
Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36503

Foresight Energy LP

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

211 North Broadway, Suite 2600, Saint Louis, MO
(Address of principal executive offices)

80-0778894
(I.R.S. Employer
Identification No.)

63102
(Zip code)

Registrant's telephone number, including area code: (314) 932-6160

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

As of November 1, 2018, the registrant had 80,844,319 common units and 64,954,691 subordinated units outstanding.

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PART I – FINANCIAL INFORMATION.

Item 1. Financial Statements.

Foresight Energy LP
Unaudited Condensed Consolidated Balance Sheets
(In Thousands)

	(Successor) September 30, 2018	(Successor) December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,070	\$ 2,179
Accounts receivable	38,583	35,158
Due from affiliates	32,055	37,685
Financing receivables - affiliate	3,327	3,138
Inventories, net	52,924	40,539
Prepaid royalties	—	4,000
Deferred longwall costs	14,172	9,520
Other prepaid expenses and current assets	8,139	10,844
Contract-based intangibles	1,430	11,268
Total current assets	193,700	154,331
Property, plant, equipment and development, net	2,168,348	2,378,605
Due from affiliates	—	947
Financing receivables - affiliate	61,514	64,097
Prepaid royalties, net	2,295	1,250
Other assets	4,640	5,358
Contract-based intangibles	1,058	2,052
Total assets	<u>\$ 2,431,555</u>	<u>\$ 2,606,640</u>
Liabilities and partners' capital		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 41,498	\$ 109,532
Current portion of sale-leaseback financing arrangements	5,851	4,148
Accrued interest	26,342	13,410
Accounts payable	96,284	76,658
Accrued expenses and other current liabilities	80,662	62,442
Asset retirement obligations	4,416	4,416
Due to affiliates	23,384	13,324
Contract-based intangibles	16,844	28,688
Total current liabilities	295,281	312,618
Long-term debt and capital lease obligations	1,209,172	1,205,000
Sale-leaseback financing arrangements	192,298	196,496
Asset retirement obligations	51,686	39,655
Other long-term liabilities	29,857	32,330
Contract-based intangibles	69,027	144,715
Total liabilities	1,847,321	1,930,814
Limited partners' capital:		
Common unitholders (80,844 and 77,644 units outstanding as of September 30, 2018 and December 31, 2017, respectively)	370,884	421,161
Subordinated unitholder (64,955 units outstanding as of September 30, 2018 and December 31, 2017)	213,350	254,665
Total partners' capital	584,234	675,826
Total liabilities and partners' capital	<u>\$ 2,431,555</u>	<u>\$ 2,606,640</u>

See accompanying notes.

Foresight Energy LP
Unaudited Condensed Consolidated Statements of Operations
(In Thousands, Except per Unit Data)

	(Successor)	(Successor)	(Successor)	(Successor)	(Predecessor)
	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Period From April 1, 2017 through September 30, 2017	Period From January 1, 2017 through March 31, 2017
Revenues:					
Coal sales	\$ 291,987	\$ 229,670	\$ 800,366	\$ 434,186	\$ 227,813
Other revenues	1,949	2,770	5,718	5,347	2,581
Total revenues	293,936	232,440	806,084	439,533	230,394
Costs and expenses:					
Cost of coal produced (excluding depreciation, depletion and amortization)	133,670	122,839	391,222	228,629	117,762
Cost of coal purchased	6,312	—	11,969	—	7,973
Transportation	61,239	39,414	166,716	67,672	37,726
Depreciation, depletion and amortization	52,780	53,754	159,512	103,291	39,298
Contract amortization and write-off	(4,855)	(15,611)	(76,699)	(6,878)	—
Accretion on asset retirement obligations	558	726	1,848	1,454	710
Selling, general and administrative	10,465	7,858	28,774	15,135	6,554
Long-lived asset impairments	—	—	110,689	—	—
Loss on commodity derivative contracts	—	1,101	—	2,218	1,492
Other operating (income) expense, net	24,849	(48)	(18,782)	(13,538)	451
Operating income	8,918	22,407	30,835	41,550	18,428
Other expenses:					
Interest expense, net	36,619	35,988	109,327	71,408	43,380
Change in fair value of warrants	—	—	—	—	(9,278)
Loss on early extinguishment of debt	—	—	—	—	95,510
Net loss	\$ (27,701)	\$ (13,581)	\$ (78,492)	\$ (29,858)	\$ (111,184)
Net loss available to limited partner units - basic and diluted:					
Common unitholders	\$ (13,298)	\$ (5,097)	\$ (37,177)	\$ (13,887)	\$ (56,259)
Subordinated unitholder	\$ (14,403)	\$ (8,484)	\$ (41,315)	\$ (15,971)	\$ (54,925)
Net loss per limited partner unit - basic and diluted:					
Common unitholders	\$ (0.17)	\$ (0.07)	\$ (0.47)	\$ (0.18)	\$ (0.85)
Subordinated unitholder	\$ (0.22)	\$ (0.13)	\$ (0.64)	\$ (0.25)	\$ (0.85)
Weighted average limited partner units outstanding - basic and diluted:					
Common units	80,505	77,510	79,737	76,893	66,533
Subordinated units	64,955	64,955	64,955	64,955	64,955
Distributions declared per limited partner unit	\$ 0.0565	\$ 0.0647	\$ 0.1695	\$ 0.0647	\$ —

See accompanying notes.

Foresight Energy LP
Unaudited Condensed Consolidated Statement of Partners' Capital
(In Thousands, Except Unit Data)

	Limited Partners				Total Partners' Capital
	Common Unitholders	Number of Common Units	Subordinated Unitholder	Number of Subordinated Units	
Successor balance at January 1, 2018	\$ 421,161	77,644,489	\$ 254,665	64,954,691	\$ 675,826
Net loss attributable to successor	(37,177)	—	(41,315)	—	(78,492)
Cash distributions	(13,574)	—	—	—	(13,574)
Conversion of warrants, net	—	3,107,951	—	—	—
Equity-based compensation	530	—	—	—	530
Issuance of equity-based awards	—	91,879	—	—	—
Distribution equivalent rights on LTIP awards	(56)	—	—	—	(56)
Successor balance at September 30, 2018	<u>\$ 370,884</u>	<u>80,844,319</u>	<u>\$ 213,350</u>	<u>64,954,691</u>	<u>\$ 584,234</u>

See accompanying notes.

Foresight Energy LP
Unaudited Condensed Consolidated Statements of Cash Flows
(In Thousands)

	(Successor)	(Successor)	(Predecessor)
	Nine Months Ended September 30, 2018	Period From April 1, 2017 through September 30, 2017	Period From January 1, 2017 through March 31, 2017
Cash flows from operating activities			
Net loss	\$ (78,492)	\$ (29,858)	\$ (111,184)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	159,512	103,291	39,298
Amortization of debt discount and deferred issuance costs	2,015	1,273	6,365
Contract amortization and write-off	(76,699)	(6,878)	—
Equity-based compensation	530	439	318
Loss on commodity derivative contracts	—	2,218	1,492
Settlements of commodity derivative contracts	—	320	3,724
Realized gains on coal derivatives included in investing activities	—	—	(3,520)
Long-lived asset impairments	110,689	—	—
Insurance proceeds included in investing activities	(42,947)	—	—
Change in fair value of warrants	—	—	(9,278)
Debt extinguishment expense	—	—	95,510
Other	—	8,915	1,321
Changes in operating assets and liabilities:			
Accounts receivable	(3,425)	9,450	19,695
Due from/to affiliates, net	16,637	6,923	(13,157)
Inventories	(10,307)	(22,159)	(917)
Prepaid expenses and other assets	(244)	(4,759)	(5,117)
Prepaid royalties	2,955	6,240	(241)
Commodity derivative assets and liabilities	—	266	(532)
Accounts payable	19,626	(582)	7,324
Accrued interest	12,932	22,493	(9,803)
Accrued expenses and other current liabilities	18,667	1,188	(3,430)
Other	2,155	1,300	1,782
Net cash provided by operating activities	133,604	100,080	19,650
Cash flows from investing activities			
Investment in property, plant, equipment and development	(50,872)	(36,960)	(19,908)
Return of investment on financing arrangements with Murray Energy (affiliate)	2,394	1,452	705
Insurance proceeds	42,947	—	—
Settlement of certain coal derivatives	—	—	3,520
Proceeds from sale of property, plant and equipment	—	—	1,898
Net cash used in investing activities	(5,531)	(35,508)	(13,785)
Cash flows from financing activities			
Borrowings under revolving credit facility	50,000	—	—
Payments on revolving credit facility	(22,000)	—	(352,500)
Net change in borrowings under A/R securitization program	—	(10,300)	7,000
Proceeds from long-term debt and capital lease obligations	—	—	1,234,438
Payments on long-term debt and capital lease obligations	(93,877)	(23,539)	(970,721)
Payments on short-term debt	(5,180)	—	—
Proceeds from issuance of common units to Murray Energy (affiliate)	—	—	60,586
Distributions paid	(13,574)	(5,026)	—
Debt extinguishment costs	—	—	(57,645)
Debt issuance costs paid	—	—	(27,328)
Other	(2,551)	(3,471)	(1,892)
Net cash used in financing activities	(87,182)	(42,336)	(108,062)
Net increase (decrease) in cash, cash equivalents, and restricted cash	40,891	22,236	(102,197)
Cash, cash equivalents, and restricted cash, beginning of period	2,179	14,724	116,921
Cash, cash equivalents, and restricted cash, end of period	\$ 43,070	\$ 36,960	\$ 14,724

See accompanying notes.

Foresight Energy LP

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization, Nature of Business and Basis of Presentation

Foresight Energy LLC (“FELLC”), a perpetual-term Delaware limited liability company, was formed in September 2006 for the development, mining, transportation and sale of coal. Prior to June 23, 2014, Foresight Reserves LP (“Foresight Reserves”) owned 99.333% of FELLC and a member of FELLC’s management owned 0.667%. On June 23, 2014, in connection with the initial public offering (“IPO”) of Foresight Energy LP (“FELP”), Foresight Reserves and a member of management contributed their ownership interests in FELLC to FELP for which they were issued common and subordinated units in FELP. FELP has been managed by Foresight Energy GP LLC (“FEGP”) subsequent to the IPO.

On April 16, 2015, Murray Energy Corporation and its affiliates (“Murray Energy”) and Foresight Reserves completed a transaction whereby Murray Energy acquired a 34% voting interest in FEGP and all of the outstanding subordinated units of FELP, representing a 50% ownership of the Partnership’s limited partner units outstanding at that time. On March 28, 2017, following the completion of a debt refinancing (the “March 2017 Refinancing Transactions”), Murray Energy exercised its option (the “FEGP Option”) to acquire an additional 46% voting interest in FEGP from Foresight Reserves and a former member of management pursuant to the terms of an option agreement, dated April 16, 2015, among Murray Energy, Foresight Reserves and a former member of management, as amended, thereby increasing Murray Energy’s voting interest in FEGP to 80%. The aggregate exercise price of the FEGP Option was \$15 million. Murray Energy’s acquisition of the incremental ownership in FEGP resulted in its obtaining control of FELP. Per Accounting Standards Codification (“ASC”) 805-50-25-4, Murray Energy, as the acquirer of FELP through FEGP, had the option to apply pushdown accounting in the separate financial statements of the acquiree. Murray Energy elected to adopt pushdown accounting in our stand alone financial statements and therefore we have reflected the adjustment of our assets and liabilities to fair value required by pushdown accounting in our consolidated financial statements.

Due to the application of pushdown accounting, our condensed consolidated financial statements and certain footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented. The periods prior to the acquisition date are identified as “Predecessor” and the periods after the acquisition date are identified as “Successor”. For accounting purposes, management has designated the acquisition date as March 31, 2017 (the “Acquisition Date”), as the operating results and change in financial position for the intervening period was not material.

As used hereafter in this report, the terms “Foresight Energy LP,” “FELP,” the “Partnership,” “we,” “us” or like terms, refer to the consolidated results of Foresight Energy LP and its consolidated subsidiaries and affiliates, unless the context otherwise requires or where otherwise indicated.

The Partnership operates in a single reportable segment and currently owns four underground mining complexes in the Illinois Basin: Williamson Energy, LLC (“Williamson”); Sugar Camp Energy, LLC (“Sugar Camp”); Macoupin Energy, LLC (“Macoupin”); and Hillsboro Energy, LLC (“Hillsboro”). Mining operations at our Hillsboro complex have been idled since March 2015 due to a combustion event. On April 11, 2018, we announced that our Hillsboro operation was closed (see Note 13). However, with the settlement of litigation related to the Hillsboro matters (see Note 12), we are currently evaluating our future mining options at the Hillsboro complex. Our mined coal is sold to a diverse customer base, including electric utility and industrial companies primarily in the eastern United States and overseas markets.

