar transaction or event.





## **Table of Contents**

### **Termination and Dissolution**

We will continue as a limited partnership until terminated under our partnership agreement. We will dissolve upon:

the withdrawal or removal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with our partnership agreement or withdrawal or removal followed by approval and admission of a successor;

the election of our general partner to dissolve us, if approved by the holders of units representing a unit majority;

the entry of a decree of judicial dissolution of our partnership; or

there being no limited partners, unless we are continued without dissolution in accordance with the Delaware Act.

Upon a dissolution under the first clause above, the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in our partnership agreement by appointing as a successor general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that:

the action would not result in the loss of limited liability of any limited partner; and

neither our partnership nor any of our subsidiaries would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue (to the extent not already so treated or taxed).

### **Liquidation and Distribution of Proceeds**

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that are necessary or appropriate to, liquidate our assets and apply the proceeds of the liquidation as described in Provisions of Our Partnership Agreement Relating to Distributions Distributions of Cash Upon Liquidation. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

### **Withdrawal or Removal of Our General Partner**

Except as described below, our general partner has agreed not to withdraw voluntarily as our general partner prior to June 30, 2025, without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, and by giving 90 days written notice and furnishing an opinion of counsel regarding limited liability and tax matters. On or after June 30, 2025, our general

partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days' written notice, and that withdrawal will not constitute a violation of our partnership agreement. Notwithstanding the information above, our general partner may withdraw without unitholder approval upon 90 days' written notice to the limited partners if at least 50% of the outstanding units are held or controlled by one person and its affiliates other than our general partner and its affiliates. In addition, our partnership agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders. Please read [Transfer of General Partner Interest](#) and [Transfer of Incentive Distribution Rights](#).

Upon voluntary withdrawal of our general partner by giving notice to the other partners, the holders of a unit majority may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period after that withdrawal, the holders of a unit majority agree to continue our business by appointing a successor general partner. Please read [Termination and Dissolution](#).

---

## **Table of Contents**

Our general partner may not be removed unless that removal is both (i) for cause and (ii) approved by the vote of the holders of not less than 66  $\frac{2}{3}$ % of our outstanding units, voting together as a single class, including units held by our general partner and its affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the outstanding common units, voting as a separate class, and subordinated units, voting as a separate class. Cause is narrowly defined under our partnership agreement to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the general partner liable to our partnership or any limited partner for intentional fraud or willful misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business. The ownership of more than 33  $\frac{1}{3}$ % of the outstanding units by our general partner and its affiliates would give them the practical ability to prevent our general partner's removal.

In the event of removal of our general partner or withdrawal of our general partner where that withdrawal violates our partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where our general partner withdraws, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. Or, if the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner will become a limited partner and its general partner interest and its incentive distribution rights will automatically convert into common units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

## **Transfer of General Partner Interest**

Except for transfer by our general partner of all, but not less than all, of its general partner interest to (i) an affiliate of our general partner (other than an individual), or (ii) another entity as part of the merger or consolidation of our general partner with or into such entity or the transfer by our general partner of all or substantially all of its assets to such entity, our general partner may not transfer all or any part of its general partner interest to another person prior to June 30, 2025, without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates. As a condition of this transfer, the transferee must assume, among other things, the rights and duties of our general partner, agree to be bound by the provisions of our partnership agreement, and furnish an opinion of counsel regarding limited liability and tax matters.

Our general partner and its affiliates may at any time transfer units to one or more persons, without unitholder approval, except that they may not transfer subordinated units to us.

## **Transfer of Ownership Interests in Our General Partner**

At any time, our sponsor and its affiliates may sell or transfer all or part of their membership interest in our general partner, to an affiliate or third party without the approval of our unitholders.

## **Table of Contents**

### **Transfer of Incentive Distribution Rights**

At any time, our general partner may sell or transfer its incentive distribution rights to an affiliate or third party without the approval of the unitholders.

### **Transfer of Class A Preferred Units**

As further described in the section **Class A Preferred Units**, the sponsor may not transfer any of the Class A Preferred Units that it owns prior to September 30, 2017 without our prior consent, which may not be unreasonably withheld.

### **Change of Management Provisions**

Our partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove CNX Coal Resources GP LLC as our general partner or otherwise change our management. If any person or group other than our general partner and its affiliates acquires beneficial ownership of 20% or more of any class of units, that person or group loses voting rights on all of its units. This loss of voting rights does not apply to any person or group that acquires the units from our general partner or its affiliates and any transferees of that person or group who are notified by our general partner that they will not lose their voting rights or to any person or group who acquires the units with the prior approval of the board of directors of our general partner. Please read **Withdrawal or Removal of Our General Partner**.

### **Limited Call Right**

If at any time our general partner and its affiliates own more than 80% of the then-issued and outstanding limited partner interests of any class, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the limited partner interests of such class held by unaffiliated persons as of a record date to be selected by our general partner, on at least 10, but not more than 60, days written notice.

The purchase price in the event of this purchase is the greater of:

the highest cash price paid by either our general partner or any of its affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests; and

the current market price calculated in accordance with our partnership agreement as of the date three business days before the date the notice is mailed.

As a result of our general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at a price that may be lower than market prices at various times prior to such purchase or lower than a unitholder may anticipate the market price to be in the future. The tax consequences to a unitholder of the exercise of this limited call right are the same as a sale by that unitholder of his common units in the market.

### **Possible Redemption of Ineligible Holders**

If at any time our general partner determines, with the advice of counsel, that:

- (i) the U.S. federal income tax status (or lack of proof of the U.S. federal income tax status) of one or more limited partners or their owners has or is reasonably likely to have a material adverse effect on the maximum applicable rates that can be charged to customers by us or our subsidiaries (a rate eligibility trigger ), or
- (ii) we or our subsidiaries are subject to any federal, state or local law or regulation that would create a substantial risk of cancellation or forfeiture of any property in which we have an interest based on the nationality, citizenship or other related status of one or more limited partners or their owners (a citizenship eligibility trigger ),

## **Table of Contents**

then our general partner may adopt such amendments to our partnership agreement as it determines to be necessary or appropriate to:

(a) in the case of a rate eligibility trigger, obtain such proof of the U.S. federal income tax status of such limited partners and, to the extent relevant, their owners, as our general partner determines to be necessary or appropriate to reduce the risk of occurrence of a material adverse effect on the rates that can be charged to customers by us or our subsidiaries, or

(b) in the case of a citizenship eligibility trigger, obtain such proof of the nationality, citizenship or other related status of such limited partners and, to the extent relevant, their owners, as our general partner determines to be necessary or appropriate to eliminate or mitigate the risk of cancellation or forfeiture of any properties or interests therein.

Amendments adopted by our general partner may include provisions requiring all limited partners to certify as to their (and their owners ) status as eligible holders upon demand and on a regular basis, as determined by our general partner, and may require transferees of units to so certify prior to being admitted to our partnership as limited partners.

Eligible holders are limited partners whose (or whose owners ) (i) U.S. federal income tax status or lack of proof of U.S. federal income tax status does not have and is not reasonably likely to have, as determined by our general partner, a material adverse effect on the maximum applicable rates that can be charged to customers by us or our subsidiaries and (ii) nationality, citizenship or other related status does not create and is not reasonably likely to create, as determined by our general partner, a substantial risk of cancellation or forfeiture of any property in which we have an interest.

Amendments adopted by our general partner may provide that (i) any limited partner who fails to furnish, within a reasonable period, requested proof of its (and its owners ) status as an eligible holder or (ii) if upon receipt of such eligibility certificate or other requested information our general partner determines that a limited partner (or its owner) is not an eligible holder, the limited partner interests owned by such limited partner will be subject to redemption. In addition, our general partner will be substituted and treated as the owner of all limited partner interests owned by an ineligible holder.

The aggregate redemption price for redeemable interests will be an amount equal to the current market price (the date of determination of which will be the date fixed for redemption) of limited partner interests of the class to be so redeemed multiplied by the number of limited partner interests of each such class included among the redeemable interests. For these purposes, the current market price means, as of any date for any class of limited partner interests, the average of the daily closing prices per limited partner interest of such class for the 20 consecutive trading days immediately prior to such date. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner. Any such promissory note will bear interest at the rate of 5% annually and be payable in three equal annual installments of principal and accrued interest, commencing one year after the redemption date. Further, the units will not be entitled to any allocations of income or loss, distributions or voting rights while held by such unitholder.

## **Meetings; Voting**

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited.



Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or, if authorized by our general partner, without a meeting if consents in writing describing the action so taken are signed by holders of the number of units that would be necessary to authorize or take that action at a meeting where all limited partners were present and voted. Meetings of the unitholders may be called by our

## **Table of Contents**

general partner or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority in voting power of the outstanding units of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage. For all matters presented to the limited partners at a meeting at which a quorum is present for which no minimum or other vote of the limited partners is specifically required pursuant to our partnership agreement, the rules and regulations of any national securities exchange on which the common units are admitted to trading, or applicable law or pursuant to any regulation applicable to us or our partnership interests, a majority of the votes cast by the limited partners holding outstanding units will be deemed to constitute the act of all limited partners (with abstentions and broker non-votes being deemed to not have been cast with respect to such matter). On any matter where a minimum or other vote of limited partners is provided by any provision of our partnership agreement or required by the rules or regulations of any national securities exchange on which the common units are admitted to trading, or applicable law or pursuant to any regulation applicable to us or our partners interests, such minimum or other vote will be the vote of the limited partners required to approve such matter (with the effect of abstentions and broker non-votes to be determined based on the vote of the limited partners required to approve such matter, provided that if the effect of abstentions and broker non-votes is not specified by the applicable rule, regulation or law, and there is no prevailing interpretation of such effect, then abstentions and broker non-votes will be deemed not to have been cast with respect to such matter). The general partner interest does not entitle our general partner to any vote other than its rights as general partner under our partnership agreement, will not be entitled to vote on any action required or permitted to be taken by the unitholders and will not count toward or be considered outstanding when calculating required votes, determining the presence of a quorum, or for similar purposes.

Each record holder of a unit has a vote according to its percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read Issuance of Additional Partnership Interests. However, if at any time any person or group, other than our general partner and its affiliates, a direct transferee of our general partner and its affiliates or a transferee of such direct transferee, who is notified by our general partner that it will not lose its voting rights, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum, or for other similar purposes.

Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise. Except as our partnership agreement otherwise provides, subordinated units will vote together with common units as a single class. Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

## **Status as Limited Partner**

By transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our register. Except as described under Limited Liability, the common units will be fully paid, and unitholders will not be required to make additional contributions.

## **Indemnification**

Under our partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

our general partner;

## **Table of Contents**

any departing general partner;

any person who is or was an affiliate of our general partner or any departing general partner;

any person who is or was a director, officer, managing member, manager, general partner, fiduciary or trustee of us or our subsidiaries, an affiliate of us or our subsidiaries or any entity set forth in the preceding three bullet points;

any person who is or was serving as director, officer, managing member, manager, general partner, fiduciary or trustee of another person owing a fiduciary duty to us or any of our subsidiaries at the request of our general partner or any departing general partner or any of their affiliates, excluding any such person providing, on a fee-for-service basis, trustee, fiduciary of custodial services; and

any person designated by our general partner because such person's status, service or relationship expose such person to potential claims or suits relating to our or our subsidiaries' business and affairs.

Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our general partner will not be personally liable for, or have any obligation to contribute or lend funds or assets to us to enable us to effectuate, indemnification. We will purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against such liabilities under our partnership agreement.

Any expenses incurred by an indemnified person in connection with any indemnification will be advanced by us.

## **Reimbursement of Expenses**

Our partnership agreement requires us to reimburse our general partner and its affiliates for all direct and indirect expenses it incurs or payments it makes on our behalf and all other expenses allocable to us or otherwise incurred by our general partner and its affiliates in connection with managing and operating our business and affairs. These expenses may include reimbursements for salary, bonus, incentive compensation and other amounts paid to CONSOL Energy or other affiliates of our general partner for the costs incurred in providing services for us or on our behalf and expenses allocated to our general partner by CONSOL Energy and other affiliates. Our general partner is entitled to determine in good faith the expenses that are allocable to us. The expenses for which we are required to reimburse our general partner are not subject to any caps or other limits.

## **Books and Reports**

Our general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for financial reporting purposes on an accrual basis. For fiscal and tax reporting purposes, our fiscal year is the calendar year.

We will mail or make available to record holders of common units, within 90 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent registered public accounting firm. Except for our fourth quarter, we will also mail or make available summary financial information within 45 days after the close of each quarter (or such shorter period as required by the SEC).

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist such unitholder in determining its federal and state tax liability and filing its federal and state income tax returns, regardless of whether such unitholder supplies us with information.

## **Table of Contents**

### **Right to Inspect Our Books and Records**

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to its interest as a limited partner, upon reasonable written demand stating the purpose of such demand and at its own expense, have furnished to such limited partner:

a current list of the name and last known address of each record holder;

copies of our partnership agreement and our certificate of limited partnership and all amendments thereto;  
and

certain information regarding the status of our business and financial condition.

Under our partnership agreement, however, each of our limited partners and other persons who acquire interests in our partnership interests, do not have rights to receive information from us or any of the persons we indemnify as described above under Indemnification for the purpose of determining whether to pursue litigation or assist in pending litigation against us or those indemnified persons relating to our affairs, except pursuant to the applicable rules of discovery relating to the litigation commenced by the person seeking information.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner determines is not in our best interests or that we are required by law or by agreements with third parties to keep confidential. Our partnership agreement limits the right to information that a limited partner would otherwise have under Delaware law.

### **Registration Rights of General Partner and Affiliates**

Under our partnership agreement, we have agreed to register for resale under the Securities Act and applicable state securities laws any partnership interest held by CONSOL Energy and its affiliates, other than the general partner interest. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions and fees and expenses of counsel and advisors to the selling unitholders.

### **Applicable Law; Exclusive Forum**

Our partnership agreement is governed by Delaware law.

Our partnership agreement provides that the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, any other court located in the State of Delaware with subject matter jurisdiction) shall be the exclusive forum for any claims, suits, actions or proceedings (i) arising out of or relating in any way to our partnership agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of our partnership agreement or the duties, obligations or liabilities among our partners, or obligations or liabilities of our partners to us, or the rights or powers of, or restrictions on, our partners or us), (ii) brought in a derivative manner on our behalf, (iii) asserting a claim of breach of a duty owed by any of our, or our general partner s, directors, officers, or other employees, or owed by our general partner, to us or our partners, (iv) asserting a claim against us arising pursuant to any provision of the Delaware Act or (v) asserting a claim against us governed by the internal affairs doctrine. Although we believe this provision benefits us by providing increased consistency in the

application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation or similar governing documents have been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the choice of forum provisions contained in our partnership agreement to be inapplicable or unenforceable in such action. In addition, our partnership agreement provides that each limited partner irrevocably waives the right to trial by jury in any such claim, suit, action or proceeding. By purchasing a common unit, a limited partner is irrevocably consenting to these limitations and provisions regarding claims, suits, actions or proceedings and submitting to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, any other court located in the State of Delaware with subject matter jurisdiction) in connection with any such claims, suits, actions or proceedings.

---

**Table of Contents**

**PROVISIONS OF OUR PARTNERSHIP AGREEMENT**

**RELATING TO DISTRIBUTIONS**

Set forth below is a summary of the significant provisions of our partnership agreement that relate to distributions.

**Distributions on Class A Preferred Units**

On September 30, 2016, we issued 3,956,496 Class A Preferred Units to our sponsor and its affiliates. Under the terms of our partnership agreement, distributions on each outstanding Class A Preferred Unit will be cumulative, and will accumulate at 11.0% per annum (the Class A Preferred Unit Distribution Rate ) for each calendar quarter until we pay the full cumulative Class A Preferred Unit distribution in respect of such Class A Preferred Unit with respect to such calendar quarter or such Class A Preferred Unit is converted in accordance with the partnership agreement, whether or not such Class A Preferred Unit distributions have been declared.

A holder of Class A Preferred Units will be entitled to receive Class A Preferred Unit distributions in respect of each Class A Preferred Unit it holds from time to time out of any of our assets legally available for the payment of distributions at the Class A Preferred Unit Distribution Rate when, as, and if declared by the Board. Class A Preferred Unit distributions, to the extent declared by the Board to be paid in accordance with the partnership agreement, will be paid quarterly, in arrears, at our election, either in additional Class A Preferred Units or in cash.

If we fail to pay in full any Class A Preferred Unit distribution (a Class A Preferred Unit Payment Default ), then the amount of such Class A Preferred Unit arrearage will be increased at an annual rate of 11.0%, compounded quarterly, from the first day of the quarter immediately following the quarter in respect of which such Class A Preferred Unit distribution was to be paid until the Class A Preferred Unit cumulative arrearage has been paid in full.

Until such time as all Class A Preferred Unit cumulative arrearages are paid in full in cash, we will not be permitted to, and will not, declare or make (i) any distributions in respect of any of our securities ranking junior to the Class A Preferred Units (including common units) or (ii) any distributions in respect of our securities ranking pari passu (a Parity Security ) with Class A Preferred Units, other than the Class A Preferred Unit distribution; provided, however, that distributions may be declared and paid in respect of the Class A Preferred Units and any Parity Securities, as long as such distributions are declared and paid pro rata such that the amounts of distributions declared per Class A Preferred Unit and per unit of such Parity Security shall in all cases bear to each other the same ratio that accrued but unpaid and accumulated distributions per Class A Preferred Unit and per unit of such Parity Security bear to each other.

