

ALLIANCE RESOURCE PARTNERS LP  
Form 10-Q  
November 06, 2015  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 0-26823

**ALLIANCE RESOURCE PARTNERS, L.P.**

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

73-1564280  
(IRS Employer Identification No.)

1717 South Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119

(Address of principal executive offices and zip code)

(918) 295-7600

(Registrant's telephone number, including area code)

---

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of November 6, 2015, 74,188,784 common units are outstanding.

---

Table of Contents

**TABLE OF CONTENTS**

**PART I**

**FINANCIAL INFORMATION**

	<u>Page</u>
<u>ITEM 1.</u>	
<u>Financial Statements (Unaudited)</u>	
<u>ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014</u>	1
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2015 and 2014</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015 and 2014</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>ITEM 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>ITEM 3.</u>	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	46
<u>ITEM 4.</u>	
<u>Controls and Procedures</u>	47
<u>Forward-Looking Statements</u>	48

**PART II**

**OTHER INFORMATION**

<u>ITEM 1.</u>	<u>Legal Proceedings</u>	50
<u>ITEM 1A.</u>	<u>Risk Factors</u>	50
<u>ITEM 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
<u>ITEM 3.</u>	<u>Defaults Upon Senior Securities</u>	51
<u>ITEM 4.</u>	<u>Mine Safety Disclosures</u>	51
<u>ITEM 5.</u>	<u>Other Information</u>	51
<u>ITEM 6.</u>	<u>Exhibits</u>	52



Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except unit data)

(Unaudited)

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 35,936	\$ 24,601
Trade receivables	171,402	184,187
Other receivables	628	1,025
Due from affiliates	168	7,221
Inventories	123,608	83,155
Advance royalties	7,663	9,416
Prepaid expenses and other assets	17,740	31,283
Total current assets	357,145	340,888
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Property, plant and equipment, at cost	3,215,566	2,815,620
Less accumulated depreciation, depletion and amortization	(1,336,176)	(1,150,414)
Total property, plant and equipment, net	1,879,390	1,665,206
<b>OTHER ASSETS:</b>		
Advance royalties	26,887	15,895
Due from affiliate	-	11,047
Equity investments in affiliates	48,034	224,611
Goodwill (Note 4)	161,985	-
Other long-term assets	31,952	27,412
Total other assets	268,858	278,965
<b>TOTAL ASSETS</b>	<b>\$ 2,505,393</b>	<b>\$ 2,285,059</b>
<b>LIABILITIES AND PARTNERS CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 100,456	\$ 85,843
Due to affiliates	170	370
Accrued taxes other than income taxes	21,032	19,426
Accrued payroll and related expenses	47,514	57,656

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q

Accrued interest	3,330	318
Workers' compensation and pneumoconiosis benefits	8,893	8,868
Current capital lease obligations	1,333	1,305
Other current liabilities	27,003	17,109
Current maturities, long-term debt	142,159	230,000
Total current liabilities	351,890	420,895

**LONG-TERM LIABILITIES:**

Long-term debt, excluding current maturities	810,889	591,250
Pneumoconiosis benefits	58,858	55,278
Accrued pension benefit	38,566	40,105
Workers' compensation	49,084	49,797
Asset retirement obligations	107,820	91,085
Long-term capital lease obligations	14,602	15,624
Other liabilities	22,453	5,978
Total long-term liabilities	1,102,272	849,117
Total liabilities	1,454,162	1,270,012

**COMMITMENTS AND CONTINGENCIES**

**PARTNERS' CAPITAL:**

Alliance Resource Partners, L.P. (ARLP) Partners' Capital:

Limited Partners - Common Unitholders 74,188,784 and 74,060,634 units outstanding, respectively

General Partners' deficit	1,340,572	1,310,517
Accumulated other comprehensive loss	(257,593)	(260,088)
	(33,669)	(35,847)
Total ARLP Partners' Capital	1,049,310	1,014,582
Noncontrolling interest	1,921	465
Total Partners' Capital	1,051,231	1,015,047
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 2,505,393	\$ 2,285,059

See notes to condensed consolidated financial statements.