The accompanying condensed consolidated financial statements contain all significant adjustments (consisting of normal recurring accruals) that, in the opinion of management, are necessary to present fairly, the Partnership’s condensed consolidated financial position, results of operations and cash flows for all periods presented. In preparing the condensed consolidated financial statements, management used estimates and assumptions that may affect reported amounts and disclosures. To the extent there are material differences between the estimates and actual results, the impact to the Partnership’s financial condition or results of operations could be material. The unaudited condensed consolidated financial statements do not include footnotes and certain financial information as required annually under U.S. generally accepted accounting principles (“U.S. GAAP”) and, therefore, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017 included in our Annual Report on Form 10-K filed with the SEC on March 7, 2018. The results of operations for interim periods are not necessarily indicative of results that can be expected for any future period, including the year ending December 31, 2018. Intercompany transactions are eliminated in consolidation.

2. New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers (“ASC 606”), that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We adopted ASC 606 as of January 1, 2018 using the modified retrospective approach; therefore, the comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. The adoption did not have a material effect on our financial position and results of operations as the timing of revenue recognition related to coal sales remains consistent between ASC 606 and previous revenue recognition guidance. Additionally, there was no cumulative adjustment to partners’ capital as of January 1, 2018. Refer to Note 3 for the additional financial statement disclosures required by ASC 606.

In November 2016, the FASB issued ASU 2016-18, which clarified the presentation requirements of restricted cash within the statement of cash flows. Under ASU 2016-18, the changes in restricted cash and restricted cash equivalents during the period should be included in the beginning and ending cash and cash equivalents balance reconciliation on the statement of cash flows. When cash, cash equivalents, restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall calculate a total cash amount in a narrative or tabular format that agrees to the amount shown on the statement of cash flows. Details on the nature and amounts of restricted cash should also be disclosed. This standard is effective for fiscal years beginning after December 15, 2017, and is to be applied retrospectively. We adopted this update during the first quarter of 2018 and this new guidance required adjustments to the presentation of our condensed consolidated statement of cash flows. Refer to Note 4 for the additional financial statement disclosures required by this update.

In February 2016, the FASB issued ASU 2016-02, which updated guidance regarding the accounting for leases. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the effect of this update on our consolidated financial statements and related disclosures. We disclosed our future minimum payments on our operating lease obligations in our Annual Report on Form 10-K filed with the SEC on March 7, 2018 and we will evaluate those contracts as well as other existing arrangements to determine if they qualify for lease accounting under the new standard.

3. Revenue from Contracts with Customers

Significant Accounting Policy

Revenue is measured based on consideration specified in a contract with a customer. The Partnership recognizes revenue when it satisfies a performance obligation by transferring control over goods and services to a customer.

Shipping and handling costs (e.g., the application of anti-freezing agents) are accounted for as fulfillment costs. The Partnership includes any fulfillment costs billed to customers in revenue, with the corresponding expenses included in cost of coal produced and transportation.

Nature of Goods and Services

The Partnership’s primary source of revenue is from the sale of coal to domestic and international customers through short-term and long-term coal sales contracts. Coal sales revenue includes the sale to customers of coal produced and, from time to time, the re-sale of coal purchased from third-parties or from one of our affiliates. Performance obligations, consisting of individual tons of coal, are satisfied at a point in time when control is transferred to a customer. For domestic coal sales, this generally occurs when coal is loaded onto railcars at the mine or onto barges at terminals. For coal sales to international markets, this generally occurs when coal is loaded onto an ocean vessel.

The Partnership’s coal sales contracts typically range in length from one to three years, however some agreements have terms of as little as one month. Coal sales contracts generally provide for either a fixed base price or a base price determined by a market index. The base price is subject to quality and weight adjustments. Quality and weight adjustments are recorded as necessary based on coal sales contract specifications as a reduction or increase to coal sales revenue. The coal sales contracts also may give the customer the

option to vary volumes, subject to certain minimums. Coal sales are generally invoiced upon shipment and payment is due from customers within standard industry credit timeframes.

Disaggregation of Revenue

The following table disaggregates revenue by domestic and international markets:

	(Successor) Three Months Ended September 30, 2018	(Successor) Nine Months Ended September 30, 2018
	<i>(In Thousands)</i>	<i>(In Thousands)</i>
Coal sales - Domestic	\$ 151,196	\$ 440,593
Coal sales - International	140,791	359,773
Total coal sales	<u>\$ 291,987</u>	<u>\$ 800,366</u>

Contract Balances

The following table provides information about balances associated with contracts with customers:

	(Successor) September 30, 2018
	<i>(In Thousands)</i>
Receivables - Included in 'Accounts receivable'	\$ 33,975
Receivables - Included in 'Due from affiliates - current'	22,974
Total contract balances	<u>\$ 56,949</u>

Contract Costs

The Partnership applies the practical expedient in ASC 340-40-25-4, whereby the Partnership recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Partnership would have recognized is one year or less. These costs are included in selling, general and administrative expenses.

Other Revenues

Other revenues consist primarily of a transport lease and overriding royalty agreements with Murray Energy (see Note 9). These arrangements are accounted for under guidance contained in ASC 310 *Receivables*, ASC 360 *Property, Plant, and Equipment*, and ASC 840 *Leases* and therefore are outside the scope of ASC 606.

4. Supplemental Cash Flow Information

The following is supplemental information to the condensed consolidated statement of cash flows (in thousands):

	(Successor) Nine Months Ended September 30, 2018	(Successor) Period From April 1, 2017 through September 30, 2017	(Predecessor) Period From January 1, 2017 through March 31, 2017
Supplemental disclosures of non-cash financing activities:			
Short-term insurance financing	\$ 985	\$ 2,188	\$ —
Reclassification of warrant liability to partners' capital	\$ —	\$ —	\$ 41,888

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the total of the same such amounts shown in the condensed consolidated statement of cash flows (in thousands):

	(Successor) September 30, 2018	(Successor) December 31, 2017	(Successor) September 30, 2017	(Successor) March 31, 2017	(Predecessor) December 31, 2016
Cash and cash equivalents	\$ 43,070	\$ 2,179	\$ 24,899	\$ 4,235	\$ 103,690
Restricted cash - Included in 'Other prepaid expenses and current assets'	—	—	12,061	10,489	10,731
Restricted cash - Included in 'Other assets'	—	—	—	—	2,500
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 43,070</u>	<u>\$ 2,179</u>	<u>\$ 36,960</u>	<u>\$ 14,724</u>	<u>\$ 116,921</u>

Restricted cash included in other prepaid expenses and current assets were amounts that were required to be temporarily held in a restricted cash account for a short duration related to our trade accounts receivable securitization program. The accounts receivable securitization program terminated in December 2017.

Restricted cash included in other assets was cash collateral used to secure a letter of credit for one of our surety bond providers. During the three months ended March 31, 2017, the restriction was released.

5. Accounts Receivable

Accounts receivable consist of the following:

	(Successor) September 30, 2018	(Successor) December 31, 2017
	<i>(In Thousands)</i>	
Trade accounts receivable	\$ 33,975	\$ 31,225
Other receivables	4,608	3,933
Total accounts receivable	<u>\$ 38,583</u>	<u>\$ 35,158</u>

6. Inventories, Net

Inventories, net consist of the following:

	(Successor) September 30, 2018	(Successor) December 31, 2017
	<i>(In Thousands)</i>	
Parts and supplies	\$ 17,103	\$ 17,196
Raw coal	6,787	5,577
Clean coal	29,034	17,766
Total inventories	<u>\$ 52,924</u>	<u>\$ 40,539</u>

7. Property, Plant, Equipment and Development, Net

Property, plant, equipment and development, net consist of the following:

	(Successor) September 30, 2018	(Successor) December 31, 2017
	<i>(In Thousands)</i>	
Land, land rights and mineral rights	\$ 1,631,659	\$ 1,639,980
Machinery and equipment	566,364	580,649
Machinery and equipment under capital lease	127,064	127,064
Buildings and structures	223,092	221,625
Development costs	31,281	16,644
Other	3,449	3,449
Property, plant, equipment and development	2,582,909	2,589,411
Less: accumulated depreciation, depletion and amortization	(414,561)	(210,806)
Property, plant, equipment and development, net	<u>\$ 2,168,348</u>	<u>\$ 2,378,605</u>

8. Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consist of the following:

	(Successor) September 30, 2018	(Successor) December 31, 2017
	<i>(In Thousands)</i>	
Term Loan due 2022	\$ 762,906	\$ 818,813
Second Lien Notes due 2023	425,000	425,000
Revolving Credit Facility (\$170.0 million capacity)	28,000	—
5.78% longwall financing arrangement	18,675	28,012
5.555% longwall financing arrangement	10,845	30,937
Capital lease obligations	16,837	25,378
Subtotal - Total long-term debt and capital lease obligations principal outstanding	1,262,263	1,328,140
Unamortized debt discounts	(11,593)	(13,608)
Total long-term debt and capital lease obligations	1,250,670	1,314,532
Less: current portion	(41,498)	(109,532)
Non-current portion of long-term debt and capital lease obligations	<u>\$ 1,209,172</u>	<u>\$ 1,205,000</u>

Term Loan due 2022

The Term Loan due 2022 bears interest at the borrower's option of (a) LIBOR (subject to a LIBOR floor of 1.00%) plus 5.75% per annum; or (b) a base rate plus 4.75% per annum. The Term Loan due 2022 also requires us to prepay outstanding borrowings (the "Excess Cash Flow Provisions"), subject to certain exceptions. The Excess Cash Flow Provisions are calculated annually and are

payable 95 days after year-end. During the second quarter of 2018, we prepaid \$53.8 million of outstanding borrowings under the Excess Cash Flow Provisions for the annual period ended December 31, 2017.

Second Lien Notes due 2023

The Second Lien Notes due 2023 have a maturity date of April 1, 2023 and bear interest at a rate of 11.50% per annum, payable in cash semi-annually on April 1 and October 1.

Revolving Credit Facility

The Revolving Credit Facility has a total borrowing capacity of \$170.0 million and bears interest at the borrower's option of (a) LIBOR (subject to a floor of zero) plus an applicable margin ranging from 5.25% to 5.50% per annum or (b) a base rate plus an applicable margin ranging from 4.25% to 4.50% per annum. We are required to pay a quarterly commitment fee with respect to the unused portions of our Revolving Credit Facility and customary letter of credit fees.

As of September 30, 2018, there was \$28.0 million in outstanding borrowings under our Revolving Credit Facility and available borrowing capacity under the Revolving Credit Facility, net of outstanding letters of credit of \$12.3 million, was \$129.7 million.

9. Related-Party Transactions

Overview

Affiliated entities of FELP principally include: (a) Murray Energy, owner of an 80% interest in our general partner (effective March 28, 2017), owner of all of the outstanding subordinated limited partner units, and owner of 9,809,018 common limited partner units, (b) Entities owned and controlled by Chris Cline, the former majority owner and former chairman of our general partner and (c) through May 8, 2017, Natural Resource Partners LP ("NRP") and its affiliates, for which Chris Cline directly and indirectly beneficially owned a 31% and 4% interest in the general and limited partner interests of NRP, respectively. On May 9, 2017, the affiliate owned by Chris Cline sold its holdings in NRP's general partner. As a result, NRP and its affiliates were not treated as related parties after May 8, 2017. We routinely engage in transactions in the normal course of business with Murray Energy and its subsidiaries, NRP and its subsidiaries and Foresight Reserves and its affiliates. These transactions include, among others, production royalties, transportation services, administrative arrangements, coal handling and storage services, supply agreements, service agreements, purchases of mining equipment, land leases and sale-leaseback financing arrangements.

Murray Energy Investments

In April 2015, Foresight Reserves and Murray Energy executed a purchase and sale agreement whereby Murray Energy paid Foresight Reserves \$1.37 billion to acquire a 34% voting interest in FEGP, 77.5% of FELP's incentive distribution rights ("IDRs") and nearly 50% of the outstanding limited partner units in FELP, including all of the outstanding subordinated units. On March 27, 2017, Murray Energy contributed \$60.6 million in cash (the "Murray Investment") to us in exchange for 9,628,108 common units of FELP. On March 28, 2017, following completion of the March 2017 Refinancing Transactions, Murray Energy exercised its FEGP Option to acquire an additional 46% voting interest in FEGP from Foresight Reserves and a former member of management pursuant to the terms of an option agreement, dated April 16, 2015, among Murray Energy, Foresight Reserves and a former member of management, as amended, thereby increasing Murray Energy's voting interest in FEGP to 80%. The aggregate exercise price of the FEGP Option was \$15 million. FEGP has continued to govern the Partnership subsequent to this transaction. Murray Energy was also a holder of 17,556 of FELP's outstanding warrants. All outstanding warrants held by Murray Energy were exercised in 2017 and Murray Energy held no outstanding warrants as of September 30, 2018.

Following the exercise of the FEGP Option, certain changes to the operating agreement of FEGP went into effect, pursuant to which Murray Energy is entitled to appoint a majority of the board of directors of FEGP (the "Board"). On March 28, 2017, Chris Cline resigned from the Board and from his role as Principal Strategy Advisor. In connection with the departure of Mr. Cline, Robert D. Moore now serves as Chairman of the Board and Mr. Robert Edward Murray became a member of the Board. Mr. Murray currently serves as the Executive Vice President of Marketing and Sales at Murray Energy. All members of the Board, other than Paul Vining (who is appointed by Foresight Reserves), are deemed appointed by Murray Energy and can be removed and replaced by Murray Energy at its sole discretion.