**Distributions of Available Cash**

***General***

Our partnership agreement requires that, within 45 days after the end of each quarter and provided that we have made all required distributions of the Class A Preferred Units, we distribute all of our available cash to holders of record of common units on the applicable record date.

***Definition of Available Cash***

Available cash generally means, for any quarter, all cash and cash equivalents on hand at the end of that quarter:



less, the amount of any cash reserves established by our general partner to:

provide for the proper conduct of our business (including cash reserves for our future capital expenditures, future acquisitions and anticipated future debt service requirements);

**Table of Contents**

comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which we or any of our subsidiaries is a party or by which we or such subsidiary is bound or we or such subsidiary's assets are subject; or

provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters (provided that our general partner may not establish cash reserves for distributions pursuant to this bullet point if the effect of such reserves will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter);

plus, if our general partner so determines, all or any portion of the additional cash and cash equivalents (i) on hand on the date of determination of available cash with respect to such quarter resulting from working capital borrowings made subsequent to the end of such quarter or (ii) available to be borrowed as a working capital borrowing as of the date of determination of available cash with respect to such quarter.

The purpose and effect of the last bullet point above is to allow our general partner, if it so decides, to use cash from working capital borrowings made after the end of the quarter to pay distributions to unitholders. Under our partnership agreement, working capital borrowings are generally borrowings incurred under a credit facility, commercial paper facility or similar financing arrangement that are used solely for working capital purposes or to pay distributions to our partners and with the intent of the borrower to repay such borrowings within twelve months with funds other than from additional working capital borrowings.

***Current Cash Distribution Policy***

The board of directors of our general partner has adopted a cash distribution policy that we intend to make a minimum quarterly distribution to the holders of our common units and subordinated units of \$0.5125 per unit, or \$2.05 per unit on an annualized basis, to the extent we have sufficient available cash after the establishment of cash reserves and the payment of costs and expenses, including the payment of expenses to our general partner. However, other than the requirement in our partnership agreement described above to distribute all of our available cash each quarter, we have no legal obligation to make quarterly cash distributions in this or any other amount, and the board of directors of our general partner has considerable discretion to determine the amount of our available cash each quarter. In addition, the board of directors of our general partner may change our cash distribution policy at any time, subject to the requirement in our partnership agreement to distribute all of our available cash quarterly.

***General Partner Interest and Incentive Distribution Rights***

Our general partner is currently entitled to 1.71% of all quarterly distributions from inception that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner's 1.71% general partner interest in these distributions will be reduced if we issue additional limited partner interests in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 48%, of the available cash we distribute from operating surplus in excess of \$0.58938 per unit per quarter. The maximum distribution of 48% does not include any distributions that our general partner or its affiliates may receive on common units, subordinated units or the general partner interest that they own.



**Table of Contents**

**Operating Surplus and Capital Surplus**

***General***

All cash distributed to unitholders will be characterized as either being paid from operating surplus or capital surplus. We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

***Operating Surplus***

We define operating surplus as:

\$50.0 million (as described below); *plus*

all of our cash receipts after the closing of this offering, excluding cash from interim capital transactions (as defined below) and the termination of hedge contracts, provided that cash receipts from the termination of a hedge contract prior to its scheduled settlement or termination date shall be included in operating surplus in equal quarterly installments over the remaining scheduled life of such hedge contract; *plus*

working capital borrowings made after the end of a quarter but on or before the date of determination of operating surplus for that quarter; *plus*

cash distributions (including incremental distributions on incentive distribution rights) paid in respect of equity issued, other than equity issued in this offering, to finance all or a portion of expansion capital expenditures in respect of the period from the date that we enter into a binding obligation to commence the construction, replacement, improvement or expansion of a capital asset and ending on the earlier to occur of the date the capital asset commences commercial service and the date that it is abandoned or disposed of; *less*

all of our operating expenditures (as defined below) after the closing of this offering; *less*

the amount of cash reserves established by our general partner to provide funds for future operating expenditures; *less*

all working capital borrowings not repaid within twelve months after having been incurred, or repaid within such twelve-month period with the proceeds of additional working capital borrowings.

As described above, operating surplus does not reflect actual cash on hand that is available for distribution to our unitholders and is not limited to cash generated by operations. Our definition of operating surplus includes a provision that enables us, if we choose, to distribute as operating surplus up to \$50.0 million of cash we receive in the future from non-operating sources such as asset sales, issuances of securities and long-term borrowings that would otherwise

be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity interests in operating surplus will be to increase operating surplus by the amount of any such cash distributions. As a result, we may also distribute as operating surplus up to the amount of any such cash that we receive from non-operating sources.

The proceeds of working capital borrowings increase operating surplus and repayments of working capital borrowings are generally operating expenditures (as described below) and thus reduce operating surplus when repayments are made. However, if working capital borrowings, which increase operating surplus, are not repaid during the twelve-month period following the borrowing, they will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowings are in fact repaid, they will not be treated as a further reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

### ***Interim Capital Transactions***

We define interim capital transactions as (i) borrowings, refinancings or refundings of indebtedness (other than working capital borrowings and items purchased on open account or for a deferred purchase price in the ordinary

## **Table of Contents**

course of business) and sales of debt securities, (ii) issuances of equity interests, (iii) sales or other dispositions of assets, other than sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business and sales or other dispositions of assets as part of normal asset retirements or replacements and (iv) capital contributions received by us and our subsidiaries.

### ***Operating Expenditures***

We define operating expenditures as all of our cash expenditures, including, but not limited to, taxes, compensation of employees, officers and directors of our general partner, reimbursements of expenses of our general partner and its affiliates, debt service payments, estimated maintenance capital expenditures (as discussed in further detail below), repayment of working capital borrowings and payments made in the ordinary course of business under any hedge contracts, subject to the following:

repayments of working capital borrowings where such borrowings have previously been deemed to have been repaid (as described above) will not constitute operating expenditures when actually repaid;

payments (including prepayments and prepayment penalties) of principal of and premium on indebtedness other than working capital borrowings will not constitute operating expenditures;

operating expenditures will not include (i) expansion capital expenditures, (ii) actual maintenance capital expenditures, (iii) payment of transaction expenses (including taxes) relating to interim capital transactions, (iv) distributions to our partners, (v) repurchases of partnership interests (excluding repurchases we make to satisfy obligations under employee benefit plans) or (vi) any other expenditures or payments using the proceeds from this offering that are described in Use of Proceeds; and

(i) amounts paid in connection with the initial purchase of a hedge contract will be amortized over the life of such hedge contract and (ii) payments made in connection with the termination of any hedge contract prior to the expiration of its scheduled settlement or termination date will be included in equal quarterly installments over the remaining scheduled life of such hedge contract.

### ***Capital Surplus***

Capital surplus is defined in our partnership agreement as any distribution of available cash in excess of our cumulative operating surplus. Accordingly, except as described above, capital surplus would generally be generated by:

borrowings other than working capital borrowings;

sales of our equity and debt securities;

sales or other dispositions of assets, other than inventory, accounts receivable and other assets sold in the ordinary course of business or as part of ordinary course retirement or replacement of assets; and

capital contributions received.

***Characterization of Cash Distributions***

All available cash distributed by us on any date from any source will generally be treated as distributed from operating surplus. We anticipate that distributions from operating surplus generally will not represent a return of capital. However, the definition of operating surplus includes certain components, including a \$50.0 million cash basket, that represent non-operating sources of cash. Consequently, it is possible that all or a portion of specific distributions from operating surplus may represent a return of capital. Any available cash distributed by us in excess of our cumulative operating surplus will be deemed to be capital surplus under our partnership agreement. Our partnership agreement treats a distribution of capital surplus as a return of capital. We do not anticipate that we will make any distributions from capital surplus.

## **Table of Contents**

### **Capital Expenditures**

We distinguish between maintenance capital expenditures and expansion capital expenditures. In general, maintenance capital expenditures are cash expenditures made to maintain, over the long term, our operating capacity or capital asset base, and expansion capital expenditures are cash expenditures made to increase, over the long term, our operating capacity or capital asset base. Because our maintenance capital expenditures can be irregular, the amount of our actual maintenance capital expenditures may differ substantially from period to period, which could cause similar fluctuations in the amounts of distributable cash flow, operating surplus and adjusted operating surplus if we were to subtract actual maintenance capital expenditures.

To help mitigate these fluctuations, our partnership agreement requires that each quarter we subtract from operating surplus an estimate of the average quarterly maintenance capital expenditures necessary to maintain our operating capacity or capital asset base over the long term, as opposed to subtracting the actual amount we spend on maintenance capital expenditures in that quarter. As a result, estimated maintenance capital expenditures will reduce operating surplus and distributable cash flow, but expansion capital expenditures and actual maintenance capital expenditures will not reduce operating surplus and distributable cash flow.

Our general partner reviews all capital expenditures on an annual basis in connection with the budget process and on a quarterly basis at the time expenditures are made to determine which expenditures increase current operating capacity or capital asset base over the long term. Factors our general partner will consider include an assessment of current operating capacity or capital asset base of a mine at the time of the expenditure and an evaluation of whether the expenditure will increase such mine's operating capacity or capital asset base or whether the expenditure will replace or maintain such mine's current operating capacity or capital asset base. To the extent a capital expenditure increases operating capacity or capital asset base in a sustainable way, it will be classified as an expansion capital expenditure in the period in which the capital expenditure was made. Otherwise, it will be considered a maintenance capital expenditure. Capital expenditures that are made in part for maintenance capital purposes and in part for expansion capital purposes will be allocated as maintenance capital expenditures or expansion capital expenditures by our general partner.

### ***Maintenance Capital Expenditures***

Under our partnership agreement, maintenance capital expenditures are cash expenditures (including expenditures for the construction of new capital assets or the replacement, improvement or expansion of existing capital assets) made to maintain, over the long term, our operating capacity or capital asset base. Examples of maintenance capital expenditures include expenditures associated with the replacement of equipment and coal reserves, whether through the expansion of an existing mine or the acquisition or development of new reserves, to the extent such expenditures are made to maintain, over the long term, our operating capacity or capital asset base as they exist at such time as the capital expenditures are made. In addition, the rebuild of a continuous mining unit is considered a maintenance capital expenditure as it will not result in a sustainable, long-term increase to a mine's operating capacity or capital asset base but rather will maintain such mine's current operating capacity or capital asset base.

Our partnership agreement requires that each quarter we subtract from operating surplus an estimate of the average quarterly maintenance capital expenditures necessary to maintain our operating capacity or capital asset base over the long term, as opposed to subtracting the actual amount we spend on maintenance capital expenditures in that quarter. The amount of estimated maintenance capital expenditures deducted from operating surplus for those periods is subject to review and revision by our general partner at least once a year. The estimate will be made at least annually and whenever an event occurs that is likely to result in a material adjustment to the amount of our maintenance capital expenditures, such as a major acquisition or the introduction of new governmental regulations that will impact our



business. Our partnership agreement does not set a limit on the amount of maintenance capital expenditures that our general partner may estimate. For purposes of calculating operating surplus, any adjustment to this estimate is prospective only.

## **Table of Contents**

### ***Expansion Capital Expenditures***

Under our partnership agreement, expansion capital expenditures are cash expenditures for acquisitions, the construction of new capital assets or the replacement, improvement or expansion of existing capital assets that are made to increase, over the long term, our operating capacity or capital asset base. Expansion capital expenditures include interest payments (and related fees) on debt incurred and distributions on equity issued (including incremental distributions on incentive distribution rights) to finance all or a portion of expansion capital expenditures in respect of the period from the date that we enter into a binding obligation to commence the construction, replacement, improvement or expansion of a capital asset and ending on the earlier to occur of the date that such capital improvement commences commercial service and the date that such capital improvement is abandoned or disposed of. Examples of expansion capital expenditures include the acquisition or the construction, development or expansion of additional mines, longwall mining systems, processing facilities, transload facilities or storage capacity, to the extent such capital expenditures are expected to expand our long-term operating capacity or capital asset base. For example, should we determine to develop an additional longwall mining system at the Harvey mine, the capital expenditures related to the development of the second longwall mining system would be considered expansion capital expenditures since they would increase the current operating capacity or capital asset base of the Harvey mine over the long term. Because expansion capital expenditures include interest payments (and related fees) on debt incurred to finance all or a portion of the construction of a capital asset in respect of a period that (i) begins when we enter into a binding obligation to commence construction of a capital improvement and (ii) ends on the earlier to occur of the date any such capital asset commences commercial service and the date that it is abandoned or disposed of, such interest payments also do not reduce operating surplus.

### **Subordinated Units and Subordination Period**

#### ***General***

Our partnership agreement provides that, during the subordination period (which we define below), the common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

Subordinated units are deemed subordinated because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions from operating surplus until the common units have received the minimum quarterly distribution from operating surplus plus any arrearages in the payment of the minimum quarterly distribution from operating surplus on the common units from prior quarters. Furthermore, no arrearages will accrue or be payable on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that, during the subordination period, there will be available cash to be distributed on the common units.

#### **Subordination Period**

The subordination period began on the closing of our initial public offering. The subordination period was suspended during the quarterly period ended June 30, 2016 so it will extend until the first business day following the distribution of available cash in respect of any quarter beginning no earlier than June 30, 2019, that each of the following tests are met:

distributions of available cash from operating surplus on each of the outstanding common units and subordinated units and the corresponding distributions on the 1.71% general partner interest equaled or exceeded \$2.05 (the annualized minimum quarterly distribution), for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

**Table of Contents**

the adjusted operating surplus (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of \$2.05 (the annualized minimum quarterly distribution) on all of the outstanding common units and subordinated units and the corresponding distributions on the 1.71% general partner interest during those periods on a fully diluted basis; and

there are no arrearages in payment of the minimum quarterly distribution on the common units.

***Early Termination of the Subordination Period***

Notwithstanding the foregoing, the subordination period will automatically terminate on the first business day following the distribution of available cash in respect of any quarter, beginning with the quarter ending June 30, 2016, that each of the following tests are met:

distributions of available cash from operating surplus on each of the outstanding common units and subordinated units and the corresponding distributions on the 1.71% general partner interest equaled or exceeded \$3.08 (150% of the annualized minimum quarterly distribution), plus the related distributions on the incentive distribution rights, for the four-quarter period immediately preceding that date;

the adjusted operating surplus (as defined below) generated during the four-quarter period immediately preceding that date equaled or exceeded the sum of (i) \$3.08 (150% of the annualized minimum quarterly distribution) on all of the outstanding common units and subordinated units and the corresponding distributions on the 1.71% general partner interest during that period on a fully diluted basis and (ii) the corresponding distributions on the incentive distribution rights; and

there are no arrearages in payment of the minimum quarterly distribution on the common units.

***Expiration of the Subordination Period***

When the subordination period ends, each outstanding subordinated unit will convert into one common unit and will thereafter participate pro rata with the other common units in distributions of available cash.

***Adjusted Operating Surplus***

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working capital borrowings and net drawdowns of reserves of cash established in prior periods. Adjusted operating surplus for a period consists of:

operating surplus generated with respect to that period (excluding any amounts attributable to the item described in the first bullet under the caption Operating Surplus and Capital Surplus Operating Surplus above); less

any net increase in working capital borrowings with respect to that period; *less*

any expenditures that are not operating expenditures solely because of the provision described in clause (vi) of the third bullet under the caption Operating Surplus and Capital Surplus Operating Expenditures above; *less*

any net decrease in cash reserves for operating expenditures with respect to that period not relating to an operating expenditure made with respect to that period; *plus*

any net decrease in working capital borrowings with respect to that period; *plus*

any net decrease made in subsequent periods to cash reserves for operating expenditures initially established with respect to that period to the extent such decrease results in a reduction in adjusted operating surplus in subsequent periods; *plus*

any net increase in cash reserves for operating expenditures with respect to that period required by any debt instrument for the repayment of principal, interest or premium.

## **Table of Contents**

### **Distributions of Available Cash from Operating Surplus During the Subordination Period**

We will make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

*first*, 98.29% to the common unitholders, pro rata, and 1.71% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

*second*, 98.29% to the common unitholders, pro rata, and 1.71% to our general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

*third*, 98.29% to the subordinated unitholders, pro rata, and 1.71% to our general partner, until we distribute for each outstanding subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

*thereafter*, in the manner described in **General Partner Interest and Incentive Distribution Rights** below. The preceding discussion is based on the assumptions that our general partner maintains its current 1.71% general partner interest and that we do not issue additional classes of equity securities.

### **Distributions of Available Cash from Operating Surplus After the Subordination Period**

We will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

*first*, 98.29% to all common unitholders, pro rata, and 1.71% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; and

*thereafter*, in the manner described in **General Partner Interest and Incentive Distribution Rights** below. The preceding discussion is based on the assumptions that our general partner maintains its current 1.71% general partner interest and that we do not issue additional classes of equity securities.