Table of Contents**ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except unit and per unit data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>SALES AND OPERATING REVENUES:</b>				
Coal sales	\$ 547,466	\$ 548,357	\$ 1,632,493	\$ 1,649,093
Transportation revenues	9,395	6,001	24,323	17,816
Other sales and operating revenues	9,584	14,970	74,765	43,019
Total revenues	566,445	569,328	1,731,581	1,709,928
<b>EXPENSES:</b>				
Operating expenses (excluding depreciation, depletion and amortization)	336,527	349,170	1,045,954	1,024,305
Transportation expenses	9,395	6,001	24,323	17,816
Outside coal purchases	2	3	326	7
General and administrative	17,948	16,995	52,336	54,201
Depreciation, depletion and amortization	84,661	69,646	242,730	203,539
Asset impairment charge	10,695	-	10,695	-
Total operating expenses	459,228	441,815	1,376,364	1,299,868
<b>INCOME FROM OPERATIONS</b>	107,217	127,513	355,217	410,060
Interest expense (net of interest capitalized for the three months ended September 30, 2015 of \$152 and the nine months ended September 30, 2015 and 2014 of \$518 and \$833, respectively)	(7,352)	(8,584)	(23,626)	(25,395)
Interest income	285	432	1,421	1,238
Equity in (loss) income of affiliates, net	(17,221)	68	(49,049)	(13,546)
Other income	455	549	750	1,178
<b>INCOME BEFORE INCOME TAXES</b>	83,384	119,978	284,713	373,535
<b>INCOME TAX EXPENSE</b>	12	-	17	-
<b>NET INCOME</b>	83,372	119,978	284,696	373,535
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	7	-	27	-
<b>NET INCOME ATTRIBUTABLE TO ALLIANCE RESOURCE PARTNERS, L.P. ( NET INCOME OF ARLP )</b>	\$ 83,379	\$ 119,978	\$ 284,723	\$ 373,535
<b>GENERAL PARTNERS INTEREST IN NET INCOME OF ARLP</b>	\$ 37,311	\$ 35,316	\$ 111,735	\$ 103,465

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q

<b>LIMITED PARTNERS INTEREST IN NET INCOME OF ARLP</b>	\$	46,068	\$	84,662	\$	172,988	\$	270,070
<b>BASIC AND DILUTED NET INCOME OF ARLP PER LIMITED PARTNER UNIT (Note 10)</b>	\$	0.61	\$	1.13	\$	2.29	\$	3.59
<b>DISTRIBUTIONS PAID PER LIMITED PARTNER UNIT</b>	\$	0.675	\$	0.625	\$	1.9875	\$	1.835
<b>WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING BASIC AND DILUTED</b>		74,188,784		74,060,634		74,169,538		74,038,952

See notes to condensed consolidated financial statements.



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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>NET INCOME</b>	\$ 83,372	\$ 119,978	\$ 284,696	\$ 373,535
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>				
Defined benefit pension plan:				
Amortization of net actuarial loss (1)	839	193	2,516	580
Total defined benefit pension plan adjustments	839	193	2,516	580
Pneumoconiosis benefits:				
Amortization of net actuarial gain (1)	(113)	(263)	(338)	(789)
Total pneumoconiosis benefits adjustments	(113)	(263)	(338)	(789)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>	726	(70)	2,178	(209)
<b>COMPREHENSIVE INCOME</b>	84,098	119,908	286,874	373,326
Less: Comprehensive loss attributable to noncontrolling interest	7	-	27	-
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO ARLP</b>	\$ 84,105	\$ 119,908	\$ 286,901	\$ 373,326

(1) Amortization of net actuarial (gain)/loss is included in the computation of net periodic benefit cost (see Notes 11 and 13 for additional details).

See notes to condensed consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	\$ 528,895	\$ 586,393
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property, plant and equipment:		
Capital expenditures	(159,182)	(233,659)
Changes in accounts payable and accrued liabilities	(3,093)	145
Proceeds from sale of property, plant and equipment	1,519	272
Proceeds from insurance settlement for property, plant and equipment	-	4,512
Purchases of equity investments in affiliates	(47,624)	(85,250)
Payments for acquisitions of businesses, net of cash acquired (Note 4)	(74,953)	-
Payments to affiliate for acquisition and development of coal reserves	-	(1,401)
Advances/loans to affiliate	(7,300)	-
Other	1,807	-
Net cash used in investing activities	(288,826)	(315,381)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under securitization facility	6,500	-
Payments under securitization facility	(6,500)	-
Payments on term loans	(20,319)	(12,500)
Borrowings under revolving credit facilities	463,000	221,800
Payments under revolving credit facilities	(200,000)	(301,800)
Payment on long-term debt	(205,000)	(18,000)
Payments on capital lease obligations	(994)	(1,113)
Contribution to consolidated company from affiliate noncontrolling interest	1,483	-
Net settlement of employee withholding taxes on vesting of Long-Term Incentive Plan	(2,719)	(2,991)
Cash contributions by General Partners	95	111
Distributions paid to Partners	(258,697)	(235,344)
Other	(5,583)	-
Net cash used in financing activities	(228,734)	(349,837)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>11,335</b>	<b>(78,825)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>24,601</b>	<b>93,654</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 35,936</b>	<b>\$ 14,829</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 20,164	\$ 20,381

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q

Cash paid for income taxes	\$	14	\$	-
<b>NON-CASH INVESTING AND FINANCING ACTIVITY:</b>				
Accounts payable for purchase of property, plant and equipment	\$	12,561	\$	18,069
Market value of common units issued under Long-Term Incentive and Directors Deferred Compensation Plans before minimum statutory tax withholding requirements	\$	7,389	\$	8,417
Acquisition of businesses:				
Fair value of assets assumed	\$	273,196		