Murray Energy Management Services Agreement

In April 2015, a management services agreement (“MSA”) was executed between FEGP and Murray American Coal, Inc. (the “Manager”), a wholly-owned subsidiary of Murray Energy, pursuant to which the Manager provided certain management and administration services to FELP for a quarterly fee of \$3.5 million (\$14.0 million on an annual basis), subject to contractual adjustments. To the extent that FELP or FEGP directly incurs costs for any services covered under the MSA, then the Manager’s quarterly fee is reduced accordingly. Also, to the extent that the Manager utilizes outside service providers to perform any of the services under the MSA, then the Manager is responsible for those outside service provider costs. The initial term of the MSA extends through December 31, 2022 and is subject to termination provisions. Upon the exercise of the FEGP Option, FEGP entered into an amended and restated MSA pursuant to which the quarterly fee for the Manager to provide certain management and administration services to FELP was increased to \$5.0 million (\$20.0 million on an annual basis) and is subject to future contractual escalations and adjustments. After taking into account the contractual escalations and adjustments for direct costs incurred by FELP, the amount of net expense due to the Manager for the three months ended September 30, 2018 and 2017 was \$4.3 million and \$4.0 million, respectively, and was \$12.6 million, \$2.5 million, and \$7.7 million for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, respectively.

Murray Energy Transport Lease and Overriding Royalty Agreements

For the three months ended September 30, 2018 and 2017, we recorded other revenues of \$1.2 million and \$1.7 million, respectively, under the transport lease (the “Transport Lease”) with American Energy Corporation (“American Energy”), a subsidiary of Murray Energy, and for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we recorded other revenues of \$3.8 million, \$1.6 million, and \$3.5 million, respectively. The total remaining minimum payments under the Transport Lease were \$79.6 million at September 30, 2018, with unearned income equal to \$26.1 million. As of September 30, 2018, the outstanding Transport Lease financing receivable was \$53.5 million, of which \$3.1 million was classified as current in the condensed consolidated balance sheet.

For the three months ended September 30, 2018 and 2017, we recorded other revenues of \$0.7 million and \$0.7 million, respectively, under the overriding royalty agreement (the “ORRA”) with Murray Energy subsidiaries’ American Energy and Consolidated Land Company, and for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we recorded other revenues of \$1.9 million, \$0.8 million, and \$1.3 million, respectively. The total remaining minimum payments under the ORRA were \$28.6 million at September 30, 2018, with unearned income equal to \$17.3 million. As of September 30, 2018, the outstanding ORRA financing receivable was \$11.3 million, of which \$0.2 million was classified as current in the condensed consolidated balance sheet.

Other Murray Energy Transactions

During the three months ended September 30, 2018 and 2017, we purchased \$1.9 million and \$2.6 million, respectively, in equipment, supplies and rebuild services from affiliates of Murray Energy, and for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we purchased \$11.0 million, \$2.1 million, and \$5.9 million, respectively.

During the three months ended September 30, 2018 and 2017, we provided less than \$0.1 million in equipment, supplies and rebuild services to affiliates of Murray Energy. We provided equipment, supplies, and rebuild services to affiliates of Murray Energy of \$0.1 million for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017.

From time to time, we purchase and sell coal to Murray Energy and its affiliates to, among other things, meet customer contractual obligations. We also sell coal to Javelin Global Commodities Limited (“Javelin”), an international commodities marketing and trading joint venture owned by Murray Energy, Uniper, and management of Javelin, as our primary outlet for export sales. During the three months ended September 30, 2018 and 2017, we purchased \$6.3 million and \$0 million, respectively of coal from Murray Energy and its affiliates and we sold \$134.0 million and \$64.4 million, respectively, of coal to Murray Energy and its affiliates, including Javelin. For the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we purchased \$12.0 million, \$8.0 million, and \$0 million, respectively, of coal from Murray Energy and its affiliates and we sold \$340.4 million, \$60.7 million, and \$104.7 million, respectively, of coal to Murray Energy and its affiliates, including Javelin.

During the three months ended September 30, 2018 and 2017, we paid Javelin \$1.0 million and \$1.2 million, respectively, in transportation costs related to certain export sales. For the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we paid Javelin \$3.8 million, \$0.5 million, and \$1.2 million, respectively, in transportation costs related to certain export sales.

During the three months ended September 30, 2018 and 2017, we also incurred expense to Javelin of \$1.9 million and \$0.8 million, respectively, in sales and marketing expenses. For the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, we incurred expense to Javelin of \$4.8 million, \$0.7 million, and \$1.1 million, respectively, in sales and marketing expenses.

During the three months ended September 30, 2018 and 2017, we earned \$0 million and \$0.3 million, respectively, in other revenues for Murray Energy's usage of our Sitran terminal, and for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017, Sitran earned usage fees from Murray Energy of less than \$0.1 million, \$0.2 million, and \$0.5 million, respectively.

During the three and nine months ended September 30, 2018, we utilized capacity on a Murray Energy transloading contract with a third party, thereby allowing Murray Energy to reduce its exposure to certain contractual liquidated damage charges. To compensate the Partnership for the reduced contractual liquidated damage charges, Murray Energy reimbursed the Partnership \$3.4 million and \$8.0 million of transportation expenses during the three and nine months ended September 30, 2018, respectively.

During the three and nine months ended September 30, 2018, Murray Energy utilized our capacity within our transportation agreements with third parties, thereby allowing us to reduce our exposure to certain contractual liquidated damage charges. To compensate Murray Energy for our reduced contractual liquidated damage charges, we reimbursed Murray Energy \$0.2 million and \$1.2 million of transportation expenses during the three and nine months ended September 30, 2018.

From time to time, we also reimburse Murray Energy for costs paid by them on our behalf, including certain insurance premiums.

Reserves Investor Group

The Reserves Investor Group includes Christopher Cline, the Cline Resource and Development Company ("CRDC"), the four trusts established for the benefit of Mr. Cline's children (the "Cline Trust"), and certain other limited liability companies owned or controlled by individuals with limited partner interests in Foresight Reserves through indirect ownership. Concurrent with and subsequent to the March 2017 Refinancing Transactions, CRDC and the Cline Trust acquired investments in our Term Loan due 2022 and our Second Lien Notes due 2023 on consistent terms as the unaffiliated owners of these notes.

As of September 30, 2018, CRDC owned \$9.9 million and \$5.0 million of the outstanding principal on our Term Loan due 2022 and our Second Lien Notes due 2023, respectively.

As of September 30, 2018, the Cline Trust owned \$9.9 million and \$20.0 million of the outstanding principal on our Term Loan due 2022 and our Second Lien Notes due 2023, respectively. The Cline Trust is also a holder of 17,556 of FELP's outstanding warrants as of September 30, 2018.

Mineral Reserve Leases

Our mines have a series of mineral reserve leases with Colt, LLC and Ruger, LLC ("Ruger"), subsidiaries of Foresight Reserves. Each of these leases have initial terms of 10 years with six renewal periods of five years each, at the election of the lessees, and generally require the lessees to pay the greater of \$3.40 per ton or 8.0% of the gross sales price, as defined in the respective agreements, of such coal. We also have overriding royalty agreements with Ruger pursuant to which we pay royalties equal to 8.0% of the gross selling prices, as defined in the agreements. Each of these mineral reserve leases generally require a minimum annual royalty payment, which is recoupable only against actual production royalties from future tons mined during the period of ten years following the date on which any such royalty is paid.

Limited Partnership Agreement

The general partner manages the Partnership's operations and activities as specified in the partnership agreement. The general partner of the Partnership is managed by its board of directors. Murray Energy and Foresight Reserves have the right to appoint the directors of the general partner. The members of the board of directors of the general partner are not elected by the unitholders and are not subject to reelection by the unitholders. The officers of the general partner manage the day-to-day affairs of the Partnership's business. The partnership agreement provides that the Partnership will reimburse its general partner for all direct and indirect expenses incurred or payments made by the general partner on behalf of the Partnership.

The following table summarizes certain affiliate amounts included in our condensed consolidated balance sheets:

<u>Affiliated Company</u>	<u>Balance Sheet Location</u>	<u>(Successor) September 30, 2018</u>	<u>(Successor) December 31, 2017</u>
<i>(In Thousands)</i>			
Murray Energy and affiliated entities ⁽¹⁾	Due from affiliates - current	\$ 32,055	\$ 37,685
Murray Energy and affiliated entities	Financing receivables - affiliate - current	\$ 3,327	\$ 3,138
Murray Energy and affiliated entities	Due from affiliates - noncurrent	\$ —	\$ 947
Murray Energy and affiliated entities	Financing receivables - affiliate - noncurrent	\$ 61,514	\$ 64,097
Foresight Reserves and affiliated entities	Prepaid royalties - current and noncurrent	\$ —	\$ 4,000
Murray Energy and affiliated entities ⁽¹⁾	Due to affiliates - current	\$ 20,046	\$ 11,591
Foresight Reserves and affiliated entities	Due to affiliates - current	3,338	1,733
Total - Due to affiliates - current		<u>\$ 23,384</u>	<u>\$ 13,324</u>

(1) – Includes amounts due to/from Javelin, a joint venture partially owned by Murray Energy.

A summary of certain expenses (revenues) incurred with affiliated entities is as follows for the three months ended September 30, 2018 and 2017, the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017 (in thousands):

	(Successor) Three Months Ended September 30, 2018	(Successor) Three Months Ended September 30, 2017	(Successor) Nine Months Ended September 30, 2018	(Successor) Period from April 1, 2017 to September 30, 2017	(Predecessor) Period from January 1, 2017 to March 31, 2017
Coal sales - Murray Energy and affiliated entities (including Javelin) ⁽¹⁾	\$ (134,034)	\$ (64,415)	\$ (340,444)	\$ (104,725)	\$ (60,749)
Overriding royalty and lease revenues - Murray Energy and affiliated entities ⁽²⁾	\$ (1,945)	\$ (2,465)	\$ (5,671)	\$ (4,877)	\$ (2,355)
Terminal revenues - Murray Energy and affiliated entities ⁽²⁾	\$ —	\$ (304)	\$ (44)	\$ (470)	\$ (226)
Royalty expense - NRP and affiliated entities ⁽³⁾ - through April 30, 2017	n/a	n/a	n/a	\$ 710	\$ 3,669
Royalty expense - Foresight Reserves and affiliated entities ⁽³⁾	\$ 11,135	\$ 9,658	\$ 27,246	\$ 16,393	\$ 1,521
Loadout services - NRP and affiliated entities ⁽³⁾ - through April 30, 2017	n/a	n/a	n/a	\$ 746	\$ 2,134
Transportation services - Murray Energy and affiliated entities (including Javelin) ⁽⁴⁾	\$ 1,020	\$ 1,232	\$ 3,827	\$ 1,232	\$ 525
Purchased goods and services - Murray Energy and affiliated entities ⁽⁵⁾	\$ 1,914	\$ 2,626	\$ 11,013	\$ 5,900	\$ 2,061
Purchased coal - Murray Energy and affiliated entities ⁽⁶⁾	\$ 6,312	\$ —	\$ 11,969	\$ —	\$ 7,973
Land leases - Foresight Reserves and affiliated entities ^{(3), (4)}	\$ 41	\$ 124	\$ 171	\$ 131	\$ 57
Sales and marketing expenses - Murray Energy and affiliated entities (including Javelin) ⁽⁷⁾	\$ 1,927	\$ 772	\$ 4,840	\$ 1,139	\$ 692
Management services, net - Murray Energy and affiliated entities ⁽⁷⁾	\$ 4,327	\$ 3,956	\$ 12,597	\$ 7,669	\$ 2,547
Sales-leaseback interest expense - NRP and affiliated entities ⁽⁸⁾ - through April 30, 2017	n/a	n/a	n/a	\$ 2,012	\$ 6,244

Principal location in the condensed consolidated financial statements:

- (1) – Coal sales
- (2) – Other revenues
- (3) – Cost of coal produced (excluding depreciation, depletion and amortization)
- (4) – Transportation
- (5) – Cost of coal produced (excluding depreciation, depletion and amortization) and property, plant and equipment, net, as applicable
- (6) – Cost of coal purchased
- (7) – Selling, general and administrative
- (8) – Interest expense, net

Transactions with NRP and affiliated entities are only included in the table above through April 30, 2017 as a result of NRP no longer being an affiliate subsequent to Chris Cline's affiliate selling its interest in NRP's general partner on May 9, 2017.

We also purchased \$3.0 million in mining supplies from an affiliated joint venture under a supply agreement during the period from January 1, 2017 to March 31, 2017. This joint venture was no longer an affiliate subsequent to March 31, 2017, due to The Cline Group disposing of its interest in the joint venture.

10. Earnings per Limited Partner Unit

We compute earnings per unit (“EPU”) using the two-class method for master limited partnerships as prescribed in ASC 260, *Earnings Per Share*. The two-class method requires that securities that meet the definition of a participating security be considered for inclusion in the computation of basic EPU. In addition to the common and subordinated units, we have also identified the general partner interest and our incentive distribution rights (“IDR”) as participating securities. Under the two-class method, EPU is calculated as if all of the earnings for the period were distributed under the terms of the partnership agreement, regardless of whether the general partner has discretion over the amount of distributions to be made in any particular period, whether those earnings would actually be distributed during a particular period from an economic or practical perspective, or whether the general partner has other legal or contractual limitations on its ability to pay distributions that would prevent it from distributing all of the earnings for a particular period.