### **General Partner Interest and Incentive Distribution Rights**

Initially, our general partner was entitled to 2% of all quarterly distributions that we make prior to our liquidation. The general partner's initial 2% general partner interest in these distributions was reduced as a result of issuing additional limited partner interests in the form of Class A Preferred Units, and our general partner did not contribute a proportionate amount of capital. The general partner now has a 1.71% general partner interest and is entitled to 1.71% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us in order to maintain its general partner interest if we issue additional

limited partner interests. Our general partner's current 1.71% general partner interest, and the percentage of our cash distributions to which it is entitled from such 1.71% general partner interest, will be proportionately reduced if we issue additional limited partner interests in the future (other than the issuance of common units upon conversion of outstanding subordinated units or the issuance of common units upon a reset of the incentive distribution rights) and our general partner does not contribute a proportionate amount of capital to us in order to maintain its general partner interest. Our partnership agreement does not require that our general partner fund its capital contribution with cash. Our general partner may instead fund its capital contribution by the contribution to us of common units or other property.

**Table of Contents**

Incentive distribution rights represent the right to receive an increasing percentage (13%, 23% and 48%) of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest.

The following discussion assumes that our general partner maintains its current general partner interest, our general partner continues to own the incentive distribution rights and we do not issue any additional classes of equity securities.

If for any quarter:

we have distributed available cash from operating surplus to the common unitholders and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution; then, we will distribute any additional available cash from operating surplus for that quarter among the common unitholders and our general partner in the following manner:

*first*, 98.29% to all common unitholders, pro rata, and 1.71% to our general partner, until each common unitholder receives a total of \$0.58938 per common unit for that quarter (the first target distribution );

*second*, 85% to all common unitholders, pro rata, and 15% to our general partner, until each common unitholder receives a total of \$0.64063 per common unit for that quarter (the second target distribution );

*third*, 75% to all common unitholders, pro rata, and 25% to our general partner, until each common unitholder receives a total of \$0.76875 per common unit for that quarter (the third target distribution ); and

*thereafter*, 50% to all common unitholders, pro rata, and 50% to our general partner.

**Percentage Allocations of Available Cash from Operating Surplus**

The following table illustrates the percentage allocations of available cash from operating surplus between the common unitholders and our general partner, as the initial holder of our incentive distribution rights, based on the specified target distribution levels. The amounts set forth under Marginal percentage interest in distributions are the percentage interests of our common unitholders and our general partner in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total quarterly distribution per unit target amount until available cash we distribute reaches the next target distribution level, if any. The percentage interests shown for our common unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 1.71% general partner interest and assume that our general partner has



Edgar Filing: CNX Coal Resources LP - Form S-3/A

contributed any additional capital necessary to maintain its general partner interest, our general partner has not transferred its incentive distribution rights and that there are no arrearages on common units.

	Total Quarterly Distribution Per Unit Target Amount		Marginal Percentage Interest in Distributions	
			Common Unitholders	General Partner
Minimum Quarterly Distribution		\$0.5125	98.29%	1.71%
First Target Distribution	above \$ 0.5125	up to \$0.58938	98.29%	1.71%
Second Target Distribution	above \$ 0.58938	up to \$0.64063	85%	15%
Third Target Distribution	above \$ 0.64063	up to \$0.76875	75%	25%
Thereafter	above \$ 0.76875		50%	50%

---

**Table of Contents****General Partner's Right to Reset Incentive Distribution Levels**

Our general partner, as the current holder of our incentive distribution rights, has the right under our partnership agreement, subject to certain conditions, to elect to relinquish the right to receive incentive distribution payments based on the initial target distribution levels and to reset, at higher levels, the minimum quarterly distribution amount and target distribution levels upon which the incentive distribution payments to our general partner would be set. If our general partner transfers all or a portion of the incentive distribution rights in the future, then the holder or holders of a majority of our incentive distribution rights will be entitled to exercise this right. The following discussion assumes that our general partner holds all of the incentive distribution rights at the time that a reset election is made.

Our general partner's right to reset the minimum quarterly distribution amount and the target distribution levels upon which the incentive distributions payable to our general partner are based may be exercised, without approval of our unitholders or the conflicts committee, at any time when there are no subordinated units outstanding, we have made cash distributions to the holders of the incentive distribution rights at the highest level of incentive distributions for each of the four consecutive fiscal quarters immediately preceding such time and the amount of each such distribution did not exceed adjusted operating surplus for such quarter. If our general partner and its affiliates are not the holders of a majority of the incentive distribution rights at the time an election is made to reset the minimum quarterly distribution amount and the target distribution levels, then the proposed reset will be subject to the prior written concurrence of the general partner that the conditions described above have been satisfied. The reset minimum quarterly distribution amount and target distribution levels will be higher than the minimum quarterly distribution amount and the target distribution levels prior to the reset such that the holder of the incentive distribution rights will not receive any incentive distributions under the reset target distribution levels until cash distributions per common unit following this event increase as described below. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would otherwise not be sufficiently accretive to cash distributions per common unit, taking into account the existing levels of incentive distribution payments being made to our general partner.

In connection with the resetting of the minimum quarterly distribution amount and the target distribution levels and the corresponding relinquishment by our general partner of incentive distribution payments based on the target distributions prior to the reset, our general partner will be entitled to receive a number of newly issued common units based on a predetermined formula described below that takes into account the cash parity value of the average cash distributions related to the incentive distribution rights received by our general partner for the two quarters immediately preceding the reset event as compared to the average cash distributions per common unit during that two-quarter period. In addition, our general partner will be issued a general partner interest necessary to maintain our general partner's interest in us immediately prior to the reset election.

The number of common units that our general partner (or the then-holder of the incentive distribution rights, if other than our general partner) would be entitled to receive from us in connection with a resetting of the minimum quarterly distribution amount and the target distribution levels then in effect would be equal to the quotient determined by dividing (x) the average aggregate amount of cash distributions received by our general partner in respect of its incentive distribution rights during the two consecutive fiscal quarters ended immediately prior to the date of such reset election by (y) the average of the aggregate amount of cash distributed per common unit during each of these two quarters.

Following a reset election, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (which amount we refer to as the reset minimum quarterly distribution ) and the target distribution levels will be reset to be correspondingly higher such that we would distribute all of our available cash from operating surplus for each quarter

thereafter as follows:

*first*, 98.29% to all common unitholders, pro rata, and 1.71% to our general partner, until each common unitholder receives an amount equal to 115% of the reset minimum quarterly distribution for that quarter;

## **Table of Contents**

*second*, 85% to all common unitholders, pro rata, and 15% to our general partner, until each common unitholder receives an amount per common unit equal to 125% of the reset minimum quarterly distribution for the quarter;

*third*, 75% to all common unitholders, pro rata, and 25% to our general partner, until each common unitholder receives an amount per common unit equal to 150% of the reset minimum quarterly distribution for the quarter; and

*thereafter*, 50% to all common unitholders, pro rata, and 50% to our general partner.

Our general partner will be entitled to cause the minimum quarterly distribution amount and the target distribution levels to be reset on more than one occasion, provided that it may not make a reset election except at a time when it has received incentive distributions for the immediately preceding four consecutive fiscal quarters based on the highest level of incentive distributions that it is entitled to receive under our partnership agreement.

## **Distributions from Capital Surplus**

### ***How Distributions from Capital Surplus Will Be Made***

Subject to distributions required to be made with respect to the Class A Preferred Units and any other outstanding preferred units with distribution rights senior to the distribution rights of our common units, we will make distributions of available cash from capital surplus, if any, in the following manner:

*first*, 98.29% to all common unitholders, pro rata, and 1.71% to our general partner, until we distribute for each common unit that was issued in this offering, an amount of available cash from capital surplus equal to the initial public offering price in this offering;

*second*, 98.29% to all common unitholders, pro rata, and 1.71% to our general partner, until we distribute for each common unit, an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the outstanding common units; and

*thereafter*, as if they were from operating surplus.

The preceding discussion is based on the assumptions that our general partner maintains its current 1.71% general partner interest and that we do not issue additional classes of equity securities that will share in distribution of our available cash.

### ***Effect of a Distribution from Capital Surplus***

Our partnership agreement treats a distribution of capital surplus to holders of our common units as a return of capital. The public offering price less any distributions of capital surplus per common unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution after any of these

distributions are made, the effects of distributions of capital surplus may make it easier for our general partner to receive incentive distributions and for the subordinated units to convert into common units. However, any distribution of capital surplus before the unrecovered initial unit price is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we distribute capital surplus on a common unit issued in any offering in an amount equal to the common unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero. Then, after distributing an amount of capital surplus for each common unit equal to any unpaid arrearages of the minimum quarterly distributions on outstanding common units, we will then make all future distributions from operating surplus, with 50% being paid to the common unitholders, pro rata, and 2% to our general partner and 48% to the holder of our incentive distribution rights, to the extent outstanding.

## **Table of Contents**

### **Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels**

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our common units into fewer units or subdivide our common units into a greater number of common units, we will proportionately adjust:

the minimum quarterly distribution;

target distribution levels;

the unrecovered initial unit price; and

the arrearages per common unit in payment of the minimum quarterly distribution on the common units. For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level, and each subordinated unit would be split into two subordinated units. We will not make any adjustment by reason of the issuance of additional common units for cash or property (including additional common units issued under any compensation or benefit plans).

In addition, if legislation is enacted or if the official interpretation of existing law is modified by a governmental authority, so that we become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, our partnership agreement specifies that the minimum quarterly distribution and the target distribution levels for each quarter may be reduced by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter (reduced by the amount of the estimated tax liability for such quarter payable by reason of such legislation or interpretation) and the denominator of which is the sum of available cash for that quarter (reduced by the amount of the estimated tax liability for such quarter payable by reason of such legislation or interpretation) plus our general partner's estimate of our aggregate liability for the quarter for such income taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference may be accounted for in subsequent quarters.

### **Distributions of Cash Upon Liquidation**

#### ***General***

If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds, first, to the holders of the Series A Preferred Units and, second, to the common unitholders and our general partner, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

Subject to the liquidation preference in favor of the holders of Class A Preferred Units over holders of common and subordinated units, the allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of outstanding common units to a preference over the holders of outstanding subordinated units upon our

liquidation, to the extent required to permit common unitholders to receive their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any unpaid arrearages in payment of the minimum quarterly distribution on the common units. However, there may not be sufficient gain upon our liquidation to enable the holders of common units to fully recover all of these amounts, even though there may be cash distributed to the holders of subordinated units. Any further net gain recognized upon liquidation will be allocated in a manner that takes into account the incentive distribution rights of our general partner.

**Table of Contents**

***Manner of Adjustments for Gain***

The manner of the adjustment for gain is set forth in our partnership agreement. If our liquidation occurs before the end of the subordination period, we will allocate any gain to our partners in the following manner, subject to any allocations of gain required to be made with respect to Class A Preferred Units and any other outstanding preferred units:

*first*, to our general partner to the extent of any negative balance in its capital account;

*second*, 98.29% to the common unitholders, pro rata, and 1.71% to our general partner, until the capital account for each common unit is equal to the sum of:

- (1) the unrecovered initial unit price;
- (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs; and
- (3) any unpaid arrearages in payment of the minimum quarterly distribution;

*third*, 98.29% to the subordinated unitholders, pro rata, and 1.71% to our general partner, until the capital account for each subordinated unit is equal to the sum of:

- (1) the unrecovered initial unit price; and
- (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

*fourth*, 98.29% to all common and subordinated unitholders, pro rata, and 1.71% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (1) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; less
- (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that we distributed 98.29% to the common and subordinated unitholders, pro rata, and 1.71% to our general partner, for each quarter of our existence;

*fifth*, 85% to all common and subordinated unitholders, pro rata, and 15% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (1) the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; less
- (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that we distributed 85% to the common and subordinated unitholders, pro rata, and 15% to



our general partner for each quarter of our existence;

*sixth*, 75% to all common and subordinated unitholders, pro rata, and 25% to our general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that we distributed 75% to the common and subordinated unitholders, pro rata, and 25% to our general partner for each quarter of our existence; and

*thereafter*, 50% to all common and subordinated unitholders, pro rata, and 50% to our general partner.

The percentages set forth above are based on the assumption that our general partner maintains its 1.71% general partner interest and has not transferred its incentive distribution rights and that we do not issue additional classes of equity securities.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that clause (3) of the second bullet point above and all of the fourth bullet point above will no longer be applicable.

## **Table of Contents**

The partnership agreement provides that in the event of any liquidation, dissolution or winding up of the Partnership (voluntary or involuntary), (i) the holders of the Class A Preferred Units shall be entitled to receive, out of the assets of the Partnership available for distribution to unitholders, prior and in preference to any distribution of any assets of the Partnership to the holders of any class or series of Units, the positive value in each such holder's Capital Account in respect of such Class A Preferred Units and (ii) items of Partnership income, gain, loss and deduction shall be allocated to the Class A Preferred Units so as to cause, to the maximum extent possible, the Capital Account in respect of each Class A Preferred Unit to equal the Class A Preferred Unit Issue Price (which was initial \$17.01 and is subject to certain adjustments under the partnership agreement) plus any cumulative arrearages on the Class A Preferred Units.

### ***Manner of Adjustments for Losses***

Subject to any allocation of loss required to be made with respect to Class A Preferred Units and other outstanding preferred units, if our liquidation occurs before the end of the subordination period, after making allocations of loss to the general partner and the common and subordinated unitholders in a manner intended to offset in reverse order the allocations of gains that have previously been allocated, we will generally allocate any loss to our general partner and common and subordinated unitholders in the following manner:

*first*, 98.29% to the holders of subordinated units in proportion to the positive balances in their capital accounts and 1.71% to our general partner, until the capital accounts of the subordinated unitholders have been reduced to zero;

*second*, 98.29% to the holders of common units in proportion to the positive balances in their capital accounts and 1.71% to our general partner, until the capital accounts of the common unitholders have been reduced to zero; and

*thereafter*, 100% to our general partner.

The percentages set forth above are based on the assumption that our general partner maintains current 1.71% general partner interest and has not transferred its incentive distribution rights and that we do not issue additional classes of equity securities.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that all of the first bullet point above will no longer be applicable.

**Table of Contents**

**DESCRIPTION OF DEBT SECURITIES**

**General**

The debt securities will be:

our direct general obligations;

either senior debt securities or subordinated debt securities; and

issued under separate indentures among us, any subsidiary guarantors and a trustee.

CNX Coal Resources LP may issue debt securities in one or more series, and CNX Coal Finance Corp. may be a co-issuer of one or more series of debt securities. CNX Coal Finance Corp. was incorporated under the laws of the State of Delaware in February 2017, is wholly owned by CNX Coal Resources LP and has no material assets or any liabilities other than as a co-issuer of debt securities. Its activities are limited to co-issuing debt securities and engaging in other activities incidental thereto. When used in this section Description of Debt Securities, the terms we, us, our and issuers refer jointly to CNX Coal Resources LP and CNX Coal Finance Corp., and the terms CNX Coal Resources LP and CNX Finance refer strictly to CNX Coal Resources LP and CNX Coal Finance Corp., respectively.

If we offer senior debt securities, we will issue them under a senior indenture. If we issue subordinated debt securities, we will issue them under a subordinated indenture. A form of each indenture is filed as an exhibit to the registration statement of which this prospectus is a part. We have not restated either indenture in its entirety in this description. You should read the relevant indenture because it, and not this description, controls your rights as holders of the debt securities. Capitalized terms used in the summary have the meanings specified in the indentures.

**Specific Terms of Each Series of Debt Securities in the Prospectus Supplement**

A prospectus supplement and a supplemental indenture or authorizing resolutions relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

whether CNX Finance will be a co-issuer of the debt securities;

the guarantors of the debt securities, if any;

whether the debt securities are senior or subordinated debt securities;

the title of the debt securities;

the total principal amount of the debt securities;

the assets, if any, that are pledged as security for the payment of the debt securities;

whether we will issue the debt securities in individual certificates to each holder in registered form, or in the form of temporary or permanent global securities held by a depository on behalf of holders;

the prices at which we will issue the debt securities;

the portion of the principal amount that will be payable if the maturity of the debt securities is accelerated;

the currency or currency unit in which the debt securities will be payable, if not U.S. dollars;

the dates on which the principal of the debt securities will be payable;

the interest rate that the debt securities will bear and the interest payment dates for the debt securities;

any conversion or exchange provisions;

## **Table of Contents**

any optional redemption provisions;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;

any changes to or additional events of default or covenants; and

any other terms of the debt securities.

We may offer and sell debt securities, including original issue discount debt securities, at a substantial discount below their principal amount. The prospectus supplement will describe special U.S. federal income tax and any other considerations applicable to those securities. In addition, the prospectus supplement may describe certain special U.S. federal income tax or other considerations applicable to any debt securities that are denominated in a currency other than U.S. dollars.

## **Guarantees**

If specified in the prospectus supplement respecting a series of debt securities, the subsidiaries of CNX Coal Resources LP specified in the prospectus supplement will unconditionally guarantee to each holder and the trustee, on a joint and several basis, the full and prompt payment of principal of, premium, if any, and interest on the debt securities of that series when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise. If a series of debt securities is guaranteed, such series will be guaranteed by substantially all of the domestic subsidiaries of CNX Coal Resources LP. The prospectus supplement will describe any limitation on the maximum amount of any particular guarantee and the conditions under which guarantees may be released.

The guarantees will be general obligations of the guarantors. Guarantees of subordinated debt securities will be subordinated to the Senior Indebtedness of the guarantors on the same basis as the subordinated debt securities are subordinated to the Senior Indebtedness of CNX Coal Resources LP.

## **Financial Information for Subsidiary Guarantors and Finance Subsidiary**

CNX Coal Resources LP, as the parent company, has no independent assets or operations, and the Partnership's operations are conducted solely through its subsidiaries. In the event that CNX Operating LLC and CNX Thermal Holdings LLC (collectively, the Subsidiary Guarantors) guarantee the debt securities described in this prospectus, such guarantees will be full and unconditional and will constitute the joint and several obligations of the Subsidiary Guarantors. Each of the Subsidiary Guarantors is a 100% directly or indirectly owned subsidiary of the Partnership. The only other subsidiary of the Partnership is CNX Finance, which was formed solely to co-issue of debt securities with CNX Coal Resources LP as described above and which has no independent assets or operations. There are no significant restrictions upon the ability of the Subsidiary Guarantors or CNX Finance to distribute funds to the Partnership by dividend or loan other than under the Partnership's Credit Agreement described in its Annual Report on Form 10-K for the year ended December 31, 2016. None of the assets of the Partnership, the Subsidiary Guarantors or CNX Finance represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended.

## **Consolidation, Merger or Asset Sale**

Each indenture will, in general, allow us to consolidate or merge with or into another domestic entity. It will also allow each issuer to sell, lease, transfer or otherwise dispose of all or substantially all of its assets to another domestic entity. If this happens, the remaining or acquiring entity must assume all of the issuer's responsibilities and liabilities under the applicable indenture, including the payment of all amounts due on the debt securities and performance of the issuer's covenants in the applicable indenture.

## **Table of Contents**

However, each indenture will impose certain requirements with respect to any consolidation or merger with or into an entity, or any sale, lease, transfer or other disposition of all or substantially all of an issuer's assets, including:

the remaining or acquiring entity must be organized under the laws of the United States, any state or the District of Columbia; provided that CNX Finance may not merge, amalgamate or consolidate with or into another entity other than a corporation satisfying such requirement for so long as CNX Coal Resources LP is not a corporation;

the remaining or acquiring entity must assume the issuer's obligations under the applicable indenture; and

immediately after giving effect to the transaction, no Default or Event of Default (as defined under "Events of Default and Remedies" below) may exist.

The remaining or acquiring entity will be substituted for the issuer in the applicable indenture with the same effect as if it had been an original party to the indenture, and the issuer will be relieved from any further obligations under the applicable indenture.

## **No Protection in the Event of a Change of Control**

Unless otherwise set forth in the prospectus supplement, the debt securities will not contain any provisions that protect the holders of the debt securities in the event of a change of control of us or in the event of a highly leveraged transaction, whether or not such transaction results in a change of control of us.

## **Modification of Indentures**

We may supplement or amend an indenture if the holders of a majority in aggregate principal amount of the outstanding debt securities of all series issued under the indenture affected by the supplement or amendment consent to it. Further, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series may waive past defaults under the applicable indenture and compliance by us with our covenants with respect to the debt securities of that series only. Those holders may not, however, waive any default in any payment on any debt security of that series or compliance with a provision that cannot be supplemented or amended without the consent of each holder affected. Without the consent of each outstanding debt security affected, no modification of the indenture or waiver may:

reduce the principal amount of debt securities whose holders must consent to an amendment, supplement or waiver;

reduce the principal of or change the fixed maturity of any debt security;

reduce or waive the premium payable upon redemption or alter or waive the provisions with respect to the redemption of the debt securities (except as may be permitted in the case of a particular series of debt

securities);

reduce the rate of or change the time for payment of interest on any debt security;

waive a Default or an Event of Default in the payment of principal of or premium, if any, or interest on the debt securities (except a rescission of acceleration of the debt securities by the holders of at least a majority in aggregate principal amount of the debt securities and a waiver of the payment default that resulted from such acceleration);

except as otherwise permitted under the applicable indenture, release any security that may have been granted with respect to the debt securities;

make any debt security payable in currency other than that stated in the debt securities;



**Table of Contents**

in the case of any subordinated debt security, make any change in the subordination provisions that adversely affects the rights of any holder under those provisions;

make any change in the provisions of the applicable indenture relating to waivers of past Defaults or the rights of holders of debt securities to receive payments of principal of or premium, if any, or interest on the debt securities;

waive a redemption payment with respect to any debt security (except as may be permitted in the case of a particular series of debt securities);

except as otherwise permitted in the applicable indenture, release any guarantor from its obligations under its guarantee or the applicable indenture or change any guarantee in any manner that would adversely affect the rights of holders; or

make any change in the preceding amendment, supplement and waiver provisions (except to increase any percentage set forth therein).

We may supplement or amend an indenture without the consent of any holders of the debt securities in certain circumstances, including:

to establish the form of terms of any series of debt securities;

to cure any ambiguity, defect or inconsistency;

to provide for uncertificated notes in addition to or in place of certified notes;

to provide for the assumption of an issuer's or guarantor's obligations to holders of debt securities in the case of a merger or consolidation or disposition of all or substantially all of such issuer's or guarantor's assets;

in the case of any subordinated debt security, to make any change in the subordination provisions that limits or terminates the benefits applicable to any holder of Senior Indebtedness of CNX Coal Resources LP;

to add or release guarantors pursuant to the terms of the applicable indenture;

to make any changes that would provide any additional rights or benefits to the holders of debt securities or that do not, taken as a whole, adversely affect the rights under the applicable indenture of any holder of debt securities;

to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended ( Trust Indenture Act );

to evidence or provide for the acceptance of appointment under the applicable indenture of a successor trustee;

to add any additional Events of Default; or

to secure the debt securities and/or the guarantees.

**Events of Default and Remedies**

Event of Default, when used in an indenture, will mean any of the following with respect to the debt securities of any series:

failure to pay when due the principal of or any premium on any debt security of that series;

failure to pay, within 30 days of the due date, interest on any debt security of that series;

failure to pay when due any sinking fund payment with respect to any debt securities of that series;

## **Table of Contents**

failure on the part of the issuers to comply with the covenant described under Consolidation, Merger or Asset Sale ;

failure to perform any other covenant in the applicable indenture that continues for 60 days after written notice is given to the issuers;

certain events of bankruptcy, insolvency or reorganization of an issuer; or

any other Event of Default provided under the terms of the debt securities of that series.

An Event of Default for a particular series of debt securities will not necessarily constitute an Event of Default for any other series of debt securities issued under an indenture. The trustee may withhold notice to the holders of debt securities of any default (except in the payment of principal, premium, if any, or interest) if it considers such withholding of notice to be in the best interests of the holders.

If an Event of Default described in the sixth bullet point above occurs, the entire principal of, premium, if any, and accrued interest on, all debt securities then outstanding will be due and payable immediately, without any declaration or other act on the part of the trustee or any holders. If any other Event of Default for any series of debt securities occurs and continues, the trustee or the holders of at least 25% in aggregate principal amount of the debt securities of the series may declare the entire principal of, and accrued interest on, all the debt securities of that series to be due and payable immediately. If this happens, subject to certain conditions, the holders of a majority in the aggregate principal amount of the debt securities of that series can rescind the declaration.

Other than its duties in case of a default, a trustee is not obligated to exercise any of its rights or powers under either indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable security or indemnity. If they provide this reasonable security or indemnification, the holders of a majority in aggregate principal amount of any series of debt securities may direct the time, method and place of conducting any proceeding or any remedy available to the trustee, or exercising any power conferred upon the trustee, for that series of debt securities.

### **No Limit on Amount of Debt Securities**

Neither indenture will limit the amount of debt securities that we may issue, unless we indicate otherwise in a prospectus supplement. Each indenture will allow us to issue debt securities of any series up to the aggregate principal amount that we authorize.

### **Registration of Notes**

We will issue debt securities of a series only in registered form, without coupons, unless otherwise indicated in the prospectus supplement.

### **Minimum Denominations**

Unless the prospectus supplement states otherwise, the debt securities will be issued only in principal amounts of \$1,000 each or integral multiples of \$1,000.

### **No Personal Liability**

None of the past, present or future partners, incorporators, managers, members, directors, officers, employees, unitholders or stockholders of either issuer, the general partners CNX Coal Resources LP or any guarantor will have any liability for the obligations of the issuers or any guarantors under either indenture or the debt securities or for any claim based on such obligations or their creation. Each holder of debt securities by accepting a debt security waives and releases all such liability. The waiver and release are part of the consideration for the

## **Table of Contents**

issuance of the debt securities. The waiver may not be effective under federal securities laws, however, and it is the view of the SEC that such a waiver is against public policy.

### **Payment and Transfer**

The trustee will initially act as paying agent and registrar under each indenture. The issuers may change the paying agent or registrar without prior notice to the holders of debt securities, and the issuers or any of their subsidiaries may act as paying agent or registrar.

If a holder of debt securities has given wire transfer instructions to the issuers, the issuers will make all payments on the debt securities in accordance with those instructions. All other payments on the debt securities will be made at the corporate trust office of the trustee, unless the issuers elect to make interest payments by check mailed to the holders at their addresses set forth in the debt security register.

The trustee and any paying agent will repay to us upon request any funds held by them for payments on the debt securities that remain unclaimed for two years after the date upon which that payment has become due. After payment to us, holders entitled to the money must look to us for payment as general creditors.

### **Exchange, Registration and Transfer**

Debt securities of any series will be exchangeable for other debt securities of the same series, the same total principal amount and the same terms but in different authorized denominations in accordance with the indenture. Holders may present debt securities for exchange or registration of transfer at the office of the registrar. The registrar will effect the transfer or exchange when it is satisfied with the documents of title and identity of the person making the request. We will not charge a service charge for any registration of transfer or exchange of the debt securities. We may, however, require the payment of any tax or other governmental charge payable for that registration.

We will not be required to:

issue, register the transfer of, or exchange debt securities of a series either during a period beginning 15 business days prior to the selection of debt securities of that series for redemption and ending on the close of business on the day of mailing of the relevant notice of redemption or repurchase, or between a record date and the next succeeding interest payment date; or

register the transfer of or exchange any debt security called for redemption or repurchase, except the unredeemed portion of any debt security we are redeeming or repurchasing in part.

### **Provisions Relating only to the Senior Debt Securities**

The senior debt securities will rank equally in right of payment with all of our other senior and unsubordinated debt. The senior debt securities will be effectively subordinated, however, to all of our secured debt to the extent of the value of the collateral for that debt. We will disclose the amount of our secured debt in the prospectus supplement.

### **Provisions Relating only to the Subordinated Debt Securities**

*Subordinated Debt Securities Subordinated to Senior Indebtedness*

The subordinated debt securities will rank junior in right of payment to all of our Senior Indebtedness. Senior Indebtedness will be defined in a supplemental indenture or authorizing resolutions respecting any issuance of a series of subordinated debt securities, and the definition will be set forth in the prospectus supplement. If the subordinated debt securities are guaranteed by any of the subsidiaries of CNX Coal Resources LP, then the guarantees will be subordinated on like terms.

## **Table of Contents**

### *Payment Blockages*

The subordinated indenture will provide that no payment of principal, interest and any premium on the subordinated debt securities may be made in the event:

we or our property (or any guarantor or its property) is involved in any liquidation, bankruptcy or similar proceeding;

we fail to pay the principal, interest, any premium or any other amounts on any of our Senior Indebtedness within any applicable grace period or the maturity of such Senior Indebtedness is accelerated following any other default, subject to certain limited exceptions set forth in the subordinated indenture; or

any other default on any of our Senior Indebtedness occurs that permits immediate acceleration of its maturity, in which case a payment blockage on the subordinated debt securities will be imposed for a maximum of 179 days at any one time.

### *No Limitation on Amount of Senior Debt*

The subordinated indenture will not limit the amount of Senior Indebtedness that we or any guarantor may incur, unless otherwise indicated in the prospectus supplement.

## **Book Entry, Delivery and Form**

The debt securities of a particular series may be issued in whole or in part in the form of one or more global certificates that will be deposited with the trustee as custodian for The Depository Trust Company, New York, New York ( DTC ). This means that we will not issue certificates to each holder, except in the limited circumstances described below. Instead, one or more global debt securities will be issued to DTC, who will keep a computerized record of its participants (for example, your broker) whose clients have purchased the debt securities. The participant will then keep a record of its clients who purchased the debt securities. Unless it is exchanged in whole or in part for a certificated debt security, a global debt security may not be transferred, except that DTC, its nominees and their successors may transfer a global debt security as a whole to one another.

Beneficial interests in global debt securities will be shown on, and transfers of global debt securities will be made only through, records maintained by DTC and its participants.

DTC has provided us the following information: DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ( Direct Participants ) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers,

banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ( DTCC ). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ( Indirect Participants ). DTC has Standard & Poor s highest rating: AAA. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission.



## **Table of Contents**

We will wire all payments on the global debt securities to DTC's nominee. We and the trustee will treat DTC's nominee as the owner of the global debt securities for all purposes. Accordingly, we, the trustee and any paying agent will have no direct responsibility or liability to pay amounts due on the global debt securities to owners of beneficial interests in the global debt securities.

It is DTC's current practice, upon receipt of any payment on the global debt securities, to credit Direct Participants accounts on the payment date according to their respective holdings of beneficial interests in the global debt securities as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting rights to Direct Participants whose accounts are credited with debt securities on a record date, by using an omnibus proxy. Payments by participants to owners of beneficial interests in the global debt securities, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interests, as is the case with debt securities held for the account of customers registered in street name. However, payments will be the responsibility of the participants and not of DTC, the trustee or us.

Debt securities represented by a global debt security will be exchangeable for certificated debt securities with the same terms in authorized denominations only if:

DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under applicable law and in either event a successor depository is not appointed by us within 90 days; or

an Event of Default occurs and DTC notifies the trustee of its decision to exchange the global debt security for certificated debt securities.

## **Satisfaction and Discharge; Defeasance**

Each indenture will be discharged and will cease to be of further effect as to all outstanding debt securities of any series issued thereunder, when:

(a) either:

(1) all outstanding debt securities of that series that have been authenticated (except lost, stolen or destroyed debt securities that have been replaced or paid and debt securities for whose payment money has theretofore been deposited in trust and thereafter repaid to us) have been delivered to the trustee for cancellation; or

(2) all outstanding debt securities of that series that have not been delivered to the trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise or will become due and payable at their stated maturity within one year or are to be called for redemption within one year under arrangements satisfactory to the trustee and in any case we have irrevocably deposited or caused to be irrevocably deposited with the trustee as trust funds in trust cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness of such debt securities not delivered to the trustee for cancellation, for principal, premium, if any, and accrued interest to the date of such deposit (in the case of debt securities that have been due and payable) or the stated maturity or redemption date;

(b) we have paid or caused to be paid all other sums payable by us under the indenture; and

(c) we have delivered an officers certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

The debt securities of a particular series will be subject to legal or covenant defeasance to the extent, and upon the terms and conditions, set forth in the prospectus supplement.

## **Table of Contents**

### **Governing Law**

Each indenture and all of the debt securities will be governed by the laws of the State of New York.

### **The Trustee**

We will enter into the indentures with a trustee that is qualified to act under the Trust Indenture Act and with any other trustees chosen by us and appointed in a supplemental indenture for a particular series of debt securities. We may maintain a banking relationship in the ordinary course of business with our trustee and one or more of its affiliates.

#### *Resignation or Removal of Trustee*

If the trustee has or acquires a conflicting interest within the meaning of the Trust Indenture Act, the trustee must either eliminate its conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the applicable indenture. Any resignation will require the appointment of a successor trustee under the applicable indenture in accordance with the terms and conditions of such indenture.

The trustee may resign or be removed by us with respect to one or more series of debt securities and a successor trustee may be appointed to act with respect to any such series. The holders of a majority in aggregate principal amount of the debt securities of any series may remove the trustee with respect to the debt securities of such series.

#### *Limitations on Trustee if It Is Our Creditor*

Each indenture will contain certain limitations on the right of the trustee, in the event that it becomes a creditor of an issuer or a guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise.

#### *Certificates and Opinions to Be Furnished to Trustee*

Each indenture will provide that, in addition to other certificates or opinions that may be specifically required by other provisions of an indenture, every application by us for action by the trustee must be accompanied by a certificate of certain of our officers and an opinion of counsel (who may be our counsel) stating that, in the opinion of the signers, all conditions precedent to such action have been complied with by us.

---

**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

This section is a summary of the material U.S. federal income tax consequences that may be relevant to prospective holders of common units ( unitholders ) and holders of Class A Preferred Units ( Class A Preferred Unitholders ) who are individual citizens or residents of the U.S. and, unless otherwise noted in the following discussion, is the opinion of McGuireWoods LLP, counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code ), existing and proposed Treasury regulations promulgated under the Code (the Treasury Regulations ) and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below and neither we nor McGuireWoods LLP are undertaking to supplement or revise this section to reflect any changes (including changes that have retroactive effect) in applicable authorities or in any fact, information, document, record, representation, or assumption mentioned herein that becomes untrue or incorrect. Unless the context otherwise requires, references in this section to us or we are references to CNX Coal Resources LP and our operating subsidiaries.