The Partnership’s net loss is allocated to the limited partners, including the holders of the subordinated units, in accordance with the partnership agreement on their respective ownership percentages, after giving effect to any special income or expense allocations and incentive distributions paid to the general partner, if any. The holders of our IDRs have the right to receive increasing percentages of quarterly distributions from operating surplus after certain distribution levels defined in the partnership agreement have been achieved. The general partner has no obligation to make distributions; therefore, undistributed earnings of the Partnership are not allocated to the IDRs. Basic EPU is computed by dividing net earnings attributable to unitholders by the weighted-average number of units outstanding during each period. Diluted EPU reflects the potential dilution of common equivalent units that could occur if equity participation units are converted into common units.

The following table illustrates the Partnership’s calculation of net loss per common and subordinated unit for the three month periods indicated:

	(Successor)			(Successor)		
	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Common Units	Subordinated Units	Total	Common Units	Subordinated Units	Total
	<i>(In Thousands, Except Per Unit Data)</i>			<i>(In Thousands, Except Per Unit Data)</i>		
Numerator:						
Net loss available to limited partner units	\$ (13,298)	\$ (14,403)	\$ (27,701)	\$ (5,097)	\$ (8,484)	\$ (13,581)
Denominator:						
Weighted-average units to calculate basic EPU	80,505	64,955	145,460	77,510	64,955	142,465
Plus: effect of dilutive securities ⁽¹⁾	—	—	—	—	—	—
Weighted-average units to calculate diluted EPU	80,505	64,955	145,460	77,510	64,955	142,465
Basic net loss per unit	\$ (0.17)	\$ (0.22)	\$ (0.19)	\$ (0.07)	\$ (0.13)	\$ (0.10)
Diluted net loss per unit	\$ (0.17)	\$ (0.22)	\$ (0.19)	\$ (0.07)	\$ (0.13)	\$ (0.10)

- (1) Diluted EPU gives effect to all dilutive potential common units outstanding during the period using the treasury stock method. Diluted EPU excludes all dilutive potential units calculated under the treasury stock method if their effect is anti-dilutive. For the three months ended September 30, 2018 and 2017, approximately 0.3 million phantom units were anti-dilutive, and therefore excluded from the diluted EPU calculation. Diluted EPU also is not impacted during the current period by the 51,480 Warrants outstanding as of September 30, 2018, which are convertible into common units at an exchange rate of approximately 13.8 common units of FELP at an exercise price of \$0.8270 per common unit, in each case subject to adjustment (see Note 11).

The following table illustrates the Partnership's calculation of net loss per common and subordinated unit for the nine months ended September 30, 2018, the period from January 1, 2017 to March 31, 2017, and the period from April 1, 2017 to September 30, 2017:

(Successor)			
Nine Months Ended September 30,			
2018			
Common	Subordinated	Total	
Units	Units		
<i>(In Thousands, Except Per Unit Data)</i>			
Numerator:			
Net loss available to limited partner units	\$ (37,177)	\$ (41,315)	\$ (78,492)
Denominator:			
Weighted-average units to calculate basic EPU	79,737	64,955	144,692
Plus: effect of dilutive securities ⁽¹⁾	—	—	—
Weighted-average units to calculate diluted EPU	79,737	64,955	144,692
Basic net loss per unit	\$ (0.47)	\$ (0.64)	\$ (0.54)
Diluted net loss per unit	\$ (0.47)	\$ (0.64)	\$ (0.54)

(Predecessor)				(Successor)			
Period from January 1, 2017 to				Period from April 1, 2017 to			
March 31, 2017				September 30, 2017			
Common	Subordinated	Total		Common	Subordinated	Total	
Units	Units			Units	Units		
<i>(In Thousands, Except Per Unit Data)</i>				<i>(In Thousands, Except Per Unit Data)</i>			
Numerator:				Numerator:			
Net loss available to limited partner units	\$ (56,259)	\$ (54,925)	\$ (111,184)	\$ (13,887)	\$ (15,971)	\$ (29,858)	
Denominator:				Denominator:			
Weighted-average units to calculate basic EPU	66,533	64,955	131,488	76,893	64,955	141,848	
Plus: effect of dilutive securities ⁽¹⁾	—	—	—	—	—	—	
Weighted-average units to calculate diluted EPU	66,533	64,955	131,488	76,893	64,955	141,848	
Basic net loss per unit	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.18)	\$ (0.25)	\$ (0.21)	
Diluted net loss per unit	\$ (0.85)	\$ (0.85)	\$ (0.85)	\$ (0.18)	\$ (0.25)	\$ (0.21)	

(1) Diluted EPU gives effect to all dilutive potential common units outstanding during the period using the treasury stock method. Diluted EPU excludes all dilutive potential units calculated under the treasury stock method if their effect is anti-dilutive. For the nine months ended September 30, 2018, approximately 0.3 million phantom units, respectively, were anti-dilutive, and therefore excluded from the diluted EPU calculation. For the period from January 1, 2017 to March 31, 2017 and for the period from April 1, 2017 to September 30, 2017, approximately 0.3 million phantom units were anti-dilutive and therefore excluded from the diluted EPU calculation. Diluted EPU also is not impacted during the current period by the 51,480 Warrants outstanding as of September 30, 2018, which are convertible into common units at an exchange rate of approximately 13.8 common units of FELP at an exercise price of \$0.8270 per common unit, in each case subject to adjustment (see Note 11).

11. Fair Value of Financial Instruments

Warrants

In August 2016, FELP issued 516,825 warrants (the “Warrants”) to the unaffiliated owners of previously outstanding debt to purchase an amount of common units. Upon their issuance, the Warrants were recorded as a liability at fair value and remeasured to fair value at each balance sheet date. The resulting non-cash gain or loss on remeasurements was recorded as a non-operating loss in our consolidated statements of operations.

As a result of a series of transactions related to the March 2017 Refinancing Transactions, the establishment of a fixed exchange rate for the conversion of the Warrants to a number of common units resulted in the warrant liability being reclassified to partners’ capital, and therefore, were not remeasured at fair value subsequent to the March 2017 Refinancing Transactions. As of September 30, 2018, there are 51,480 Warrants outstanding and exercisable into 13.8 common units of FELP at an exercise price of \$0.8270 per common unit.

Long-Term Debt

The fair value of long-term debt as of September 30, 2018 and December 31, 2017 was \$1,203.0 million and \$1,178.1 million, respectively. The fair value of long-term debt was calculated based on (i) quoted prices in markets that are not active and (ii) the amount of future cash flows associated with each debt instrument discounted at the Partnership’s current estimated credit-adjusted borrowing rate for similar debt instruments with comparable terms. These are considered Level 2 and Level 3 fair value measurements, respectively.

12. Contingencies

Hillsboro and Macoupin Matters

In July 2015, we provided notice to WPP LLC (“WPP”), a subsidiary of NRP, declaring a force majeure event at our Hillsboro mine due to a combustion event. As a result of the force majeure event, as of September 30, 2018, we had not made \$98.5 million in minimum deficiency payments to WPP in accordance with the force majeure provisions of the royalty agreement. Since November 2015, WPP has maintained a Complaint against the Partnership, Hillsboro, and certain other of the Partnership’s subsidiaries, all related to Hillsboro’s declaration of force majeure under the royalty agreement. In addition, since April 2018, Hillsboro maintained a Counterclaim against WPP.

Since April 2016, WPP and HOD LLC (“HOD”), subsidiaries of NRP, have maintained a complaint in the Circuit Court of Macoupin County, Illinois against the Company and Macoupin. The operative complaint generally alleges misapplication of the recoupment provision of the royalty agreement. WPP’s claims were estimated to exceed \$11 million.

On October 19, 2018, the parties reached a settlement to resolve all disputes arising out of the Hillsboro and Macoupin Matters, and the court in each matter has entered a final order dismissing the case with prejudice. As part of the settlement, WPP will receive a payment of \$25 million from the Partnership in consideration of all disputed past due amounts. In addition, the Partnership and WPP have agreed to amend the coal lease and royalty agreement between Hillsboro and WPP, reducing the annual minimum royalty payments from \$30 million to \$11 million and providing for a tonnage royalty of 6% of the gross selling price (as defined in the lease) of coal mined and sold from the leased premises. The Partnership, as parent of Hillsboro, will also provide a guarantee to WPP of up to \$50 million of the minimum royalty payments. This settlement will fully and finally conclude all claims and counterclaims in Hillsboro and Macoupin matters. With the settlement and the reduction of future annual minimum royalty payments, we are currently evaluating our future mining options at Hillsboro. As of September 30, 2018, we have \$25.0 million accrued for the settlement of the Hillsboro and Macoupin Matters.

Other Matters

We are also party to various other litigation matters, in most cases involving ordinary and routine claims incidental to our business. We cannot reasonably estimate the ultimate legal and financial liability with respect to all pending litigation matters. However, we believe, based on our examination of such matters, that the ultimate liability will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. As of September 30, 2018, we have \$26.3 million accrued, in aggregate and inclusive of the Hillsboro matters discussed above, for various litigation matters.

Insurance Recoveries

We are currently in discussions with our insurance provider in regards to further potential recoveries under our policy related to the combustion event at our Hillsboro operation. From the date of the combustion event through December 31, 2017, we have recognized \$46.9 million of insurance recoveries related to the recovery of mitigation costs and business interruption insurance proceeds. During the nine months ended September 30, 2018, we recognized an additional \$44.1 million of insurance recoveries. For the nine months ended September 30, 2018, recoveries totaling \$1.1 million related to mitigation costs were recorded to cost of coal produced (excluding depreciation, depletion and amortization), with the remaining \$43.0 million of recoveries, related to the recovery of losses on machinery and equipment, recorded to other operating (income) expense in our consolidated statement of operations. We continue to pursue additional remedies under our insurance policies; however, there can be no assurances that we will receive any further insurance recoveries related to this incident.

Performance Bonds

We had outstanding surety bonds with third parties of \$90.7 million as of September 30, 2018 to secure reclamation and other performance commitments.

13. Long-Lived Asset Impairments

As a result of the matters with WPP described in Note 12 and additional facts and circumstances arising in early April, on April 11, 2018, we announced that our Hillsboro operation would be closed and certain long-lived assets consisting primarily of mineral reserves and certain buildings and structures, machinery and equipment, and other related assets were not expected to generate future positive cash flows. As the expected future cash flows were projected to be immaterial and not sufficient to support the recoverability of the assets' carrying values, the assets were reduced to their estimated fair values. As such, we recorded an aggregate impairment charge of \$110.7 million during the nine months ended September 30, 2018. The fair values were measured primarily based on an estimate of discounted future cash flows, which are considered Level 3 fair value inputs.

The closure of our Hillsboro operation also resulted in the write-off of the liability associated with the unfavorable royalty agreement included within long-term contract-based intangibles on the consolidated balance sheets. As a result, we recorded a benefit of \$69.1 million during the nine months ended September 30, 2018.

With the settlement of the matters with WPP described in Note 12, we are currently evaluating our future mining options at the Hillsboro complex.

14. Subsequent Event

On November 7, 2018, we announced a cash distribution of \$0.0565 per unit payable to common unitholders. The distribution is payable on December 21, 2018, for common unitholders of record on December 11, 2018.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis together with the financial statements and the notes thereto included elsewhere in this report. This discussion may contain statements about our business, operations and industry that constitute forward-looking statements. Forward-looking statements involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “intends,” “plans,” “estimates,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “anticipates,” “foresees,” or the negative version of these words or other comparable words and phrases. Any forward-looking statements contained in this report are based upon our historical performance and on our current plans, estimates and expectations as of the filing date of this report. Our future results and financial condition may differ materially from those we currently anticipate as a result of various factors. Among those factors that could cause actual results to differ materially are the following:

- The market price for coal;
- The supply of, and demand for, domestic and foreign coal;
- The supply of, and demand for, electricity;
- Competition from other coal suppliers;
- The cost of using, and the availability of, other fuels, including the effects of technological developments;
- Advances in power technologies;
- The efficiency of our mines;
- The amount of coal we are able to produce from our properties, which could be adversely affected by, among other things, operating difficulties and unfavorable geologic conditions;
- The pricing terms contained in our long-term contracts;
- Cancellation or renegotiation of contracts;
- Legislative, regulatory and judicial developments, including those related to the release of greenhouse gases;
- The strength of the U.S. dollar;
- Air emission, wastewater discharge and other environmental standards for coal-fired power plants or coal mines;
- Changes to free trade agreements, including the imposition of additional customs duties or tariffs;
- Delays in the receipt of, failure to receive, or revocation of, necessary government permits;
- Inclement or hazardous weather conditions and natural disasters;
- Availability and cost or interruption of fuel, equipment and other supplies;
- Transportation costs;
- Availability of transportation infrastructure, including flooding and railroad derailments;
- Technological developments, including those related to alternative energy sources;
- Cost and availability of our coal miners;
- Availability of skilled employees;
- Work stoppages or other labor difficulties; and
- The receipt of insurance recoveries related to the Hillsboro combustion event.