The following discussion does not comment on all U.S. federal income tax matters affecting us or our unitholders and does not describe the application of the alternative minimum tax that may be applicable to certain unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the U.S., who use the calendar year as their taxable year, and who hold units as capital assets (generally, property that is held for investment). This discussion has only limited application to corporations, estates, entities treated as partnerships for U.S. federal income tax purposes, trusts, nonresident aliens, U.S. expatriates and former citizens or long-term residents of the United States or other unitholders subject to specialized tax treatment, such as banks, insurance companies and other financial institutions, tax-exempt institutions, foreign persons (including, without limitation, controlled foreign corporations, passive foreign investment companies and non-U.S. persons eligible for the benefits of an applicable income tax treaty with the United States), individual retirement accounts (IRAs), real estate investment trusts (REITs) or mutual funds, dealers in securities or currencies, traders in securities, U.S. persons whose functional currency is not the U.S. dollar, persons holding their units as part of a straddle, hedge, conversion transaction or other risk reduction transaction, and persons deemed to sell their units under the constructive sale provisions of the Code. In addition, the discussion only comments to a limited extent on state, local and foreign tax consequences. Accordingly, we encourage each prospective unitholder to consult its own tax advisor in analyzing the state, local and foreign tax consequences particular to such unitholder of the ownership or disposition of our units and potential changes in applicable tax laws.

No ruling has been requested from the Internal Revenue Service (the IRS ) regarding our characterization as a partnership for tax purposes. Instead, we will rely on an opinion of McGuireWoods LLP rendered in connection with this registration statement and other opinions of counsel. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for the units and the prices at which the units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in our distributable cash flow to our unitholders and our general partner and thus will be borne indirectly by our unitholders and our general partner. Furthermore, the tax treatment of us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of U.S. federal income tax law and legal conclusions with respect thereto, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of McGuireWoods LLP and are based on the accuracy of the representations made by us.

For the reasons described below, McGuireWoods LLP has not rendered an opinion with respect to the following specific U.S. federal income tax issues: (i) the (x) treatment of the Class A Preferred Units as equity or debt in us and, if treated as equity, (y) whether holders of Class A Preferred Units will be treated as partners that receive

**Table of Contents**

guaranteed payments for the use of capital on their units or that receive allocations of income and loss and distributions with respect to their partnership interests (please read [Limited Partner Status](#) ); (ii) the treatment of a unitholder whose units are loaned to a short seller to cover a short sale of units (please read [Tax Consequences of Unit Ownership Treatment of Short Sales](#) ); (iii) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read [Disposition of Units Allocations Between Transferors and Transferees](#) ); and (iv) whether our method for taking into account Section 743 adjustments is sustainable in certain cases (please read [Tax Consequences of Unit Ownership Section 754 Election](#) and [Uniformity of Units](#) ).

**Partnership Status**

A partnership is not a taxable entity and incurs no U.S. federal income tax liability, unless tax liability is imposed on a partnership following conclusion of an audit by the IRS. Please read [Tax Consequences of Unit Ownership Entity-Level Audits and Adjustments](#). Instead, each partner of a partnership is required to take into account its share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made to the unitholder by the partnership. Distributions by a partnership to a partner are generally not taxable to the partnership or the partner unless the amount of cash distributed to the partner is in excess of the partner's adjusted basis in its partnership interest. Section 7704 of the Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the [Qualifying Income Exception](#), exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of [qualifying income](#). [Qualifying income](#) includes (i) income and gains derived from the mining or production, processing, transportation, and marketing of any mineral or natural resource, including coal, (ii) interest (other than from a financial business), (iii) dividends, (iv) gains from the sale of real property (v) and gains from the sale or other disposition of capital assets held for the production of [qualifying income](#). We estimate that less than 2% of our current gross income is not [qualifying income](#); however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner and a review of the applicable legal authorities, McGuireWoods LLP is of the opinion that at least 90% of our current gross income constitutes [qualifying income](#). The portion of our income that is [qualifying income](#) may change from time to time.

The IRS has issued final regulations regarding [qualifying income](#) under Section 7704(d)(1)(E) of the Code (the [Final Regulations](#) ). The [Final Regulations](#) were published in the Federal Register on January 24, 2017 despite a temporary regulatory freeze on the approval of new federal regulations put in place by President Trump on January 20, 2017. We do not believe the [Final Regulations](#) affect our ability to qualify as a publicly traded partnership. However, there are no assurances that the [Final Regulations](#) will not be withdrawn in compliance with the temporary regulatory freeze. Also, it is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our units. See [Recent Legislative Developments](#).

The IRS has made no determination as to our status or the status of our operating subsidiaries for U.S. federal income tax purposes or whether our operations generate [qualifying income](#) under Section 7704 of the Code. Instead, we will rely on the opinion of McGuireWoods LLP on such matters. It is the opinion of McGuireWoods LLP that, based upon the Code, its regulations, published revenue rulings and court decisions and the representations described below that:

We will be classified as a partnership for U.S. federal income tax purposes; and

Each of our operating subsidiaries will be treated as a partnership or will be disregarded as an entity separate from us for U.S. federal income tax purposes.

## **Table of Contents**

In rendering its opinion, McGuireWoods LLP has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which McGuireWoods LLP has relied include:

Neither we nor any of the operating subsidiaries has elected or will elect to be treated as a corporation; and

For each taxable year, more than 90% of our gross income has been and will be income of the type that McGuireWoods LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Code.

We believe that these representations have been true in the past and expect that these representations will continue to be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to unitholders and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for U.S. federal income tax purposes.

If we were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder's tax basis in its units, or taxable capital gain, after the unitholder's tax basis in its units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a unitholder's cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the units.

**The discussion below is based on McGuireWoods LLP's opinion that we will be classified as a partnership for U.S. federal income tax purposes.**

### **Limited Partner Status**

Unitholders of CNX Coal Resources LP will be treated as partners of CNX Coal Resources LP for U.S. federal income tax purposes. Also, unitholders whose units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their units will be treated as partners of CNX Coal Resources LP for U.S. federal income tax purposes.

A beneficial owner of units whose units have been transferred to a short seller to complete a short sale would appear to lose its status as a partner with respect to those units for U.S. federal income tax purposes. Please read Tax Consequences of Unit Ownership Treatment of Short Sales.



Edgar Filing: CNX Coal Resources LP - Form S-3/A

Income, gains, losses or deductions would not appear to be reportable by a unitholder who is not a partner for U.S. federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for U.S. federal income tax purposes would therefore appear to be fully taxable as ordinary income. These holders are urged to consult their tax advisors with respect to the tax consequences to them of holding units in CNX Coal Resources LP. The references to unitholders in the discussion that follows are to persons who hold our common units and who are treated as partners in CNX Coal Resources LP for U.S. federal income tax purposes.

---

**Table of Contents****Tax Consequences of Unit Ownership***Flow-Through of Taxable Income*

Subject to the discussions below under Tax Consequences of Unit Ownership Entity-Level Collections and Tax Consequences of Unit Ownership Entity-Level Audits and Adjustments, we will not pay any U.S. federal income tax. Instead, each unitholder will be required to report on its income tax return its share of our income, gains, losses and deductions without regard to whether we make cash distributions to such unitholder. Consequently, we may allocate income to a unitholder even if such unitholder has not received a cash distribution. Each unitholder will be required to include in income its allocable share of our income, gains, losses and deductions for our taxable year ending with or within its taxable year. Our taxable year ends on December 31.

*Treatment of Distributions*

Distributions by us to a unitholder generally will not be taxable to the unitholder for U.S. federal income tax purposes, except to the extent the amount of any such cash distribution exceeds its tax basis in its units immediately before the distribution. Our cash distributions in excess of a unitholder's tax basis generally will be considered to be gain from the sale or exchange of the units, taxable in accordance with the rules described under Disposition of Units. Any reduction in a unitholder's share of our liabilities for which no partner, including the general partner, bears the economic risk of loss, known as nonrecourse liabilities, will be treated as a distribution by us of cash to that unitholder. To the extent our distributions cause a unitholder's at risk amount to be less than zero at the end of any taxable year, it must recapture any losses deducted in previous years. Please read Tax Consequences of Unit Ownership Limitations on Deductibility of Losses.

A decrease in a unitholder's percentage interest in us because of our issuance of additional units will decrease its share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property may result in ordinary income to a unitholder, regardless of its tax basis in its units, if the distribution reduces the unitholder's share of our unrealized receivables, including depreciation recapture and/or substantially appreciated inventory items, each as defined in the Code, and collectively, Section 751 Assets. To that extent, the unitholder will be treated as having been distributed its proportionate share of the Section 751 Assets and then having exchanged those assets with us in return for the non-pro rata portion of the actual distribution made to such unitholder. This latter deemed exchange will generally result in the unitholder's realization of ordinary income, which will equal the excess of (1) the non-pro rata portion of that distribution over (2) the unitholder's tax basis (often zero) for the share of Section 751 Assets deemed relinquished in the exchange.

*Basis of Units*

A unitholder's initial tax basis for its units will be the amount it paid for the units plus its share of our nonrecourse liabilities. That basis will be (i) increased by its share of our income and by any increases in its share of our nonrecourse liabilities, and (ii) decreased, but not below zero, by distributions from us, by the unitholder's share of our losses, by any decreases in its share of our nonrecourse liabilities and by its share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt that is recourse to our general partner to the extent of the general partner's net value as defined in Treasury Regulations under Section 752 of the Code, but will have a share, generally based on its share of profits, of our nonrecourse liabilities. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests. Please read Disposition of Units Recognition of Gain or Loss.

*Limitations on Deductibility of Losses*

The deduction by a unitholder of its share of our losses will be limited to the tax basis in its units and, in the case of an individual unitholder, estate, trust, or corporate unitholder (if more than 50% of the value of the corporate

**Table of Contents**

unitholder's stock is owned directly or indirectly by or for five or fewer individuals or some tax-exempt organizations) to the amount for which the unitholder is considered to be at risk with respect to our activities, if that is less than its tax basis. A unitholder subject to these limitations must recapture losses deducted in previous years to the extent that distributions cause its at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction to the extent that its at risk amount is subsequently increased, provided such losses do not exceed such unitholder's tax basis in its units. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at risk limitation in excess of that gain would no longer be utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of its units, excluding any portion of that basis attributable to its share of our nonrecourse liabilities, reduced by (1) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or other similar arrangement and (2) any amount of money it borrows to acquire or hold its units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder's at risk amount will increase or decrease as the tax basis of the unitholder's units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in its share of our nonrecourse liabilities.

In addition to the basis and at risk limitations on the deductibility of losses, the passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or a unitholder's investments in other publicly traded partnerships, or the unitholder's salary, active business or other income. Passive losses that are not deductible because they exceed a unitholder's share of income we generate may be deducted in full when it disposes of its entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at risk rules and the basis limitation.

A unitholder's share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

*Limitations on Interest Deductions*

The deductibility of a non-corporate taxpayer's investment interest expense is generally limited to the amount of that taxpayer's net investment income. Investment interest expense includes:

interest on indebtedness properly allocable to property held for investment;

our interest expense attributed to portfolio income; and

the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but

## **Table of Contents**

generally does not include gains attributable to the disposition of property held for investment or (if applicable) qualified dividend income. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, the unitholder's share of our portfolio income will be treated as investment income.

### *Entity-Level Collections*

If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any unitholder or our general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

### *Entity-Level Audits and Adjustments*

Pursuant to the Bipartisan Budget Act of 2015 (Pub. L. 114-74) and related Treasury Regulations, which as of the date of this prospectus consist of proposed Treasury Regulations released by the IRS but not yet published in the Federal Register (the Bipartisan Budget Act), if the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our general partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so under all circumstances. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced. In addition, because payment would be due for the taxable year in which the audit is completed, unitholders during that taxable year would bear the expense of the adjustment even if they were not unitholders during the audited tax year.

Pursuant to this new legislation, we will designate a person (our general partner or its designee) to act as the partnership representative who shall have the sole authority to act on behalf of the partnership with respect to dealings with the IRS under these new audit procedures.

### *Allocation of Income, Gain, Loss and Deduction*

In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our general partner and the unitholders in accordance with their percentage interests in us subject to any such allocations required to be made with respect to Class A Preferred Units and any other outstanding preferred units. At any time that distributions are made to the common units in excess of distributions to the subordinated units, or incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss, that loss will be allocated first to our general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts, as adjusted to take into account the unitholders' share of nonrecourse debt, and, second, to our general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for any difference between the tax basis and fair market value of our assets at the time such assets are contributed to us and at the time of any subsequent offering of our units, together referred to in this discussion as the Contributed Property. The effect of these allocations, referred to as Section 704(c) Allocations, to a unitholder purchasing units from us in any subsequent offering will be essentially the same as if the tax bases of our assets were equal to their fair market

---

**Table of Contents**

values at the time of such offering. In the event we issue units or engage in certain other transactions in the future, reverse Section 704(c) Allocations, similar to the Section 704(c) Allocations described above, will be made to the general partner and all of our unitholders immediately prior to such issuance or other transactions to account for the difference between the book basis for purposes of maintaining capital accounts and the fair market value of all property held by us at the time of such issuance or future transaction. In addition, items of recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by some unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Code to eliminate the difference between a partner's book capital account, credited with the fair market value of Contributed Property, and tax capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the Book-Tax Disparity, will generally be given effect for U.S. federal income tax purposes in determining a partner's share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner's share of an item will be determined on the basis of its interest in us, which will be determined by taking into account all the facts and circumstances, including (i) its relative contributions to us, (ii) the interests of all the partners in profits and losses, (iii) the interest of all the partners in cash flow, and (iv) the rights of all the partners to distributions of capital upon liquidation.

*Class A Preferred Units*

The U.S. federal income tax treatment of our Class A Preferred Units is uncertain and McGuireWoods LLP is unable to render an opinion on the appropriate tax treatment of the Class A Preferred Units. Although the IRS may disagree with this treatment, we will treat holders of our Class A Preferred Units as partners for U.S. federal income tax purposes. The remainder of this discussion assumes that our Class A Preferred Units are partnership interests and holders of Class A Preferred Units are partners of CNX Coal Resources LP for federal income tax purposes. If the Class A Preferred Units are correctly characterized as equity in us, then the holders of Class A Preferred Units will be treated as partners of CNX Coal Resources LP. As partners, distributions on the Class A Preferred Units may either be treated as guaranteed payments for the use of capital, in which case they will generally be taxable to the holders of Class A Preferred Units as ordinary income and will be deductible by us, or as distributions with respect to their partnership interests in us, in which case the tax consequences described herein relating to the unitholders will apply equally to the holders of the Class A Preferred Units. Further, if such guaranteed payment treatment shall not apply, then Class A Preferred Unitholders would generally share in allocations of income, gain, loss or deduction with respect to their Class A Preferred Units. However, a holder of Class A Preferred Units may only be allocated loss to the extent the capital accounts of such unitholder is not reduced below zero. Although it is not anticipated that a holder of Class A Preferred Units would be allocated loss, the deductibility of any such allocation may be limited by the rules above.

Guaranteed payments paid or accrued within the partnership's taxable year will be included as income to holders of the Class A Preferred Units whether or not a distribution of such payment has actually been made. Each holder of Class A Preferred Units will be required to include in its tax return its income from our guaranteed payments.

Distributions of cash and Class A Preferred Units to the Class A Preferred Unitholders could be treated differently. To the extent that any distribution is paid in PIK Units, the distribution of PIK Units will be treated as a cash distribution to the holders of Class A Preferred Units followed by a cash contribution to us in exchange for the newly issued PIK Units. As such, the holders of Class A Preferred Units could recognize taxable income in excess of, or in the absence



of, a contemporaneous cash distribution.

A holder's tax basis in its Class A Preferred Units initially will be the amount paid for those Class A Preferred Units. A holder's tax basis in its PIK Units will initially be equal to the deemed cash contribution made

## **Table of Contents**

in exchange for such units. If distributions on the Class A Preferred Units are properly characterized as guaranteed payments, then a holder's basis of such units will not be affected by distributions on its Class A Preferred Units. In addition, it is uncertain whether a holder of Class A Preferred Units will be allocated any share of our liabilities for income tax purposes. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests. Notwithstanding this rule, you may receive multiple Schedules K-1 if you hold common units and Class A Preferred Units due to administrative reporting limitations. If you own common units and Class A Preferred Units, please consult your tax advisor with respect to determining the consequences of a guaranteed payment on your basis in your units.

If the Class A Preferred Units are not correctly characterized as equity (i.e., partnership interests) in us, they would likely constitute indebtedness for U.S. federal income tax purposes and distributions on the Class A Preferred Units would constitute ordinary interest income to the holders of Class A Preferred Units.

Tax exempt investors could recognize unrelated business taxable income for federal income tax purposes as a result of holding Class A Preferred Units. If you are a tax-exempt entity, you should consult your tax advisor with respect to the consequences of owning our Class A Preferred Units.

All holders of Class A Preferred Units are strongly encouraged to consult their tax advisors regarding the tax consequences applicable to the Class A Preferred Units (including such tax consequences resulting from the characterization as equity or debt for U.S. federal income tax purposes).

### *Conversion of Class A Preferred Units*

We intend to adopt the principles of Treasury Regulations § 1.721-2 with respect to the conversion of Class A Preferred Units into common units. We anticipate that the conversion will be nontaxable to holders of Class A Preferred Units. At the time of conversion, we will revalue our assets and allocate book items of unrealized income, gain, loss and deduction to the extent necessary to reflect that partner's right to share in partnership capital under the partnership agreement. If available book items of income, gain, loss and deduction are unable to be allocated in a manner that reflects the converting partner's right to share in partnership capital under the partnership agreement, then we must reallocate partnership capital between the existing partners and the converting partner. Corrective allocations will be made until such capital reallocations are eliminated. Corrective allocations may result in the allocation of a greater amount of income, gain, loss or deduction to a particular unitholder for tax purposes, as compared to book purposes, which could cause a unitholder to have taxable income in connection with a conversion.

Upon the conversion of Class A Preferred Units, a unitholder will receive a basis in the resulting common units equal to its existing basis in its Class A Preferred Units plus such unitholder's initial allocable share of our liabilities in its capacity as a unitholder. As a unitholder, that basis will be (i) increased by the unitholder's share of our income and any increases in such unitholder's share of our liabilities, and (ii) decreased, but not below zero, by the amount of all distributions to the unitholder, the unitholder's share of our losses, any decreases in the unitholder's share of our liabilities, and certain other items. The holding period of such units will also include the period that the holder held the converted Class A Preferred Units.

### *Treatment of Short Sales*

A unitholder whose units are loaned to a short seller to cover a short sale of units may be considered as having disposed of those units. If so, it would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder;

**Table of Contents**

any cash distributions received by the unitholder as to those units would be fully taxable; and

while not entirely free from doubt, all of these distributions would appear to be ordinary income. Because there is no direct or indirect controlling authority on the issue relating to partnership interests, McGuireWoods LLP has not rendered an opinion regarding the tax treatment of a unitholder whose units are loaned to a short seller to cover a short sale of units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read [Disposition of Units](#) [Recognition of Gain or Loss](#).

*Tax Rates*

Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 39.6% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than twelve months) of individuals is 20%. Such rates are subject to change by new legislation at any time.

In addition, a 3.8% Medicare tax, or NIIT, is imposed on certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes a unitholder's allocable share of our income and gain realized by a unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (1) the unitholder's net investment income and (2) the amount by which the unitholder's modified adjusted gross income exceeds \$250,000 (if the unitholder is married and filing jointly or a surviving spouse), \$125,000 (if the unitholder is married and filing separately) or \$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (1) undistributed net investment income and (2) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins. The U.S. Department of the Treasury and the IRS have issued Treasury Regulations that provide guidance regarding the NIIT. Prospective unitholders are urged to consult with their tax advisors as to the impact of the NIIT on an investment in our units.

*Section 754 Election*

We have made the election permitted by Section 754 of the Code. That election is irrevocable without the consent of the IRS unless there is a constructive termination of the partnership. Please read [Disposition of Units](#) [Constructive Termination](#). The election generally permits us to adjust a unit purchaser's tax basis in our assets (inside basis) under Section 743(b) of the Code to reflect its purchase price. This election does not apply with respect to a person who purchases units directly from us. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, the inside basis in our assets with respect to a unitholder will be considered to have two components: (1) its share of our tax basis in our assets (common basis) and (2) its Section 743(b) adjustment to that basis.

We will adopt the remedial allocation method as to all our properties. Where the remedial allocation method is adopted, the Treasury Regulations under Section 743 of the Code require a portion of the Section 743(b) adjustment that is attributable to recovery property that is subject to depreciation under Section 168 of the Code and whose book basis is in excess of its tax basis to be depreciated over the remaining cost recovery period for the property's unamortized Book-Tax Disparity. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Code, rather than cost recovery deductions

under Section 168, is generally required to be depreciated using either the straight-line method or the 150% declining balance method. Under our partnership agreement, our general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these and any other Treasury Regulations. Please read Uniformity of Units.

---

**Table of Contents**

We intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property's unamortized Book-Tax Disparity, or treat that portion as non-amortizable to the extent attributable to property which is not amortizable. This method is consistent with the methods employed by other publicly traded partnerships but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets. To the extent this Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read

Uniformity of Units. A unitholder's tax basis for its units is reduced by its share of our deductions (whether or not such deductions were claimed on an individual's income tax return) so that any position we take that understates deductions will overstate the unitholder's basis in its units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Units Recognition of Gain or Loss. McGuireWoods LLP is unable to opine as to whether our method for taking into account Section 743 adjustments is sustainable for property subject to depreciation under Section 167 of the Code or if we use an aggregate approach as described above, as there is no direct or indirect controlling authority addressing the validity of these positions. Moreover, the IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

A Section 754 election is advantageous if the transferee's tax basis in its units is higher than the units' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation deductions and its share of any gain or loss on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in its units is lower than those units' share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in us if we have a substantial built-in loss immediately after the transfer, or if we distribute property and have a substantial basis reduction. Generally, a built-in loss or a basis reduction is substantial if it exceeds \$250,000.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than it would have been allocated had the election not been revoked.

---

**Table of Contents**

**Tax Treatment of Operations**

*Accounting Method and Taxable Year*

We use the year ending December 31 as our taxable year and the accrual method of accounting for U.S. federal income tax purposes. Each unitholder will be required to include in income its share of our income, gain, loss and deduction for our taxable year ending within or with its taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of its units following the close of our taxable year but before the close of its taxable year must include its share of our income, gain, loss and deduction in income for its taxable year, with the result that it will be required to include in income for its taxable year its share of more than twelve months of our income, gain, loss and deduction. Please read [Disposition of Units Allocations Between Transferors and Transferees](#).

*Initial Tax Basis, Depreciation and Amortization*

The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The U.S. federal income tax burden associated with the difference between the fair market value of our assets and their tax basis will be borne by our general partner and all of our unitholders as of that time. Please read [Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction](#).

To the extent allowable, we may elect to use the depreciation and cost recovery methods, including bonus depreciation to the extent available, that will result in the largest deductions being taken in the early years after assets subject to these allowances are placed in service. Please read [Uniformity of Units](#). Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Code.

If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of its interest in us. Please read [Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction](#) and [Disposition of Units Recognition of Gain or Loss](#).

The costs we incur in selling our units (called syndication expenses ) must be capitalized and cannot be deducted currently, ratably or upon our termination. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. Any underwriting discounts and commissions we may incur will be treated as syndication expenses.

*Valuation and Tax Basis of Our Properties*

The U.S. federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and the initial tax bases, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deduction previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.





## **Table of Contents**

### *Coal Depletion*

In general, we are entitled to depletion deductions with respect to coal mined from the underlying mineral property. We generally are entitled to the greater of cost depletion limited to the basis of the property or percentage depletion. The percentage depletion rate for coal is 10%.

Depletion deductions we claim generally will reduce the tax basis of the underlying mineral property. Depletion deductions can, however, exceed the total tax basis of the mineral property. The excess of our percentage depletion deductions over the adjusted tax basis of the property at the end of the taxable year is subject to tax preference treatment in computing the alternative minimum tax. Upon the disposition of the mineral property, a portion of the gain, if any, equal to the lesser of the deductions for depletion which reduce the adjusted tax basis of the mineral property plus deductible development and mining exploration expenses (discussed below), or the amount of gain recognized upon the disposition, will be treated as ordinary income to us. In addition, a corporate unitholder's allocable share of the amount allowable as a percentage depletion deduction for any property will be reduced by 20% of the excess, if any, of that partner's allocable share of the amount of the percentage depletion deductions for the taxable year over the adjusted tax basis of the mineral property as of the close of the taxable year.

### *Mining Exploration and Development Expenditures*

We will elect to currently deduct mining exploration expenditures that we pay or incur to determine the existence, location, extent or quality of coal deposits prior to the time the existence of coal in commercially marketable quantities has been disclosed.

Amounts we deduct for mine exploration expenditures must be recaptured and included in our taxable income at the time a mine reaches the production stage, unless we elect to reduce future depletion deductions by the amount of the recapture. A mine reaches the production stage when the major part of the coal production is obtained from working mines other than those opened for the purpose of development or the principal activity of the mine is the production of developed coal rather than the development of additional coal for mining. This recapture is accomplished through the disallowance of both cost and percentage depletion deductions on the particular mine reaching the producing stage. This disallowance of depletion deductions continues until the amount of adjusted exploration expenditures with respect to the mine have been fully recaptured. This recapture is not applied to the full amount of the previously deducted exploration expenditures. Instead, these expenditures are reduced by the amount of percentage depletion, if any, that was lost as a result of deducting these exploration expenditures.

We generally elect to defer mine development expenses, consisting of expenditures incurred in making coal accessible for extraction, after the exploration process has disclosed the existence of coal in commercially marketable quantities, and deduct them on a ratable basis as the coal benefited by the expenses is sold.

Mine exploration and development expenditures are subject to recapture as ordinary income to the extent of any gain upon a sale or other disposition of our property or of your units. See [Disposition of Units](#). Corporate unitholders are subject to an additional rule that requires them to capitalize a portion of their otherwise deductible mine exploration and development expenditures. Corporate unitholders, other than some S corporations, are required to reduce their otherwise deductible exploration expenditures by 30%. These capitalized mine exploration and development expenditures must be amortized over a 60-month period, beginning in the month paid or incurred, using a straight-line method and may not be treated as part of the basis of the property for purposes of computing depletion.

### *Sales of Coal Reserves*

If any coal reserves are sold or otherwise disposed of in a taxable transaction, we will recognize gain or loss measured by the difference between the amount realized (including the amount of any indebtedness assumed by

**Table of Contents**

the purchaser upon such disposition or to which such property is subject) and the adjusted tax basis of the property sold. Generally, the character of any gain or loss recognized upon that disposition will depend upon whether our coal reserves or the mined coal sold are held by us:

for sale to customers in the ordinary course of business (i.e., we are a dealer with respect to that property);

for use in a trade or business within the meaning of Section 1231 of the Code; or

as a capital asset within the meaning of Section 1221 of the Code.

In determining dealer status with respect to coal reserves and other types of real estate, the courts have identified a number of factors for distinguishing between a particular property held for sale in the ordinary course of business and one held for investment. Any determination must be based on all the facts and circumstances surrounding the particular property and sale in question.

We intend to hold our coal reserves for use in a trade or business and achieving long-term capital appreciation. Although our general partner may consider strategic sales of coal reserves consistent with achieving long-term capital appreciation, our general partner does not anticipate frequent sales of coal reserves. Thus, the general partner does not believe we will be viewed as a dealer. In light of the factual nature of this question, however, there is no assurance that our purposes for holding our properties will not change and that our future activities will not cause us to be a dealer in coal reserves.

If we are not a dealer with respect to our coal reserves and we have held the disposed property for more than a one-year period primarily for use in our trade or business, the character of any gain or loss realized from a disposition of the property will be determined under Section 1231 of the Code. If we have not held the property for more than one year at the time of the sale, gain or loss from the sale will be taxable as ordinary income.

A unitholder's distributive share of any Section 1231 gain or loss generated by us will be aggregated with any other gains and losses realized by that unitholder from the disposition of property used in the trade or business, as defined in Section 1231(b) of the Code, and from the involuntary conversion of such properties and of capital assets held in connection with a trade or business or a transaction entered into for profit for the requisite holding period. If a net gain results, all such gains and losses will be long-term capital gains and losses; if a net loss results, all such gains and losses will be ordinary income and losses. Net Section 1231 gains will be treated as ordinary income to the extent of prior net Section 1231 losses of the taxpayer or predecessor taxpayer for the five most recent prior taxable years to the extent such losses have not previously been offset against Section 1231 gains. Losses are deemed recaptured in the chronological order in which they arose.

If we are not a dealer with respect to our coal reserves and that property is not used in a trade or business, the property will be a capital asset within the meaning of Section 1221 of the Code. Gain or loss recognized from the disposition of that property will be taxable as capital gain or loss, and the character of such capital gain or loss as long-term or short-term will be based upon our holding period of such property at the time of its sale. The requisite holding period for long-term capital gain is more than one year.

Upon a disposition of coal reserves, a portion of the gain, if any, equal to the lesser of (1) the depletion deductions that reduced the tax basis of the disposed mineral property plus deductible development and mining exploration expenses

or (2) the amount of gain recognized on the disposition, will be treated as ordinary income to us.

*Deduction for U.S. Production Activities*

Subject to the limitations on the deductibility of losses discussed above and the limitation discussed below, unitholders will be entitled to a deduction, herein referred to as the Section 199 deduction, equal to a specified percentage of our qualified production activities income that is allocated to such unitholder. The percentage is currently 9% for qualified production activities income.

## **Table of Contents**

Qualified production activities income is generally equal to gross receipts from domestic production activities reduced by cost of goods sold allocable to those receipts, other expenses directly associated with those receipts, and a share of other deductions, expenses and losses that are not directly allocable to those receipts or another class of income. The products produced must be manufactured, produced, grown or extracted in whole or in significant part by the taxpayer in the United States.

For a partnership, the Section 199 deduction is determined at the partner level. To determine its Section 199 deduction, each unitholder will aggregate its share of the qualified production activities income allocated to it from us with the unitholder's qualified production activities income from other sources. Each unitholder must take into account its distributive share of the expenses allocated to it from our qualified production activities regardless of whether we otherwise have taxable income. However, our expenses that otherwise would be taken into account for purposes of computing the Section 199 deduction are only taken into account if and to the extent the unitholder's share of losses and deductions from all of our activities is not disallowed by the basis rules, the at-risk rules or the passive activity loss rules. Please read *Tax Consequences of Unit Ownership* Limitations on Deductibility of Losses.

The amount of a unitholder's Section 199 deduction for each year is limited to 50% of the IRS Form W-2 wages actually or deemed paid by the unitholder during the calendar year that are deducted in arriving at qualified production activities income. Each unitholder is treated as having been allocated IRS Form W-2 wages from us equal to the unitholder's allocable share of our wages that are deducted in arriving at qualified production activities income for that taxable year.

It is not anticipated that we or our subsidiaries will pay material wages that will be allocated to our unitholders, and thus a unitholder's ability to claim the Section 199 deduction may be limited.

## **Disposition of Units**

### *Recognition of Gain or Loss*

Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder's tax basis for the units sold. A unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received by such unitholder plus its share of our nonrecourse liabilities. Because the amount realized includes a unitholder's share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Prior distributions from us that in the aggregate were in excess of cumulative net taxable income for a unit and, therefore, decreased a unitholder's tax basis in that unit will, in effect, become taxable income if the unit is sold at a price greater than the unitholder's tax basis in that unit, even if the price received is less than its original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a dealer in units, on the sale or exchange of a unit will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held for more than one year will generally be taxed at the U.S. federal income tax rate applicable to long-term capital gains. However, a portion of this gain or loss, which will likely be substantial, will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to assets giving rise to depreciation recapture or other Section 751 Assets. Ordinary income attributable to Section 751 Assets may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Capital losses may offset capital gains and no more than \$3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations. Both ordinary income and capital gain recognized on a sale of units

may be subject to the NIIT in certain circumstances. Please read Tax Consequences of Unit Ownership Tax Rates.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of

---

**Table of Contents**

less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner's tax basis in its entire interest in the partnership as the value of the interest sold bears to the value of the partner's entire interest in the partnership. Treasury Regulations under Section 1223 of the Code allow a selling unitholder who can identify units transferred with an ascertainable holding period to elect to use the actual holding period of the units transferred. Thus, according to the ruling discussed above, a unitholder will be unable to select high or low basis units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, it may designate specific units sold for purposes of determining the holding period of units transferred. A unitholder electing to use the actual holding period of units transferred must consistently use that identification method for all subsequent sales or exchanges of units. A unitholder considering the purchase of additional units or a sale of units purchased in separate transactions is urged to consult its tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

a short sale;

an offsetting notional principal contract; or

a futures or forward contract;

in each case, with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

*Allocations Between Transferors and Transferees*

In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to in this prospectus as the Allocation Date. However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although Treasury Regulations allow publicly traded partnerships to use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders, these regulations do not specifically authorize all aspects of the proration method we have adopted. Accordingly, McGuireWoods LLP is unable to opine on the validity

of our method of allocating income and deductions between transferor and transferee unitholders. If the IRS were to successfully challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. We are authorized to revise our method of allocation between transferor and transferee unitholders, as well as unitholders whose interests vary during a taxable year, to conform to these Treasury Regulations. A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deductions attributable to that quarter through the month of disposition but will not be entitled to receive that cash distribution.



---

**Table of Contents***Notification Requirements*

A unitholder who sells any of its units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of units who purchases units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the U.S. and who effects the sale or exchange through a broker who will satisfy such requirements.

*Constructive Termination*

We will be considered to have technically terminated our partnership for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two schedules K-1 if relief was not available, as described below) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in its taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for U.S. federal income tax purposes, but instead we would be treated as a new partnership for U.S. federal income tax purposes. If treated as a new partnership, we must make new tax elections, including a new election under Section 754 of the Code, and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.

**Uniformity of Units**

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of U.S. federal income tax requirements, both statutory and regulatory. Any non-uniformity could have a negative impact on the value of the units. Please read *Tax Consequences of Unit Ownership Section 754 Election*. Our partnership agreement permits our general partner to take positions in filing our tax returns that preserve the uniformity of our units. These positions may include reducing the depreciation, amortization or loss deductions to which a unitholder would otherwise be entitled or reporting a slower amortization of Section 743(b) adjustments for some unitholders than that to which they would otherwise be entitled. McGuireWoods LLP is unable to opine as to the validity of such filing positions.

A unitholder's basis in units is reduced by its share of our deductions (whether or not such deductions were claimed on an individual income tax return) so that any position that we take that understates deductions will overstate the unitholder's basis in its units, and may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read *Disposition of Units Recognition of Gain or Loss* above and *Tax Consequences of Unit Ownership Section 754 Election* above. The IRS may challenge one or more of any positions we take to preserve the uniformity of units. If such a challenge were sustained, the uniformity of units might be affected, and the gain from

the sale of units might be increased without the benefit of additional deductions.