The above factors should be read in conjunction with the risk factors included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 7, 2018.

Company Overview

Foresight Energy LLC (“FELLC”), a perpetual-term Delaware limited liability company, was formed in September 2006 for the development, mining, transportation and sale of coal. Prior to June 23, 2014, Foresight Reserves LP (“Foresight Reserves”) owned 99.333% of FELLC and a member of FELLC’s management owned 0.667%. On June 23, 2014, in connection with the initial public offering (“IPO”) of Foresight Energy LP (“FELP,” the “Partnership”, “we,” “us,” and “our”), Foresight Reserves and a member of FELLC’s management contributed their ownership interests in FELLC to FELP in exchange for common and subordinated units in FELP. FELP has been managed by Foresight Energy GP LLC (“FEGP”) subsequent to the IPO. On April 16, 2015, Murray Energy Corporation (“Murray Energy”) and Foresight Reserves completed a transaction whereby Murray Energy acquired a 34% voting interest in FEGP and all of the outstanding subordinated units of FELP, representing 50% ownership of the Partnership’s limited partner units outstanding at that time. On March 28, 2017, Murray Energy acquired an additional 46% voting interest in FEGP, thereby increasing Murray Energy’s voting interest in the FEGP to 80%.

We control over 1.7 billion tons of coal reserves (which excludes 322 million tons of coal reserves associated with our Hillsboro complex – see below), almost all of which exist in three large, contiguous blocks of coal: two in central Illinois and one in southern Illinois. Since our inception, we have invested significantly in capital expenditures to develop what we believe are industry-leading, geologically similar, low-cost and highly productive mines and related infrastructure. We currently operate under one reportable segment with three operating underground mining complexes in the Illinois Basin. Williamson and Sugar Camp are longwall operations, and Macoupin is currently a continuous miner operation. The Williamson complex operates with one longwall system and the Sugar Camp complex operates with two longwall mining systems.

Mining operations at Hillsboro have been idle since March 2015 due to a combustion event. In May 2017, we breached the seal and mine rescue teams evaluated the mine. In December 2017, we submitted a re-entry plan to MSHA, which contained a plan for the permanent sealing of the current longwall district of Hillsboro. In early 2018 the current longwall district was permanently sealed, resulting in certain longwall equipment and other related assets being permanently sealed within and unable to be recovered. As a result, a \$42.7 million impairment loss was recognized during 2017. In April 2018, we announced the closure of the Hillsboro complex in which we recorded an aggregate impairment charge of \$110.7 million, primarily related to mineral reserves, in the second quarter of 2018 as well as a benefit of \$69.1 million related to the write-off of the liability associated with an unfavorable royalty agreement. In October 2018, we reached a settlement of the litigation matters with WPP LLC (“WPP”) and, as a result of the settlement, we are currently evaluating our future options at Hillsboro.

Our coal is sold to a diverse customer base, including electric utility and industrial companies in the eastern half of the United States and internationally (primarily into Europe). We generally sell a majority of our coal to customers at delivery points other than our mines, including, but not limited to, our river terminal on the Ohio River and ports near New Orleans.

Pushdown Accounting

Murray Energy, as the acquirer of FELP through our general partner, had the option to apply pushdown accounting to our stand alone financial statements and elected to do so, therefore, our consolidated financial statements were adjusted to reflect the preliminary purchase accounting adjustments. Due to the application of pushdown accounting, our condensed consolidated financial statements are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented. The periods prior to the acquisition date are identified as “Predecessor” and the period after the acquisition date is identified as “Successor”. For accounting purposes, management has designated the acquisition date as March 31, 2017 (the “Acquisition Date”), as the operating results and change in financial position for the intervening period is not material.

As it relates to the results of operations, references to “Successor” are in reference to reporting dates on or after April 1, 2017, and references to “Predecessor” are in reference to reporting dates prior to and including March 31, 2017. While the 2017 Successor period and the 2017 Predecessor period are distinct reporting periods, the effects of the change of control did not have a material impact on the comparability of our results of operations between the periods, unless otherwise noted related to the impact from pushdown accounting.

Key Metrics

We assess the performance of our business using certain key metrics, which are described below and analyzed on a period-to-period basis. These key metrics include Adjusted EBITDA, production, tons sold, coal sales realization per ton sold, netback to mine realization per ton sold and cash cost per ton sold. Coal sales realization per ton sold is defined as coal sales divided by tons sold. Netback to mine realization per ton sold is defined as coal sales less transportation expense divided by tons sold. Cash cost per ton sold is defined as cost of coal produced (excluding depreciation, depletion and amortization) divided by produced tons sold.

We define Adjusted EBITDA as net income (loss) before interest, income taxes, depreciation, depletion, amortization and accretion. Adjusted EBITDA is also adjusted for equity-based compensation, losses/gains on commodity derivative contracts, settlements of derivative contracts, contract amortization and write-off, changes in the fair value of the warrants and material nonrecurring or other items which may not reflect the trend of future results. As it relates to derivatives, the Adjusted EBITDA calculation removes the total impact of derivative gains/losses on net income (loss) during the period and then adds/deducts to Adjusted EBITDA the aggregate settlements during the period. Adjusted EBITDA also includes any insurance recoveries received, regardless of whether they relate to the recovery of mitigation costs, the receipt of business interruption proceeds, or the recovery of losses on machinery and equipment.

Adjusted EBITDA is not a measure of performance defined in accordance with U.S. GAAP. However, management believes that Adjusted EBITDA is useful to investors in evaluating our performance because it is a commonly used financial analysis tool for measuring and comparing companies in our industry in areas of operating performance. Management believes that the disclosure of Adjusted EBITDA offers an additional view of our operations that, when coupled with our U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our results of operations and the factors and trends affecting our business. Adjusted EBITDA should not be considered as an alternative to net income (loss), operating income, cash flow from operations, or as a measure of profitability or liquidity under U.S. GAAP. The primary limitation associated with the use of Adjusted EBITDA as compared to U.S. GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in our industry, and (ii) it excludes financial information that some consider important in evaluating our performance. We compensate for these limitations by providing a reconciliation of Adjusted EBITDA to U.S. GAAP results to enable users to perform their own analysis of our operating results.

Results of Operations

Comparison of Three Months Ended September 30, 2018 (Successor) to Three Months Ended September 30, 2017 (Successor)

Coal Sales. The following table summarizes coal sales information during the three months ended September 30, 2018 and 2017 (in thousands, except per ton data).

	(Successor) Three Months Ended September 30, 2018	(Successor) Three Months Ended September 30, 2017	Variance	
Coal sales	\$ 291,987	\$ 229,670	\$ 62,317	27.1%
Tons sold	6,143	5,242	901	17.2%
Coal sales realization per ton sold ⁽¹⁾	\$ 47.53	\$ 43.81	\$ 3.72	8.5%
Netback to mine realization per ton sold ⁽²⁾	\$ 37.56	\$ 36.29	\$ 1.27	3.5%

(1) - Coal sales realization per ton sold is defined as coal sales divided by tons sold.

(2) - Netback to mine realization per ton sold is defined as coal sales less transportation expense divided by tons sold.

The increase in coal sales revenue from the prior year period was due to higher coal sales volumes combined with higher coal sales realization per ton sold. Coal sales volumes and coal sales realization per ton sold for the three months ended September 30, 2018 were higher as compared to the prior year period due to increased export sales, which experienced more favorable API2 pricing during 2018.

Cost of Coal Produced (Excluding Depreciation, Depletion and Amortization). The following table summarizes cost of coal produced (excluding depreciation, depletion and amortization) information for the three months ended September 30, 2018 and 2017 (in thousands, except per ton data).

	(Successor) Three Months Ended September 30, 2018	(Successor) Three Months Ended September 30, 2017	Variance	
Cost of coal produced (excluding depreciation, depletion and amortization)	\$ 133,670	\$ 122,839	\$ 10,831	8.8%
Produced tons sold	6,000	5,242	758	14.5%
Cash cost per ton sold ⁽¹⁾	\$ 22.28	\$ 23.43	\$ (1.15)	-4.9%
Tons produced	6,167	5,297	870	16.4%

(1) - Cash cost per ton sold is defined as cost of coal produced (excluding depreciation, depletion and amortization) divided by produced tons sold.

The increase in cost of coal produced (excluding depreciation, depletion and amortization) from the prior year period was due to an increase in produced tons sold offset by a lower cash cost per ton sold. The lower cash cost per ton sold resulted from no longwall moves occurring during the third quarter of 2018, compared to one longwall move in the prior year period. Additionally, cost of coal produced (excluding depreciation, depletion and amortization) for the third quarter of 2017 included \$4.3 million arising from the non-cash adjustment of inventory to fair value related to our pushdown accounting.

Cost of Coal Purchased. From time to time, we purchase coal from Murray Energy and its affiliates to, among other things, meet customer contractual obligations. Such purchases totaled \$6.3 million during the three months ended September 30, 2018. We had no such purchases during the three months ended September 30, 2017.

Transportation. Our cost of transportation for the three months ended September 30, 2018 increased approximately \$21.8 million from the three months ended September 30, 2017 due to a higher percentage of our sales going to the export market during the current year period and the additional transportation and transloading costs associated therewith.

Contract Amortization and Write-off. During the three months ended September 30, 2018 and 2017, we recorded amortization benefit of \$4.9 million and \$15.6 million, respectively, on the favorable/unfavorable sales and royalty contract assets and liabilities recorded as part of our pushdown accounting.

Selling, General and Administrative. The increase in selling, general and administrative expense for the three months ended September 30, 2018 as compared to the prior year period was primarily due to increased sales and marketing expense associated with our increased export sales volumes as well as legal expenses associated with the Hillsboro matters discussed in “Item 1. Financial Statements – Note 12. Contingencies”.

Loss on Commodity Derivative Contracts. We recorded a loss on our commodity contracts of \$1.1 million for the three months ended September 30, 2017. We had no open commodity contracts during the three months ended September 30, 2018.

Other Operating (Income) Expense, Net. Other operating (income) expense, net increased \$24.9 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 due to the \$25.0 million charge related to the settlement of litigation related to the Hillsboro matters discussed in “Item 1. Financial Statements – Note 12. Contingencies”.

Interest Expense, Net. Interest expense, net for the three months ended September 30, 2018 increased \$0.6 million as compared to the three months ended September 30, 2017 primarily due to outstanding borrowings on our revolving credit facility and overall higher variable interest rates during the third quarter of 2018, offset by lower overall outstanding principal balances.

Adjusted EBITDA. Adjusted EBITDA decreased \$9.2 million from the prior year period due primarily due to the settlement of litigation related to the Hillsboro matters offset by higher coal sales realization per ton and lower cash costs per ton sold on overall increased sales volumes. The table below reconciles net loss to Adjusted EBITDA for the three months ended September 30, 2018 and 2017 (in thousands).

	(Successor) Three Months Ended September 30, 2018	(Successor) Three Months Ended September 30, 2017
Net loss ⁽¹⁾⁽²⁾	\$ (27,701)	\$ (13,581)
Interest expense, net	36,619	35,988
Depreciation, depletion and amortization	52,780	53,754
Accretion on asset retirement obligations	558	726
Contract amortization and write-off	(4,855)	(15,611)
Noncash impact of recording coal inventory to fair value in pushdown accounting	—	4,306
Equity-based compensation	178	228
Long-lived asset impairments	—	—
Loss on commodity derivative contracts	—	1,101
Settlements of commodity derivative contracts	—	(124)
Adjusted EBITDA	<u>\$ 57,579</u>	<u>\$ 66,787</u>

(1) - Included in net loss during the three months ended September 30, 2018 was expense of \$25.0 million related to the settlement of litigation related to the Hillsboro matters.

(2) - Included in net loss during the three months ended September 30, 2017 was insurance proceeds of \$1.5 million from the Hillsboro mine combustion event.

For a discussion on Adjusted EBITDA, please read Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics.”

Comparison of the Nine Months Ended September 30, 2018 (Successor) to the Period from January 1, 2017 to March 31, 2017 (Predecessor) and the Period from April 1, 2017 to September 30, 2017 (Successor)

Coal Sales. The following table summarizes coal sales information during the nine months ended September 30, 2018 to the period from January 1, 2017 to March 31, 2017 and the period from April 1, 2017 to September 30, 2017 (in thousands, except per ton data).

	(Successor)		(Predecessor)		Variance — Nine Months Ended September 30, 2018 versus Combined Period from January 1, 2017 to September 30, 2017	
	(Successor) Nine Months Ended September 30, 2018	Period From April 1, 2017 through September 30, 2017	Period From January 1, 2017 through March 31, 2017	Combined - Period From January 1, 2017 through September 30, 2017		
Coal sales	\$ 800,366	\$ 434,186	\$ 227,813	\$ 661,999	\$ 138,367	20.9%
Tons sold	17,250	10,077	5,283	15,360	1,890	12.3%
Coal sales realization per ton sold ⁽¹⁾	\$ 46.40	\$ 43.09	\$ 43.12	\$ 43.10	\$ 3.30	7.7%
Netback to mine realization per ton sold ⁽²⁾	\$ 36.73	\$ 36.37	\$ 35.98	\$ 36.24	\$ 0.49	1.4%

(1) - Coal sales realization per ton sold is defined as coal sales divided by tons sold.