---

**Table of Contents****Tax-Exempt Organizations and Other Investors**

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raises issues unique to those investors and, as described below to a limited extent, may have substantially adverse tax consequences to them. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our units. Employee benefit plans and most other organizations exempt from U.S. federal income tax, including individual retirement accounts and other retirement plans, are subject to U.S. federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to it.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the U.S. because of the ownership of units. As a consequence, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, our quarterly distribution to foreign unitholders will be subject to withholding at the highest applicable effective tax rate. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN, W-8BEN-E, W-8ECI or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular U.S. federal income tax, on its share of our earnings and profits, as adjusted for changes in the foreign corporation's U.S. net equity, that is effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the U.S. and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Code.

A foreign unitholder who sells or otherwise disposes of a unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the foreign unitholder. Under a ruling published by the IRS, interpreting the scope of effectively connected income, a foreign unitholder would be considered to be engaged in a trade or business in the U.S. by virtue of the U.S. activities of the partnership, and part or all of that unitholder's gain would be effectively connected with that unitholder's indirect U.S. trade or business. Moreover, under the Foreign Investment in Real Property Tax Act, a foreign unitholder generally will be subject to U.S. federal income tax upon the sale or disposition of a unit if (1) it owned (directly or constructively applying certain attribution rules) more than 5% of our units at any time during the five-year period ending on the date of such disposition and (2) 50% or more of the fair market value of all of our assets consisted of U.S. real property interests at any time during the shorter of the period during which such unitholder held the units or the five-year period ending on the date of disposition. Currently, more than 50% of our assets consist of U.S. real property interests and we do not expect that to change in the foreseeable future. Therefore, foreign unitholders may be subject to U.S. federal income tax on gain from the sale or disposition of their units.

**Administrative Matters***Information Returns and Audit Procedures*

We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes its share of our income, gain, loss and deduction for our preceding taxable

year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder's share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Code, Treasury Regulations or administrative interpretations of

## **Table of Contents**

the IRS. Neither we nor McGuireWoods LLP can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our U.S. federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year's tax liability, and possibly may result in an audit of its return. Any audit of a unitholder's return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Code requires that one partner be designated as the Tax Matters Partner for these purposes. Our partnership agreement names our general partner as our Tax Matters Partner.

The Tax Matters Partner will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on its U.S. federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Pursuant to the Bipartisan Budget Act, for taxable years beginning after December 31, 2017, we are required to designate an eligible person to act as the Partnership Representative with exclusive authority to act on our behalf in connection with U.S. federal income tax audits, requests by us for administrative adjustments, and any judicial proceedings arising in connection with those matters. As a result, the audit procedures discussed above will change for partnership taxable years beginning after December 31, 2017. Please read Tax Consequences of Unit Ownership Entity-Level Audits and Adjustments.

Actions taken by the Partnership Representative will be binding on us and all of our unitholders. We anticipate that our general partner or its designee will act as the Partnership Representative.

### *Additional Withholding Requirements*

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States (FDAP Income), or gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the United States (Gross Proceeds) paid to a foreign financial institution or to a non-financial foreign entity (as specially defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner or (3) the

foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Treasury requiring,

**Table of Contents**

among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders.

These rules generally will apply to payments of FDAP Income and will apply to payments of relevant Gross Proceeds made on or after January 1, 2019. Thus, to the extent we have FDAP Income or Gross Proceeds that are not treated as effectively connected with a U.S. trade or business (please read *Tax-Exempt Organizations and Other Investors* ), unitholders who are foreign financial institutions or certain other non-U.S. entities may be subject to withholding on distributions they receive from us, or their distributive share of our income, pursuant to the rules described above.

Prospective investors should consult their own tax advisors regarding the potential application of these withholding provisions to their investment in our units.

*Nominee Reporting*

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

the name, address and taxpayer identification number of the beneficial owner and the nominee;

whether the beneficial owner is:

a person that is not a U.S. person;

a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

a tax-exempt entity;

the amount and description of units held, acquired or transferred for the beneficial owner; and

specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from dispositions.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of \$260 per failure, up to a maximum of \$3,193,000 per calendar year, is imposed by the Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

*Accuracy-Related Penalties*

An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or \$5,000 (\$10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

for which there is, or was, substantial authority ; or

as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.



---

**Table of Contents**

If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an understatement of income for which no substantial authority exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit unitholders to avoid liability for this penalty. More stringent rules apply to tax shelters, which we do not believe includes us, or any of our investments, plans or arrangements.

A substantial valuation misstatement exists if (a) the value of any property, or the adjusted basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or adjusted basis, (b) the price for any property or services (or for the use of property) claimed on any such return with respect to any transaction between persons described in Section 482 of the Code is 200% or more (or 50% or less) of the amount determined under Section 482 to be the correct amount of such price, or (c) the net Code Section 482 transfer price adjustment for the taxable year exceeds the lesser of \$5 million or 10% of the taxpayer's gross receipts. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds \$5,000 (\$10,000 for most corporations). If the valuation claimed on a return is 200% or more than the correct valuation or certain other thresholds are met, the penalty imposed increases to 40%. We do not anticipate making any valuation misstatements.

In addition, the 20% accuracy-related penalty also applies to any portion of an underpayment of tax that is attributable to transactions lacking economic substance. To the extent that such transactions are not disclosed, the penalty imposed is increased to 40%. Additionally, there is no reasonable cause defense to the imposition of this penalty to such transactions.

*Reportable Transactions*

If we were to engage in a reportable transaction, we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a listed transaction or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of \$2 million in any single year, or \$4 million in any combination of six successive tax years. Our participation in a reportable transaction could increase the likelihood that our U.S. federal income tax information return (and possibly your tax return) would be audited by the IRS. Please read *Administrative Matters Information Returns and Audit Procedures*.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to the following additional consequences:

accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at *Administrative Matters Accuracy-Related Penalties* ;

for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability; and

in the case of a listed transaction, an extended statute of limitations.

We do not expect to engage in any reportable transactions.

**Recent Legislative Developments**

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress and the President propose and consider substantive changes to the existing U.S. federal income tax laws that affect publicly traded partnerships, including the elimination of the Qualifying

## **Table of Contents**

Income Exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes. Please read [Partnership Status](#). We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us, and any such changes could negatively impact the value of an investment in our units.

## **State, Local, Foreign and Other Tax Considerations**

In addition to U.S. federal income taxes, you likely will be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on its investment in us. We currently own property and do business in Pennsylvania and West Virginia. Both Pennsylvania and West Virginia impose an income tax on individuals, corporations and other entities. We may also own property or do business in other jurisdictions in the future. Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. In addition, jurisdictions may implement audit rules and procedures that are similar to the Bipartisan Budget Act (discussed above in [Entity-Level Audits and Adjustments](#)), which might result in those jurisdictions imposing and collecting any resulting state or local taxes (including applicable penalties and interest) directly from us. In such cases, our cash available for distribution to our unitholders might be substantially reduced. Some of the jurisdictions, including West Virginia, may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder's income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read [Tax Consequences of Unit Ownership Entity-Level Collections](#) and [Tax Consequences of Unit Ownership Entity-Level Audits and Adjustments](#). Based on current law and our estimate of our future operations, our general partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent states, localities and foreign jurisdictions, of its investment in us. Accordingly, each prospective unitholder is urged to consult its own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and foreign, as well as U.S. federal tax returns, that may be required of it. McGuireWoods LLP has not rendered an opinion on the state, local, alternative minimum or foreign tax consequences of an investment in us.

## **Tax Consequences of Ownership of Debt Securities and Preferred Units**

A description of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of debt securities and preferred units will be set forth on the prospectus supplement relating to the offering of debt securities or preferred units.



---

**Table of Contents**

**INVESTMENT IN CNX COAL RESOURCES LP BY EMPLOYEE BENEFIT PLANS**

An investment in our common units or our debt securities by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA, restrictions imposed by Section 4975 of the Code and/or provisions under certain other federal, state, local and non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, *Similar Laws* ). For these purposes, the term *employee benefit plan* may include, but is not limited to, qualified pension, profit-sharing, and stock bonus plans, Keogh plans, simplified employee pension plans, and tax-deferred annuities or individual retirement accounts or annuities and entities whose underlying assets are considered to include *plan assets* of such plans, accounts or arrangements. Among other things, consideration should be given to:

whether the investment is prudent under Section 404(a)(1)(B) of ERISA and any other applicable *Similar Laws*;

whether in making the investment, the employee benefit plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA and any other applicable *Similar Laws*; and

whether the investment will result in recognition of unrelated business taxable income by the employee benefit plan and, if so, the potential after-tax investment return. Please read *Material U.S. Federal Income Tax Consequences Tax-Exempt Organizations and Other Investors*.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should determine whether an investment in our common units or our debt securities is authorized by the appropriate governing instruments and is a proper investment for the employee benefit plan.

Section 406 of ERISA and Section 4975 of the Code prohibit employee benefit plans from engaging in specified transactions involving *plan assets* with parties that are *parties in interest* under ERISA or *disqualified persons* under the Code with respect to the employee benefit plan. Certain statutory or administrative exemptions from the prohibited transaction rules under ERISA and the Code may be available to an employee benefit plan that is directly or indirectly purchasing our common units or our debt securities.

In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions ( *PTCEs* ) that may provide exemptive relief for direct or indirect prohibited transactions resulting from an investment in our common units or our debt securities. Included, without limitation, among such exemptions are PTCE 75-1, respecting specified transactions involving employee benefit plans and broker-dealers, reporting dealers and banks, PTCE 84-14, respecting transactions determined by independent qualified professional asset managers, PTCE 90-1, respecting investments by insurance company pooled separate accounts, PTCE 91-38, respecting investments by bank collective investment funds, PTCE 95-60, respecting life insurance company general accounts and PTCE 96-23, respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions that may relate to an investment, provided that neither the issuer nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any employee benefit plan involved in the transaction and provided further that the employee benefit plan pays no more than adequate consideration in connection with the transaction. Each of these exemptions

contains certain conditions and limitations on its application, and these exemptions do not provide relief from the self-dealing prohibitions under ERISA and the Code. It should also be noted that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions. Thus, the fiduciaries of an employee benefit plan that is considering an investment in our common units or our debt securities in reliance on any of these, or any other, PTCEs should carefully review the PTCE and consult with their counsel to confirm that it is applicable. There can be no, and we do not provide any, assurance that all of the conditions of any such exemptions will be satisfied.

**Table of Contents**

In addition to considering whether the purchase of our common units or our debt securities is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the employee benefit plan will, by investing in our common units or our debt securities, be deemed to own an undivided interest in our assets, with the result that our general partner may also be a fiduciary of the employee benefit plan and our operations may be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code and any other applicable Similar Laws.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed plan assets under certain circumstances. Under these regulations, an entity's underlying assets generally would not be considered to be plan assets if, among other things:

- (a) the equity interests acquired by the employee benefit plans are publicly offered securities i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, are freely transferable (as defined in the applicable Department of Labor regulations), and are either registered pursuant to certain provisions of the federal securities laws or sold to the employee benefit plans as part of a public offering under certain conditions;
- (b) the entity is an operating company i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority-owned subsidiary or subsidiaries; or
- (c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest, disregarding any person or entity who has discretionary authority or control over our assets or who provides investment advice for any direct or indirect fee with respect to our assets, is held by the employee benefit plans referred to above (but not including governmental plans, foreign plans and certain church plans, in each case, as defined under ERISA).

The foregoing discussion is general in nature and is not intended to be all inclusive, nor should it be construed as legal advice. Employee benefit plan fiduciaries contemplating a purchase of our common units or our debt securities should consult with their own counsel regarding the consequences under ERISA, the Code and any other applicable Similar Laws in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We or any selling unitholder may sell securities described in this prospectus and any accompanying prospectus supplement through underwriters, through broker-dealers, through agents or directly to one or more investors.

We will prepare a prospectus supplement for each offering that will disclose the terms of the offering, including describing who is selling (the company or a selling unitholder or both), the name or names of any underwriters, dealers or agents, the purchase price of the securities and the proceeds to us or any selling unitholder from the sale, any underwriting discounts and other items constituting compensation to underwriters, dealers or agents.

We or any selling unitholder will fix a price or prices of our securities at:

market prices prevailing at the time of any sale under this registration statement;

prices related to market prices; or

negotiated prices.

We or any selling unitholder may change the price of the securities offered from time to time.

If we or any selling unitholder use underwriters or dealers in the sale, they will acquire the securities for their own account, and they may resell these securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of such firms. Unless otherwise disclosed in the prospectus supplement, the obligations of the underwriters to purchase securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement if any of the securities are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

We or any selling unitholder may sell the securities through agents designated by us from time to time. We or such selling unitholder will name any agent involved in the offering and sale of the securities for which this prospectus is delivered, and disclose any commissions payable by us to the agent or the method by which the commissions can be determined, in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Offers to purchase securities may be solicited directly by us or any selling unitholder and the sale thereof may be made by us or such selling unitholder directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any resale thereof. The terms of any such sales will be described in the prospectus supplement relating thereto. We or any selling unitholder may use electronic media, including the Internet, to sell offered securities directly.

We or any selling unitholder may offer our common units into an existing trading market on the terms described in the prospectus supplement relating thereto. Underwriters, dealers and agents who participate in any at-the-market offerings will be described in the prospectus supplement relating thereto.



We may agree to indemnify underwriters, dealers and agents who participate in the distribution of securities against certain liabilities to which they may become subject in connection with the sale of the securities, including liabilities arising under the Securities Act of 1933.

Certain of the underwriters and their affiliates may be customers of, may engage in transactions with and may perform services for, us or our affiliates in the ordinary course of business.

A prospectus and accompanying prospectus supplement in electronic form may be made available on the web sites maintained by the underwriters. The underwriters may agree to allocate a number of securities for sale to

**Table of Contents**

their online brokerage account holders. Such allocations of securities for internet distributions will be made on the same basis as other allocations. In addition, securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

The aggregate maximum compensation the underwriters will receive in connection with the sale of any securities under this prospectus and the registration statement of which it forms a part will not exceed 10% of the gross proceeds from the sale.

Because the Financial Industry Regulatory Authority, Inc. ( FINRA ) views our common units as interests in a direct participation program, any offering of common units under the registration statement of which this prospectus forms a part will be made in compliance with FINRA Rule 2310.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. The place and time of delivery for the securities in respect of which this prospectus is delivered will be set forth in the accompanying prospectus supplement.

In connection with offerings of securities under the registration statement of which this prospectus forms a part and in compliance with applicable law, underwriters, brokers or dealers may engage in transactions that stabilize or maintain the market price of the securities at levels above those that might otherwise prevail in the open market. Specifically, underwriters, brokers or dealers may over-allot in connection with offerings, creating a short position in the securities for their own accounts. For the purpose of covering a syndicate short position or stabilizing the price of the securities, the underwriters, brokers or dealers may place bids for the securities or effect purchases of the securities in the open market. Finally, the underwriters may impose a penalty whereby selling concessions allowed to syndicate members or other brokers or dealers for distribution of the securities in offerings may be reclaimed by the syndicate if the syndicate repurchases previously distributed securities in transactions to cover short positions, in stabilization transactions or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might otherwise prevail in the open market, and, if commenced, may be discontinued at any time.

**Table of Contents**

**THE SELLING UNITHOLDERS**

This prospectus covers the offering for resale from time to time, in one or more offerings, of up to 6,538,438 common units outstanding and up to 3,956,496 Class A Preferred Units outstanding or any common units into which such Class A Preferred Units may be converted. The outstanding common units and Class A Preferred Units were issued as follows.

On July 7, 2016, we completed our initial public offering of 5,000,000 common units at which time our sponsor received a total of 1,050,000 common units and 11,611,067 subordinated units, which are all subject to the registration rights provisions included in our partnership agreement.

Concurrently with the initial public offering, we completed a private placement of 5,000,000 common units purchased by certain funds managed by Greenlight Capital, Inc. and/or its affiliates. In connection with the closing of the private placement, we entered into a registration rights agreement with the purchasers of the common units issued in the private placement. Pursuant to the registration rights agreement, we agreed to allow the purchasers of the common units in the private placement to include their registrable securities in certain of our registered offerings.

On September 30, 2016, we issued 3,956,496 Class A Preferred Units to CONSOL Energy in a private placement. Prior to September 30, 2017, other than transfers to affiliates, CONSOL Energy may not transfer any Class A Preferred Units without our approval. For so long as the Class A Preferred Units are held by CONSOL Energy Inc., they are subject to the registration rights described in our partnership agreement. Class A Preferred Units are convertible, at the election of the holder thereof, into common units on a one-for-one basis (i) at any time after September 30, 2017, (ii) with respect to any dissolution or liquidation of CNX Coal Resources LP pursuant to the partnership agreement occurring prior to September 30, 2017 and (iii) with respect to a Class A Preferred Unit Change of Control (as defined in the partnership agreement). All, but not less than all, of the outstanding Class A Preferred Units are convertible, at our election, into common units on a one-for-one basis, on or after September 30, 2019, subject to limitations under the partnership agreement.