(2) - Netback to mine realization per ton sold is defined as coal sales less transportation expense divided by tons sold.

The increase in coal sales revenue from the prior year period was due to higher coal sales volumes combined with higher coal sales realization per ton sold. Coal sales volumes and coal sales realization per ton sold for the nine months ended September 30, 2018 were higher as compared to the prior year period due to increased export sales, which experienced more favorable API2 pricing during 2018.

Cost of Coal Produced (Excluding Depreciation, Depletion and Amortization). The following table summarizes cost of coal produced (excluding depreciation, depletion and amortization) information during the nine months ended September 30, 2018 to the period from January 1, 2017 to March 31, 2017, the period from April 1, 2017 to September 30, 2017 (in thousands, except per ton data).

	(Successor)		(Predecessor)		Variance — Nine Months Ended September 30, 2018 versus Combined Period from January 1, 2017 to September 30, 2017	
	(Successor) Nine Months Ended September 30, 2018	Period From April 1, 2017 through September 30, 2017	Period From January 1, 2017 through March 31, 2017	Combined - Period From January 1, 2017 through September 30, 2017		
Cost of coal produced (excluding depreciation, depletion and amortization)	\$ 391,222	\$ 228,629	\$ 117,762	\$ 346,391	\$ 44,831	12.9%
Produced tons sold	16,978	10,077	5,165	15,242	1,736	11.4%
Cash cost per ton sold ⁽¹⁾	\$ 23.04	\$ 22.69	\$ 22.80	\$ 22.73	\$ 0.31	1.4%
Tons produced	17,252	10,957	5,267	16,224	1,028	6.3%

(1) - Cash cost per ton sold is defined as cost of coal produced (excluding depreciation, depletion and amortization) divided by produced tons sold.

The increase in cost of coal produced (excluding depreciation, depletion and amortization) from the prior year period was due to an increase in produced tons sold as well as a slightly higher cash cost per ton sold resulting primarily from challenging longwall moves in the current year period as well as increased expenses relating to royalties and subsidence. The higher royalty and subsidence expenses are functions of which coal reserve leases and land parcels that we currently mine. Royalty expense also increased because of higher coal sales realizations per ton.

Cost of Coal Purchased. From time to time, we purchase coal from Murray Energy and its affiliates to, among other things, meet customer contractual obligations. Such purchases totaled \$12.0 million and \$8.0 million during the nine months ended September 30, 2018 and the period from January 1, 2017 to March 31, 2017, respectively. We had no such purchases during the period from April 1, 2017 to September 30, 2017.

Transportation. Our cost of transportation for the nine months ended September 30, 2018 increased \$61.3 million as compared to the period from January 1, 2017 to March 31, 2017 and for the period from April 1, 2017 to September 30, 2017, in aggregate, due to a higher percentage of our sales going to the export market during the current year period and the additional transportation and transloading costs associated therewith.

Contract Amortization and Write-off. During the nine months ended September 30, 2018 and the period from January 1, 2017 to March 31, 2017 and for the period from April 1, 2017 to September 30, 2017, in aggregate, we recorded amortization benefit of \$76.7 million and \$6.9 million, respectively, on the favorable/unfavorable sales and royalty contract assets and liabilities recorded as part of our pushdown accounting. The current year period includes a benefit of \$69.1 million associated with the write-off of an unfavorable royalty agreement resulting from the permanent closure of Hillsboro.

Depreciation, Depletion and Amortization. The increase in depreciation, depletion and amortization expense for the nine months ended September 30, 2018 compared to the prior year period was primarily the result of increased depreciation and depletion expense resulting from recording our assets at estimated fair value from the application of pushdown accounting.

Selling, General and Administrative. The increase in selling, general and administrative expense for the nine months ended September 30, 2018 as compared to the prior year period was primarily due to the increase in the management services agreement with Murray Energy upon the exercise of the FEGP Option in March 2017, increased sales and marketing expense associated with our increased export sales volumes, and legal expenses associated with the Hillsboro matters discussed in “Item 1. Financial Statements – Note 9. Contingencies”.

Long-lived Asset Impairments. In April 2018, we announced the permanent closure of the Hillsboro complex in which we recorded an aggregate impairment charge of \$110.7 million in the second quarter of 2018, primarily related to the mineral reserves.

Loss on Commodity Derivative Contracts. We recorded a loss on our commodity contracts of \$3.7 million, in aggregate for the period from January 1, 2017 to March 31, 2017 and the period from April 1, 2017 to September 30, 2017. We had no open commodity contracts during the nine months ended September 30, 2018.

Other Operating (Income) Expense, Net. Other operating (income) expense, net increased \$5.7 million for the nine months ended September 30, 2018 as compared to the aggregate prior year periods primarily due to the receipt of \$43.0 million in payments from insurance companies offset by \$25.0 million for the settlement of litigation related to the Hillsboro matters discussed in “Item 1. Financial Statements – Note 12. Contingencies”. This compares to \$12.8 million in payments from insurance companies in the prior year period. We continue to pursue additional remedies under our insurance policies; however, there can be no assurances that we will receive any further insurance recoveries related to the Hillsboro combustion event.

Interest Expense, Net. Interest expense, net for the nine months ended September 30, 2018 decreased \$5.5 million compared to the period from January 1, 2017 to March 31, 2017 and for the period from April 1, 2017 to September 30, 2017, in aggregate, primarily due to lower effective interest rates on our existing debt compared to the interest rates on the indebtedness retired in the March 2017 Refinancing Transaction. The decrease was slightly offset by increased interest expense on revolving credit facility borrowings outstanding and overall higher variable interest rates during 2018.

Change in Fair Value of Warrants. The warrants issued as part of our August 2016 debt restructuring (the “August 2016 Restructuring Transactions”) were required to be accounted for as a liability at fair value and revalued at each balance sheet date until the earlier of the exercise of the warrants, their expiration, or until any feature requiring liability treatments expires or is modified. During the period from January 1, 2017 to March 31, 2017, a gain of \$9.3 million was recorded to adjust the warrants to fair value, which was primarily driven by the increase in the price of our units subsequent to the closing date of the August 2016 Restructuring Transactions. Concurrent with the March 2017 Refinancing Transactions, the establishment of an exchange rate for the conversion of the warrants to a number of common units resulted in the warrants meeting the “indexed to its own stock exception” under ASC 815-40-15-7C; and therefore, the warrant liability was reclassified to partners’ capital and is to be remeasured prospectively.

Loss on Extinguishment of Debt. The \$95.5 million loss on the early extinguishment of debt recognized during the period from January 1, 2017 to March 31, 2017 was due to the incurrence of \$57.6 million in make-whole/equity-claw premiums and other costs to retire debt arising from the August 2016 Restructuring Transactions early and the write-off of \$37.9 million of unamortized debt discounts and debt issuance costs from the retired debt.

Adjusted EBITDA. Adjusted EBITDA from the nine months ended September 30, 2018 increased \$11.5 million from the prior year period due primarily to higher coal sales realization per ton on overall increased sales volumes and the receipt of insurance proceeds offset by the settlement of litigation related to the Hillsboro matters. The table below reconciles net loss to Adjusted EBITDA for the nine months ended September 30, 2018 and for the period from January 1, 2017 to March 31, 2017 and for the period from April 1, 2017 to September 30, 2017 (in thousands).

	(Successor) Nine Months Ended September 30, 2018	(Successor) Period From April 1, 2017 through September 30, 2017	(Predecessor) Period From January 1, 2017 through March 31, 2017	Combined - Period From January 1, 2017 through September 30, 2017
Net loss ⁽¹⁾⁽²⁾	\$ (78,492)	\$ (29,858)	\$ (111,184)	\$ (141,042)
Interest expense, net	109,327	71,408	43,380	114,788
Depreciation, depletion and amortization	159,512	103,291	39,298	142,589
Accretion on asset retirement obligations	1,848	1,454	710	2,164
Contract amortization and write-off	(76,699)	(6,878)	—	(6,878)
Noncash impact of recording coal inventory to fair value in pushdown accounting	—	8,868	—	8,868
Equity-based compensation	530	439	318	757
Long-lived asset impairments	110,689	—	—	—
Loss on commodity derivative contracts	—	2,218	1,492	3,710
Settlements of commodity derivative contracts	—	320	3,724	4,044
Change in fair value of warrants	—	—	(9,278)	(9,278)
Loss on early extinguishment of debt	—	—	95,510	95,510
Adjusted EBITDA	<u>\$ 226,715</u>	<u>\$ 151,262</u>	<u>\$ 63,970</u>	<u>\$ 215,232</u>

(1) - Included in net loss during the nine months ended September 30, 2018 was expense of \$25.0 million related to the settlement of litigation related to the Hillsboro matters.

(2) - Included in net loss during the nine months ended September 30, 2018 and the combined period ended September 30, 2017 was insurance proceeds of \$44.1 million and \$14.3 million, respectively, from the Hillsboro mine combustion event.

For a discussion on Adjusted EBITDA, please read Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics.”

Liquidity and Capital Resources

Our primary cash requirements include, but are not limited to, working capital needs, capital expenditures, and debt service costs (interest and principal). The consummation of the March 2017 Refinancing Transactions required us to use more than \$100 million of cash; however, the refinancing substantially extended our debt maturities, provided us with operating liquidity through a \$170.0 million revolving credit facility (the “Revolving Credit Facility”) and refinanced certain high effective interest rates. As of September 30, 2018, we had \$43.1 million of cash on hand and available borrowing capacity under the Revolving Credit Facility (net of outstanding letters of credit) of \$129.7 million. As noted in “Item 1. Financial Statements – Note 12. Contingencies”, we made a payment of \$25.0 million in October 2018 related to the settlement of litigation related to the Hillsboro matters.

The Credit Facilities (defined below) resulting from the March 2017 Refinancing Transactions require us to utilize excess cash flows to prepay outstanding borrowings (the “Excess Cash Flow Provisions”), subject to certain exceptions, with:

- 75% (which percentage will be reduced to 50%, 25% and 0% based on satisfaction of specified net secured leverage ratio tests) of our annual excess cash flow, as defined under the Credit Facilities;
- 100% of the net cash proceeds of non-ordinary course asset sales and other dispositions of property, in each case subject to certain exceptions and customary reinvestment rights;
- 100% of the net cash proceeds of insurance (other than insurance proceeds relating to the Deer Run mine), in each case subject to certain exceptions and customary reinvestment rights; and
- 100% of the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Credit Facilities.

During the nine months ended September 30, 2018, we prepaid \$53.8 million of outstanding borrowings pursuant to the Excess Cash Flow Provisions under the Credit Facilities for the annual period ending December 31, 2017. The prepayment was payable 95 days after year-end.

Our operations are capital intensive, requiring investments to expand, maintain or enhance existing operations and to meet environmental and operational regulations. Our future capital spending will be determined by the board of directors of our general partner. Our capital requirements at this time consist of maintenance capital expenditures. Maintenance capital expenditures are cash expenditures made to maintain our then-current operating capacity or net income as they exist at such time as the capital expenditures are made. Our maintenance capital expenditures can be irregular, causing the amount spent to differ materially from period to period.

Expansion capital expenditures are cash expenditures made to increase, over the long-term, our operating capacity or net income as it exists at such time as the capital expenditures are made. Expansion capital expenditures have declined significantly since early-2015 and no significant expansion capital expenditure plans are currently planned. Future longwall development and the associated expansion capital expenditures will be dependent upon several factors, including permitting, demand, access to capital, equipment availability and the committed sales position at our existing mining operations.

Distributions

The restricted payment provisions in our Credit Facilities are not explicitly restrictive in terms of our ability to pay discretionary distributions. However, the Credit Facilities could require us to utilize a substantial amount of our annual excess cash flow to prepay outstanding borrowings based on satisfaction of specified net secured leverage ratios defined under the Credit Facilities. This excess cash flow provision is therefore currently restrictive to our ability to meaningfully resume distributions in the near term.

Changes in Cash Flows

The following is a summary of cash provided by or used in each of the indicated types of activities:

	(Successor) Nine Months Ended September 30, 2018	(Successor) Period from April 1, 2017 to September 30, 2017	(Predecessor) Period from January 1, 2017 to March 31, 2017	Combined — Period from January 1, 2017 to September 30, 2017
	<i>(In Thousands)</i>		<i>(In Thousands)</i>	
Net cash provided by operating activities	\$ 133,604	\$ 100,080	\$ 19,650	\$ 119,730
Net cash used in investing activities	\$ (5,531)	\$ (35,508)	\$ (13,785)	\$ (49,293)
Net cash used in financing activities	\$ (87,182)	\$ (42,336)	\$ (108,062)	\$ (150,398)

For the nine months ended September 30, 2018, net cash provided by operating activities was \$133.6 million compared to \$119.7 million provided by operating activities for the period from January 1, 2017 to March 31, 2017 and for the period April 1, 2017 to September 30, 2017, in aggregate. The increase in cash provided by operating activities for the current period is primarily the result of higher coal sales realization per ton on overall increased sales volumes and various working capital variances. Significant working capital variances as compared to the prior period included:

- a \$22.9 million favorable due from/to affiliates, net variance which is a function of the timing of coal shipments with Murray Energy and its affiliates;
- a \$12.8 million favorable inventory variance driven by significantly higher coal inventory as of September 30, 2017;
- a \$32.6 million unfavorable accounts receivable variance which is a function of the timing of cash receipts; and
- a \$33.8 million favorable variance in accounts payable and accrued expenses which is a function of the timing of vendor payments.