All expenses incurred with the registration and offering of the units owned by the selling unitholders will be borne by us, except that the selling unitholders will be responsible for any fees, discounts or selling commissions due to underwriters or dealers and fees and expenses of counsel and advisors to the selling unitholders. We will not receive any of the proceeds from any sale of any of the units sold by selling unitholders pursuant to this prospectus.

The following table sets forth information relating to the selling unitholders as of February 8, 2017, based on information supplied to us by the selling unitholders on or prior to that date. We have not sought to verify such information. Information concerning the selling unitholders may change over time and selling unitholders may be added; if necessary, we will amend or supplement this prospectus accordingly. Subject to certain exceptions described in our partnership agreement, the selling unitholders may hold or acquire at any time units in addition to those offered by this prospectus and may have acquired additional units since the date on which the information reflected herein was provided to us. In addition, subject to certain exceptions described in our partnership agreement, the selling unitholders may have sold, transferred or otherwise disposed of some or all of their units since the date on which the information reflected herein was provided to us and may in the future sell, transfer or otherwise dispose of some or all of their units in private placement transactions exempt from or not subject to the registration requirements of the

Securities Act of 1933.

We do not know when or in what amounts the selling unitholders may offer their units for sale, if at all. Because the selling unitholders may offer all, some or none of their units pursuant to this prospectus and because we are unaware of any agreements, arrangements or understanding with respect to the sale of any such units, no definitive estimate can be provided as to the number of units that will be held, or the percentage of units beneficially owned, by each selling unitholder after completion of any offerings pursuant to this prospectus.

**Table of Contents**

CONSOL Energy Inc., a selling unitholder, who is an affiliate of ours, is an underwriter within the meaning of the Securities Act of 1933 and, as a result, may be deemed to be making a primary offering of securities, indirectly, on our behalf.

The following table sets forth, with respect to each selling unitholder, the type and number of units beneficially owned by the selling unitholder and the number of units to be offered by the selling unitholder pursuant to this prospectus.

	<b>Number of Class A Preferred Units Beneficially Owned Before Completion of the Offering</b>	<b>Number of Common Units Beneficially Owned Before Completion of the Offering</b>	<b>Number of Class A Preferred Units Offered Hereby</b>	<b>Number of Common Units Offered Hereby</b>	<b>Number of Common Units Beneficially Owned After Completion of the Offering</b>	<b>Percentage of Class Preferred Units Owned After Completion of the Offering</b>	<b>Percentage of Common Units Owned After Completion of the Offering</b>
CONSOL Energy Inc.(a)	3,956,496(b)	16,617,563(c)(d)	3,956,496(b)	5,006,496(c)	11,611,067(c)(d)		
Greenlight Capital, Inc.(e)		5,488,438		5,488,438			

- (a) Our sponsor, CONSOL Energy Inc., holds 1,050,000 common units, 3,956,496 Class A Preferred Units and 11,611,067 subordinated units as well as all of our incentive distribution rights. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference into this prospectus, for a description of our relationship with our sponsor and its affiliates.
- (b) The Class A Preferred Units convert, at the election of the holder, into common units on a one-for-one basis, (i) at any time after September 30, 2017, (ii) with respect to any dissolution or liquidation of CNX Coal Resources LP pursuant to the partnership agreement occurring prior to September 30, 2017, and (iii) with respect to a Class A Preferred Unit Change of Control (as defined in the partnership agreement). Class A Preferred Units include current outstanding but do not include any future issuances of Class A Preferred Units as payment in kind for distributions in additional Class A Preferred Units.
- (c) Common units offered by CONSOL Energy Inc. include 3,956,496 common units issuable on conversion of the Class A Preferred Units but exclude any common units to be issued on conversion of future issuances of Class A Preferred Units as payment in kind in additional Class A Preferred Units at the election of the general partner, with respect to future distributions on the outstanding Class A Preferred Units.
- (d) Includes 1,050,000 currently outstanding common units and 3,956,496 common units issuable on conversion of Class A Preferred Units. Also includes 11,611,067 subordinated units that will convert on a one-for-one basis at the end of a subordination period, which subordination period will end on the first business day after the date that CNX Coal Resources LP earns and pays distributions of at least (i) \$2.05 (the annualized minimum quarterly distribution) on each of the outstanding common units and subordinated units and the corresponding distributions on its general partner's general partner interest for each of three consecutive, non-overlapping four quarter periods ending on or after June 30, 2019 or (ii) \$3.08 (150% of the annualized minimum quarterly distribution) on each

of the outstanding common units and subordinated units and the corresponding distributions on its general partner's general partner interest and the related distributions on the incentive distribution rights for any four-quarter period ending on or after June 30, 2016, in each case provided there are no arrearages in payment of the minimum quarterly distributions on the common units at that time.

- (e) Greenlight Capital, Inc. ( Greenlight Inc. ) is the investment manager for Greenlight Capital Qualified, L.P., Greenlight Capital, L.P. and Greenlight Coal (GCOP), LLC, and as such has voting and dispositive power over 1,072,400 common units held by Greenlight Capital Qualified, L.P., 186,300 common units held by Greenlight Capital, L.P., and 1,989,938 common units held by Greenlight Coal (GCOP), LLC. DME Advisors, LP ( DME Advisors ) is the investment manager for Greenlight Coal (GLRE), LLC, and as such has voting and dispositive power over 719,300 common units held by Greenlight Coal (GLRE), LLC. DME Capital Management, LP ( DME Management ) is the investment manager for Greenlight Capital (Gold), LP, and Greenlight Coal (GGOM), LLC, and as such has voting and dispositive power over 752,900 common units held by Greenlight Capital (Gold), LP and 767,600 common units held by Greenlight Coal

**Table of Contents**

(GGOM), LLC. DME Advisors GP, LLC ( DME GP ) is the general partner of DME Advisors and DME Management, and as such has voting and dispositive power over 2,239,800 common units. David Einhorn is the principal of Greenlight Inc., DME Advisors, DME Management and DME GP, and as such has voting and dispositive power over 5,488,438 common units held by these affiliates of Greenlight, Inc. Mr. Einhorn disclaims beneficial ownership of these common units, except to the extent of any pecuniary interest therein.

No offer or sale may occur unless the registration statement that includes this prospectus has been declared effective by the SEC and remains effective at the time the selling unitholder offers or sells units. We are required, under certain circumstances, to update, supplement or amend this prospectus to reflect material developments in our business, financial position and results of operations and may do so by an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

**Table of Contents**

**LEGAL MATTERS**

Certain legal matters in connection with the securities will be passed upon for us by McGuireWoods LLP. Any underwriter or agent will be advised about other issues relating to any offering by its own legal counsel.

**EXPERTS**

The consolidated financial statements of CNX Coal Resources LP appearing in CNX Coal Resources LP's Annual Report (Form 10-K) for the year ended December 31, 2016 (including the schedule appearing therein) have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.



**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution**

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the SEC registration fee, the amounts set forth below are estimates:

SEC registration fee	\$ 108,615.63
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving expenses	*
Trustee fees	*
Transfer agent and registrar fees	
Miscellaneous	*
Total	\$ *

\* These fees are calculated based on the number of issuances and amount of securities to be offered and, accordingly, cannot be estimated at this time.

**Item 15. Indemnification of Directors and Officers****CNX Coal Resources LP**

The section of the prospectus entitled "Our Partnership Agreement - Indemnification" discloses that we will generally indemnify officers, directors and affiliates of the general partner to the fullest extent permitted by the law against all losses, claims, damages or similar events and is incorporated herein by this reference. Reference is also made to the underwriting agreement to be filed as an exhibit to this registration statement in which CNX Coal Resources LP and certain of its affiliates will agree to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that may be required to be made in respect of these liabilities. Subject to any terms, conditions or restrictions set forth in the partnership agreement, Section 17-108 of the Delaware Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other persons from and against all claims and demands whatsoever.

**CNX Coal Finance Corp.**

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee, or agent of the corporation, or

is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

Section 145 of the Delaware General Corporation Law also provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or

---

**Table of Contents**

was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of Delaware or such other court shall deem proper.

To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith; provided that indemnification provided for by Section 145 or granted pursuant thereto shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and a corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

In addition, Section 102(b)(7) of the Delaware General Corporation Law permits Delaware corporations to include a provision in their certificates of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provisions shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) for unlawful payment of dividends or unlawful stock purchases or redemptions; or (iv) for any transactions from which the director derived an improper personal benefit.

The Certificate of Incorporation of CNX Coal Finance Corp. currently provides that each director shall not be personally liable to such corporation or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the Delaware General Corporation Law.

**Delaware LLC Subsidiary Guarantors**

Each of CNX Operating LLC and CNX Thermal Holdings LLC is a Delaware limited liability company. Section 18-108 of the Delaware Limited Liability Company Act provides that a limited liability company may, subject to such standards and restrictions, if any, as are set forth in its limited liability company agreement, and has the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever.

Each of the limited liability company agreements of CNX Operating LLC and CNX Thermal Holdings LLC provides for the indemnification, in most circumstances, of its members, any person who is or was a member, manager, partner, director, officer, fiduciary or trustee or any affiliate, any person who is or was serving at its request or any affiliate as a member, manager, partner, director, officer, fiduciary or trustee of another person, or any person its members designate, to the fullest extent permitted by law, from and against any and all losses, claims, damages, liabilities (joint

or several), expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings (whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals).

II-2

**Table of Contents****Item 16. Exhibits and Financial Statement Schedules**

(a) Exhibits. The following documents are filed as exhibits to this registration:

**Exhibit**

<b>Number</b>	<b>Description</b>
1.1**	Form of Underwriting Agreement
3.1	Certificate of Limited Partnership of CNX Coal Resources LP (incorporated herein by reference to Exhibit 3.1A to the Registration Statement on Form S-1 filed on April 1, 2015)
3.2	Certificate of Incorporation of CNX Coal Finance Corp.
3.3	Second Amended and Restated Agreement of Limited Partnership of CNX Coal Resources LP dated as of September 30, 2016 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 4, 2016)
3.4	Bylaws of CNX Coal Finance Corp.
4.1	Registration Rights Agreement, dated as of July 7, 2015, by and among CNX Coal Resources and the purchaser parties thereto (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on July 13, 2015)
4.2	Registration Rights Agreement, dated as of September 30, 2015, by and among CNX Coal Resources and CONSOL Energy Inc. (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on October 4, 2016)
4.3	Form of Senior Indenture
4.4	Form of Subordinated Indenture
5.1*	Opinion of McGuireWoods LLP as to the legality of the securities being registered
8.1*	Opinion of McGuireWoods LLP as to tax matters
12.1	Ratio of Earnings to Fixed Charges
23.1*	Consent of Ernst & Young LLP
23.2*	Consent of McGuireWoods LLP (contained in Exhibits 5.1 and 8.1)
24.1	Powers of Attorney
24.2*	Power of Attorney of Dan D. Sandman
25.1***	Form T-1 Statement of Eligibility of Trustee under the Senior Indenture
25.2***	Form T-1 Statement of Eligibility of Trustee under the Subordinated Indenture

\* Filed herewith.

\*\* To be filed as an exhibit to a Current Report on Form 8-K or in a post-effective amendment to this registration statement.

\*\*\* To be filed in accordance with the requirements of Section 305(b)(2) of the Trust Indenture Act and Rule 5b-3 thereunder.

Previously filed.

**Item 17. Undertakings**

Each undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(a) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

II-3

---

**Table of Contents**

- (b) to reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of a prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

*provided, however,* that paragraphs (1)(a), (1)(b) and (1)(c) above do not apply if the registration statement is on Form S-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:
- (a) Each prospectus filed by the registrants pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and
- (b) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration

statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

- (5) That, for the purpose of determining liability of any registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, each undersigned registrant undertakes that in a primary offering of securities of such registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by



---

**Table of Contents**

means of any of the following communications, such registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (a) Any preliminary prospectus or prospectus of any undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (b) Any free writing prospectus relating to the offering prepared by or on behalf of any undersigned registrant or used or referred to by such undersigned registrant;
- (c) The portion of any other free writing prospectus relating to the offering containing material information about any undersigned registrant or its securities provided by or on behalf of such registrant; and
- (d) Any other communication that is an offer in the offering made by any undersigned registrant to the purchaser.

Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of any registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Each undersigned registrant hereby undertakes:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus or any prospectus supplement filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus or prospectus supplement filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2)

For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus or prospectus supplement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Each undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee under each of its indentures to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission in Section 305(b)(2) thereunder.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Pre-Effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Canonsburg, Commonwealth of Pennsylvania, on March 10, 2017.

**CNX COAL RESOURCES LP**

By: CNX Coal Resources GP LLC, its general partner

By: /s/ James A. Brock  
Name: James A. Brock  
Title: Chief Executive Officer

<b>Signature</b>	<b>Title</b>
*	Chief Executive Officer and Director
James A. Brock	(Principal Executive Officer)
*	Chief Financial Officer and Chief Accounting Officer
Lorraine L. Ritter	(Principal Financial Officer and Principal Accounting Officer)
*	Chairman, Director
Nicholas J. DeLuliis	
*	Director
Michael L. Greenwood	
*	Director
Stephen W. Johnson	

**Table of Contents**

<b>Signature</b>	<b>Title</b>
*	Director
David M. Khani	
*	Director
Dan D. Sandman	
*	Director
Jeffrey L. Wallace	

\*By: /s/ Martha A. Wiegand  
*Martha A. Wiegand*  
*Attorney-in-Fact*

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Pre-Effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Canonsburg, Commonwealth of Pennsylvania, on March 10, 2017.

**CNX COAL FINANCE CORP.**

By: /s/ James A. Brock  
Name: James A. Brock  
Title: Chief Executive Officer

<b>Signature</b>	<b>Title</b>
*	President and Director
James A. Brock	(Principal Executive Officer)
*	Treasurer
Lorraine L. Ritter	(Principal Financial Officer and Principal Accounting Officer)
*	Director
Nicholas J. DeIuliis	
*	Director
Stephen W. Johnson	
*	Director
David M. Khani	

\*By: /s/ Martha A. Wiegand  
*Martha A. Wiegand*

*Attorney-in-Fact*

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Pre-Effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Canonsburg, Commonwealth of Pennsylvania, on March 10, 2017.

**CNX OPERATING LLC**

By: CNX Coal Resources LP, its sole member

By: CNX Coal Resources GP LLC, its general partner

By: /s/ James A. Brock  
Name: James A. Brock  
Title: Chief Executive Officer

**Signature**

**Title**

\*

Chief Executive Officer

James A. Brock

(Principal Executive Officer)

\*

Chief Financial Officer and Chief Accounting Officer

Lorraine L. Ritter

(Principal Financial Officer and Principal Accounting Officer)

\*By: /s/ Martha A. Wiegand  
*Martha A. Wiegand*

*Attorney-in-fact*

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Pre-Effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Canonsburg, Commonwealth of Pennsylvania, on March 10, 2017.

**CNX THERMAL HOLDINGS LLC**

By: CNX Operating LLC, its sole member

By: CNX Coal Resources LP, its sole member

By: CNX Coal Resources GP LLC, its general partner

By: /s/ James A. Brock  
Name: James A. Brock  
Title: Chief Executive Officer

<b>Signature</b>	<b>Title</b>
*	Chief Executive Officer
James A. Brock	(Principal Executive Officer)
*	Chief Financial Officer and Chief Accounting Officer
Lorraine L. Ritter	(Principal Financial Officer and Principal Accounting Officer)

\*By: /s/ Martha A. Wiegand  
*Martha A. Wiegand*

*Attorney-in-fact*

**Table of Contents****EXHIBIT INDEX****Exhibit**

<b>Number</b>	<b>Description</b>
1.1**	Form of Underwriting Agreement
3.1	Certificate of Limited Partnership of CNX Coal Resources LP (incorporated herein by reference to Exhibit 3.1A to the Registration Statement on Form S-1 filed on April 1, 2015)
3.2	Certificate of Incorporation of CNX Coal Finance Corp.
3.3	Second Amended and Restated Agreement of Limited Partnership of CNX Coal Resources LP dated as of September 30, 2016 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 4, 2016)
3.4	Bylaws of CNX Coal Finance Corp.
4.1	Registration Rights Agreement, dated as of July 7, 2015, by and among CNX Coal Resources and the purchaser parties thereto (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on July 13, 2015)
4.2	Registration Rights Agreement, dated as of September 30, 2015, by and among CNX Coal Resources and CONSOL Energy Inc. (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on October 4, 2016)
4.3	Form of Senior Indenture
4.4	Form of Subordinated Indenture
5.1*	Opinion of McGuireWoods LLP as to the legality of the securities being registered
8.1*	Opinion of McGuireWoods LLP as to tax matters
12.1	Ratio of Earnings to Fixed Charges
23.1*	Consent of Ernst & Young LLP
23.2*	Consent of McGuireWoods LLP (contained in Exhibits 5.1 and 8.1)
24.1	Powers of Attorney
24.2*	Power of Attorney of Dan D. Sandman
25.1***	Form T-1 Statement of Eligibility of Trustee under the Senior Indenture
25.2***	Form T-1 Statement of Eligibility of Trustee under the Subordinated Indenture

\* Filed herewith.

\*\* To be filed as an exhibit to a Current Report on Form 8-K or in a post-effective amendment to this registration statement.

\*\*\* To be filed in accordance with the requirements of Section 305(b)(2) of the Trust Indenture Act and Rule 5b-3 thereunder.



Previously filed.

II-11