For the nine months ended September 30, 2018, net cash used in investing activities was \$5.5 million compared to \$49.3 million used in investing activities for the period from January 1, 2017 to March 31, 2017 and for the period April 1, 2017 to September 30, 2017, in aggregate. Cash used in investing activities in the current year period resulted primarily from capital expenditures of \$50.9 million compared with \$56.9 million during the prior year period. Current year period outflows were offset by \$43.0 million in insurance recoveries related to the combustion event at our Hillsboro operation. Cash from investing activities during the prior year period also benefited from \$3.5 million in cash proceeds from the early settlement of certain coal derivative contracts and \$1.9 million from the sale of property and equipment.

For the nine months ended September 30, 2018, net cash used in financing activities was \$87.2 million compared to \$150.4 million used in financing activities for the period from January 1, 2017 to March 31, 2017 and for the period April 1, 2017 to September 30, 2017, in aggregate. Cash used in financing activities in the current year period resulted primarily from \$93.9 million in payments on long-term debt and capital lease obligations and \$13.6 million in distributions paid to common unitholders, offset by \$28 million in net borrowings on the Revolving Credit Facility. In the prior year period, cash used in financing activities primarily related

to the March 2017 Refinancing Transactions, in which we extinguished our prior debt and issued new debt. We incurred \$57.6 million in costs to extinguish the prior debt and \$27.3 million of costs to issue the new debt. Additionally, the prior year period included cash proceeds of \$60.6 million from the issuance of common units to Murray Energy and its affiliates.

Long-Term Debt and Sale-Leaseback Financing Arrangements

Summary of March 2017 Refinancing Transactions and Additional Murray Energy Investment

On March 27, 2017, Murray Energy contributed \$60.6 million in cash (the “Murray Investment”) to FELP in exchange for 9,628,108 common units of FELP. The cash was utilized to redeem, pursuant to an equity claw redemption provision, \$54.5 million of the then outstanding Second Lien Senior Secured PIK Notes due 2021 (the “Prior Second Lien Notes”) at a redemption price equal to 110% of the principal thereof, plus accrued and unpaid interest.

On March 28, 2017 (the “Closing Date”), FELP, together with its wholly-owned subsidiaries FELLC (the “Borrower”) and Foresight Energy Finance Corporation (the “Co-Issuer” and together with FELLC, the “Issuers”) and certain of the Issuers’ subsidiaries, completed the March 2017 Refinancing Transactions, which were a series of transactions to refinance certain previously outstanding indebtedness. The debt issued was as follows:

- The Issuers issued \$425 million aggregate principal amount of Second Lien Senior Secured Notes due 2023 (the “Second Lien Notes due 2023”) and
- The Borrower entered into a new credit agreement (the “New Credit Agreement”) providing for new senior secured first-priority credit facilities (the “Credit Facilities”) consisting of a new senior secured first-priority \$825.0 million term loan with a five-year maturity (the “Term Loan due 2022”) and the Revolving Credit Facility, which is a new senior secured first-priority \$170.0 million revolving credit facility with a maturity of four years, including both a letter of credit sub-facility and a swing-line loan sub-facility.

The Partnership retired the following indebtedness in the March 2017 Refinancing Transactions:

- the remaining Prior Second Lien Notes at a redemption price equal to the principal amount thereof plus the applicable premium as of, and accrued and unpaid interest;
- the Second Lien Senior Secured Exchangeable PIK Notes due 2017 (the “Exchangeable PIK Notes”) at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest; and
- the Partnership’s outstanding credit facilities (the “Prior Credit Facilities”), including the revolving credit facility (the “Prior Revolving Credit Facility”) and the term loan (the “Prior Term Loan”), including, in each case, accrued and unpaid interest.

Description of the Credit Facilities

The Term Loan due 2022 was issued at an initial discount of \$12.4 million, which is being amortized using the effective interest method over the term of the loan. Amounts outstanding under the Credit Facilities bear interest as follows:

- in the case of the Term Loan due 2022, at the Borrower’s option, at (a) LIBOR (subject to a floor of 1.00%) plus 5.75% per annum; or (b) a base rate plus 4.75% per annum; and
- in the case of borrowings under the Revolving Credit Facility, at the Borrower’s option, at (a) LIBOR (subject to a floor of zero) plus an applicable margin ranging from 5.25% to 5.50% per annum or (b) a base rate plus an applicable margin ranging from 4.25% to 4.50% per annum, in each case, such applicable margins to be determined based on our net first lien secured leverage ratio.

In addition to paying interest on the outstanding principal under the Credit Facilities, we are required to pay a quarterly commitment fee with respect to the unused portions of our Revolving Credit Facility and customary letter of credit fees. The Credit Facilities originally required scheduled quarterly amortization payments on the Term Loan due 2022 in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Loan due 2022, with the balance to be paid at maturity. However, the \$53.8 million prepayment required pursuant to the Excess Cash Flow Provisions is to be applied against the future scheduled quarterly amortization payments on the Term Loan due 2022. Accordingly, no additional amortization payments on the Term Loan due 2022 are required prior to maturity.

The Credit Facilities require us to prepay outstanding borrowings, subject to certain exceptions, as described under “Liquidity and Capital Resources” above. We may also voluntarily repay outstanding loans under the Credit Facilities at any time, without prepayment premium or penalty, except in connection with a repricing transaction in respect of the Term Loan due 2022, in each case subject to customary “breakage” costs with respect to Eurodollar Rate loans. All obligations under the Credit Facilities are guaranteed

by FELP on a limited recourse basis (where recourse is limited to its pledge of stock of the Borrower) and are or will be unconditionally guaranteed, jointly and severally, on a senior secured first-priority basis by each of the Borrower's existing and future direct and indirect, wholly-owned domestic restricted subsidiaries (which do not currently include Hillsboro Energy LLC), subject to certain exceptions.

The Credit Facilities require that we comply on a quarterly basis with a maximum net first lien secured leverage ratio of 3.75:1.00, stepping down by 0.25x in each of the first quarters of 2019 and 2021, which financial covenant is solely for the benefit of the lenders under the Revolving Credit Facility. The Credit Facilities also contain certain customary affirmative covenants and events of default, including relating to a change of control.

As of September 30, 2018, \$762.9 million in principal was outstanding under the Term Loan due 2022 and there was \$28.0 million in borrowings outstanding under the Revolving Credit Facility. During the nine months ended September 30, 2018, we prepaid \$53.8 million of outstanding borrowings pursuant to the Excess Cash Flow Provisions under the Credit Facilities for the annual period ended December 31, 2017. The prepayment was payable 95 days after year-end.

Description of the Second Lien Notes due 2023

On the Closing Date, the Issuers issued \$425 million aggregate principal amount of Second Lien Notes due 2023 (the "Notes") pursuant to an indenture (the "Indenture"), by and among the Issuers, the guarantors party thereto and the trustee. The Notes have a maturity date of April 1, 2023 and bear interest at a rate of 11.50% per annum, payable in cash semi-annually on April 1 and October 1 (commencing on October 1, 2017). The Notes were issued at an initial discount of \$3.2 million, which is being amortized using the effective interest method over the term of the notes. The obligations under the Notes are unconditionally guaranteed, jointly and severally, on a senior secured second-priority basis by each of the Issuers' wholly-owned domestic subsidiaries that guarantee the Credit Facilities (which do not include Hillsboro Energy LLC). The Indenture contains certain usual and customary negative covenants and events of default, including related to a change in control.

Prior to April 1, 2020, the Issuers may redeem the Notes in whole or in part at a price equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, plus the applicable "make-whole" premium. In addition, prior to April 1, 2020, the Issuers may redeem up to 35% of the aggregate principal amount of the Notes at a price equal to 111.50% of the aggregate principal amount of the Notes redeemed with the proceeds from a qualified equity offering, subject to at least 50% of the aggregate principal amount of the Notes remaining outstanding after giving effect to any such redemption. On or after April 1, 2020, the Issuers may redeem the Notes at a price equal to: (i) 105.750% of the aggregate principal amount of the Notes redeemed prior to April 1, 2021; (ii) 102.875% of the aggregate principal amount of the Notes redeemed on or after April 1, 2021 but prior to April 1, 2022; and (iii) 100.000% of the aggregate principal amount of the Notes redeemed thereafter.

Longwall Financing Arrangements and Capital Lease Obligations

In November 2014, we entered into a sale-leaseback financing arrangement with a financial institution under which we sold a set of longwall shields and related equipment for \$55.9 million and leased the shields back under three individual leases. We account for these leases as capital lease obligations since ownership of the longwall shields and related equipment transfer back to us upon the completion of the leases. Principal and interest payments are due monthly over the five-year terms of the leases. Aggregate termination payments of \$2.8 million are due at the end of the lease terms. As of September 30, 2018, \$16.8 million was outstanding under these capital lease obligations.

In May 2010, we entered into a credit agreement with a financial institution to provide financing for longwall equipment and related parts and accessories. The financing agreement also provided for financing of loan fees and eligible interest during the construction of the longwall equipment. The financing arrangement is collateralized by the longwall equipment. Interest accrues on the note at a fixed rate per annum of 5.555% and is due semiannually in March and September until maturity. Principal is due in semiannual payments through maturity. The maturity date of the 5.555% longwall financing arrangement is September 2019. In addition, on the Closing Date, certain covenants and definitions in the credit agreements and guaranty agreements were conformed to the covenants and definitions in the Credit Facilities. The outstanding balance as of September 30, 2018 was \$10.8 million. Due to the receipt of payments from our insurance companies during the second quarter 2018, we prepaid approximately \$4.6 million of principal on the 5.555% longwall financing arrangement during the third quarter 2018.

In January 2010, we entered into a credit agreement with a financial institution to provide financing for longwall equipment and related parts and accessories. The financing agreement also provided for financing of the loan fees and eligible interest during the construction of the longwall equipment. The financing arrangement is collateralized by the longwall equipment. Interest accrues on the note at a fixed rate per annum of 5.78% and is due semiannually in June and December until maturity. Principal is due in semiannual payments through maturity. The maturity date of the 5.78% longwall financing arrangement is June 2019. In addition, on

the Closing Date, certain covenants and definitions in the credit agreements and guaranty agreements were conformed to the covenants and definitions in the Credit Facilities. The outstanding balance as of September 30, 2018 was \$18.7 million.

Sale-Leaseback Financing Arrangements

In 2009, Macoupin sold certain of its coal reserves and rail facility assets to WPP, a subsidiary of Natural Resource Partners LP (“NRP”), and leased them back. The gross proceeds from this transaction were \$143.5 million. As Macoupin has continuing involvement in the assets sold, the transaction is treated as a financing arrangement. The Macoupin financing arrangement has been adjusted to fair value as part of pushdown accounting. The Macoupin financing arrangement had a carrying value of \$132.1 million as of September 30, 2018 and an effective interest rate of 14.8%.

In 2012, Sugar Camp sold certain rail facility assets to HOD LLC (“HOD”), a subsidiary of NRP, and leased them back. The gross proceeds from this transaction were \$50.0 million. As Sugar Camp has continuing involvement in the assets sold, the transaction is treated as a financing arrangement. The Sugar Camp financing arrangement has been adjusted to fair value as part of pushdown accounting. The Sugar Camp financing arrangement had a carrying value of \$66.0 million as of September 30, 2018 and an effective interest rate of 8.3%.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements, including operating leases, coal reserve leases, take-or-pay transportation obligations, indemnifications and financial instruments with off-balance sheet risk, such as bank letters of credit and surety bonds. Liabilities related to these arrangements are generally not reflected in our consolidated balance sheets and, except for the coal reserve leases, take-or-pay transportation obligations and operating leases, we do not expect any material impact on our cash flows, results of operations or financial condition to result from these off-balance sheet arrangements.

From time to time, we use bank letters of credit to primarily secure our obligations for certain employee and environmental obligations. At September 30, 2018, we had \$12.3 million of letters of credit outstanding, which were secured by our Revolving Credit Facility.

Regulatory authorities require us to provide financial assurance to secure, in whole or in part, our future reclamation projects. We had outstanding surety bonds with third parties of \$90.7 million as of September 30, 2018 to secure reclamation and other performance commitments.

Related-Party Transactions

See “Item 1. Financial Statements – Note 9. Related-Party Transactions” of this Quarterly Report on Form 10-Q. See also Part III. “Item 13. Certain Relationships and Related Transactions” in the Annual Report on Form 10-K filed with the SEC on March 7, 2018.

Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented

See “Item 1. Financial Statements – Note 2. New Accounting Standards” of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying condensed consolidated financial statements and related footnotes. In preparing these financial statements, we have made our best estimates of certain amounts included in the financial statements. Application of these accounting policies and estimates, however, involves the exercise of judgment and use of assumptions as to future uncertainties, and as a result, actual results could differ from these estimates. In arriving at our critical accounting estimates, factors we consider include how accurate the estimates or assumptions have been in the past, how much the estimates or assumptions have changed and how reasonably likely such change may have a material impact. Our critical accounting policies and estimates are more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Annual Report on Form 10-K filed with the SEC on March 7, 2018. Other than as indicated in this Quarterly Report on Form 10-Q related to the adoption of the new revenue standard, there have been no significant changes to our prior critical accounting policies and estimates subsequent to December 31, 2017, or new accounting pronouncements impacting our results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We define market risk as the risk of economic loss as a consequence of the adverse movement of market rates and prices. We believe our principal market risks include commodity price risk and interest rate risk, which are disclosed below.

Commodity Price Risk

We have commodity price risk as a result of changes in the market value of our coal. We try to minimize this risk by entering into fixed price coal supply agreements and, from time to time, commodity hedge agreements.

Interest Rate Risk

We are exposed to market risk associated with interest rates due to our existing level of indebtedness. At September 30, 2018, of our nearly \$1.3 billion in long-term debt and capital lease obligations outstanding, \$790.9 million of outstanding borrowings have interest rates that fluctuate based on changes in market interest rates. A one percentage point increase in the interest rates related to our variable interest borrowings would result in an annualized increase in interest expense of approximately \$7.9 million.

Item 4. Controls and Procedures.

We evaluated, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2018. Based on that evaluation, our management, including our chief executive officer and principal financial officer, concluded that the disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to our management to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION.

Item 1. Legal Proceedings.

See Part I. “Item 1. Financial Statements –Note 12, Contingencies,” to the condensed consolidated financial statements included in this report relating to certain legal proceedings, which information is incorporated by reference herein. See also Part I. “Item 3. Legal Proceedings” in our Annual Report on Form 10-K filed with the SEC on March 7, 2018.

Item 1A. Risk Factors.

You should carefully consider the risk factors discussed under Part I. “Item 1A. Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 7, 2018, which risks could have a material adverse effect on our business, financial condition, or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may have a material adverse effect on our business, operations, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Information concerning mine safety violations or other regulatory matters required by SEC regulations is included in Exhibit 95.1 of this Form 10-Q.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	<u>Certificate of Limited Partnership of Foresight Energy LP (f/k/a Foresight Energy Partners LP) (incorporated herein by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on February 2, 2012 (SEC File No. 333-179304)).</u>
3.2	<u>First Amended and Restated Agreement of Limited Partnership of Foresight Energy LP (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 23, 2014 (SEC File No. 001-36503)).</u>
3.3	<u>First Amendment to First Amended and Restated Agreement of Limited Partnership of Foresight Energy LP, dated as of August 30, 2016, entered into by Foresight Energy GP LLC (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on September 6, 2016 (SEC File No. 001-36503)).</u>
10.1*	<u>Settlement Agreement between WPP LLC and its related entities and Foresight Energy LP and its related entities.</u>
10.2*	<u>Mutual Release of All Claims dated October 19, 2018 by WPP LLC and Hillsboro Energy LLC; Foresight Energy GP LLC; Foresight Energy LP; Foresight Energy LLC; Foresight Energy Services LLC.</u>
10.3*	<u>Limited Commercial Guaranty dated October 19, 2018 by Foresight Energy LP and WPP LLC.</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</u>
32.1**	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2012.</u>
32.2**	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2012.</u>
95.1*	<u>Mine Safety Disclosure Exhibit.</u>
101*	Interactive Data File (Form 10-Q for the quarter ended September 30, 2018) filed in XBRL. The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed”.
*	Filed herewith.
**	Furnished

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 7, 2018.

Foresight Energy LP

By: Foresight Energy GP LLC,
its general partner

/s/ Robert D. Moore

Robert D. Moore

*Chairman of the Board, President and
Chief Executive Officer*

/s/ Jeremy J. Harrison

Jeremy J. Harrison

Principal Financial Officer and Chief Accounting Officer

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

Settlement Agreement

Whereas WPP LLC ("WPP"), as Plaintiff, brought the lawsuit styled No. 15-L-18; *WPP LLC v. Hillsboro Energy LL, et al*; In the Circuit Court of the Fourth Judicial Circuit; Montgomery County, Illinois (the "Lawsuit") against Hillsboro Energy LLC; Foresight Energy Partners, LP; Foresight Energy, GP; and Foresight Energy Services, LLC (Collectively referred to herein as "Foresight") as Defendants ("Hillsboro Litigation").

Whereas, WPP and Hod LLC, as Plaintiff, brought the lawsuit styled No. 2016CH30 in the Circuit Court of Macoupin County against Macoupin Energy LLC and Foresight Energy LLC (the Macoupin Energy Litigation);

Whereas WPP and Williamson Energy LLC are parties to a Lease dated August 14, 2006, as amended;

Whereas, Williamson Energy LLC and Williamson Transport LLC are parties to an Amended and Restated Surface Sublease and Operation Agreement dated as of October 15, 2006;

Whereas WPP and Foresight agree to resolve all claims in the Hillsboro Litigation and agree to the following (the Agreement):

- (1) Foresight will make a payment of \$25 million within one (1) business day from the execution of definitive documentation effecting this Agreement. This payment will be in full and final settlement of all claims or amounts possibly owing arising prior to 1/1/19 under or related to the Hillsboro Lease and/or the Hillsboro Litigation.
- (2) Beginning 1/1/19, the minimum royalties in the Hillsboro Lease will be reduced from \$30 million a year to \$11 million per year, paid in equal quarterly installments. The requirement to make minimum royalty payments will last until the minimum has become due and paid for the quarter ending December 31, 2033. This annual minimum payment is in addition to the flat royalty provided in Section 3 below. The minimum royalty provided in this Section 2 is not recoupable.
- (3) 6% flat royalty on the Gross Selling Price (as defined in the Hillsboro Lease).
- (4) In the event Hillsboro's Deer Run mine has another mine fire that is in excess of 90 days in duration, Hillsboro has the

option to surrender the Lease to WPP. If Hillsboro surrenders the Lease, Foresight will cause Hillsboro and each of its other subsidiaries to simultaneously offer to transfer to WPP all equipment, infrastructure (including, but not limited to the preparation plant, the wash plant, the rail loop, and the load out), permits, books and records, and all other rights and equipment necessary to operate the Mine for no consideration. WPP has 30 days to accept or reject the entire surrender and associated transfers. If accepted, then the Lease is terminated and Hillsboro shall have no further obligations to WPP once transfer of the equipment and infrastructure is complete. If rejected, then the Lease remains in effect.

- (5) In the event that Hillsboro fails to pay any portion of the annual minimum royalty due hereunder and the guarantee by Foresight has been exhausted, Hillsboro shall offer to surrender the Lease, and Foresight cause Hillsboro and all of its subsidiaries to simultaneously

offer to transfer to WPP for no consideration all equipment, infrastructure (including, but not limited to the preparation plant, the wash plant, the rail loop, and the load out), permits, books and records, and all other rights and equipment necessary to operate the Mine for no consideration. WPP has 30 days to accept or reject the entire surrender and associated transfers. If accepted, then the Lease is terminated and Hillsboro shall have no further obligations to WPP once transfer of the equipment and infrastructure is complete. If rejected, then the Lease remains in effect.

- (6) Hillsboro Energy LLC waives all recoupment rights on previously paid royalties.
- (7) The parties will mutually release all claims that were made or could have been made in the Hillsboro Litigation.
- (8) Foresight Energy LP will provide a \$50 million guaranty to the \$11 million annual minimum royalty obligations delineated in Section 2 above.
- (9) Foresight has no obligation to mine the coal at the Deer Run Mine.
- (10) In the Macoupin Energy Litigation, the Plaintiffs (WPP related entities) will dismiss their case with prejudice.
- (11) At Williamson Energy, WPP and Williamson Energy will amend their existing Lease as follows:
 - a. From 1/1/19 through completion of mining of longwall panel 12, Williamson Energy will pay an overriding royalty to WPP of the greater of (a) 5.5% of the Gross Selling Price of the coal or (b) \$1.79 per clean ton. The coal will be treated as non-Foreign Coal.
 - b. The Lease Term will be extended so long as Williamson Energy is mining coal using the Williamson Mine to access the approximately 60 million tons of Foreign Coal discussed among the parties (The New Foreign Coal); and further, all New Foreign Coal shall be wheeled across the Leased Premises at a price of \$1.25 per clean ton. To the extent the New Foreign Coal is unable to be wheeled across the Leased Premises, the wheelage fee of \$1.25 per clean ton shall be transferred and added to the fee payable for services on coal processed through the Williamson Transport facilities.
 - c. In Lease Years where Williamson Energy does achieve \$8 million in Tonnage Royalty payments under the Lease, all New Foreign Coal will be charged 0.5% of the Gross Selling Price for wheelage (as set forth in the existing Lease).
 - d. No wheelage will be owed on New Foreign Coal that is not mined.
- (12) At Williamson Transport, WPP coal will be charged at the fee in the existing contract. New Foreign Coal under the Williamson Energy Lease will be charged at 65 cents per clean ton.

Williamson Energy will load all the New Foreign Coal through Williamson Transport facilities, or pay as though it was loaded through the facilities. No fee will be owed on New Foreign Coal that is not mined.

(13) This parties agree that this Agreement is binding and enforceable. The parties further agree that they will exchange additional definitive documentation memorializing their settlement and adjusting the leases and agreements set forth above within five (5) business days from the execution of this Agreement. The parties will negotiate in good faith to reflect the terms agreed to herein. In the event the parties cannot come to an agreement with regard to terms in this Agreement, the parties agree to refer any dispute to binding arbitration and hereby designate The Honorable Martin Siemer as the sole arbitrator to settle such disputes in a manner consistent with the foregoing Agreement. The Parties intend that this Agreement must result in definitive documentation effecting their intentions.

On behalf of WPP and its related entities:

/s/ Corbin J. Robertson, Jr.

On behalf of Foresight and its related entities:

/s/ Robert D. Moore

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Section 3: EX-10.2 (EX-10.2)

Exhibit 10.2
Execution Version

MUTUAL RELEASE OF ALL CLAIMS

This MUTUAL RELEASE OF ALL CLAIMS (“Mutual Release”) is entered into as of October 19, 2018 (“Effective Date”) by WPP LLC (“WPP”), and Hillsboro Energy LLC, Foresight Energy GP LLC; Foresight Energy LP; Foresight Energy LLC; Foresight Energy Services LLC, (together “Hillsboro”; with WPP and Hillsboro, as defined, jointly referred to herein as each a “Party” or, together, the “Parties”);

RECITALS

WHEREAS, WPP, as Plaintiff, brought multiple claims in various pleadings against Hillsboro in the civil action styled WPP LLC v. Hillsboro Energy LLC, et al, No. 15-L-18 in the Circuit Court of Montgomery County, Illinois (“Hillsboro Litigation”);

WHEREAS, Hillsboro brought its Counterclaim against WPP in the Hillsboro Litigation;

WHEREAS, WPP brought its Contingent Counterclaims against Hillsboro in the Hillsboro Litigation;

WHEREAS, on October 19, 2018, WPP and Hillsboro entered into a written Settlement Agreement (“Settlement Agreement”); and

WHEREAS, the Parties agreed in the Settlement Agreement to enter into this Mutual Release;

NOW, THEREFORE, in consideration of the foregoing, the mutual promises and agreements set forth in this Mutual Release and the Settlement Agreement, which are hereby incorporated by reference, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions:

In addition to the terms defined in the body of this Mutual Release, capitalized terms used herein will have the meanings given to them below:

"Affiliates" means with respect to an entity, any other entity controlling, controlled by or under common control with such entity. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, Colt, LLC will be deemed an Affiliate of Hillsboro for the purposes of this Mutual Release.

"Claims" means any and all claims, demands, actions, causes of action, suits, arbitration proceedings, debts, contracts, costs, expenses, damages, judgments, execution or rights of any nature whatsoever, whether based in law or in equity, in tort, contract or quasi-contract, whether known or unknown, direct or indirect, contingent or non-contingent, asserted or unasserted, matured or not matured, arising prior to the Effective Date and includes but is not limited to claims for Tonnage Royalties as defined in the Hillsboro Lease, Quarterly Deficiency Payments as

defined in the Hillsboro Lease, interest, and any other amounts or obligations allegedly owed under the Hillsboro Lease. For the purposes of this Mutual Release, Claims also includes any and all requests for documents and rights asserted in that certain action before the Court of Common Pleas of Belmont County, Ohio, styled *WPP LLC v. Hillsboro Energy LLC, et al*, No. 17CV263, and on appeal to the Court of Appeals of Ohio, Seventh Appellate District, No. 17BE56.

“Hillsboro Lease” means that certain Coal Mining Lease and Sublease Agreement by and between WPP as Lessor and Hillsboro as Lessee, dated as of September 10, 2009, as amended.

“Person” means any individual or entity, including any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, or incorporated organization.

“Released Person” means, with respect to a Person, all of such Person’s Affiliates and all of such Person’s and such Person’s Affiliates’ respective managers, members, directors, officers, employees, owners, shareholders, unitholders, partners, representatives, attorneys, agents, successors and assigns.

“Releasing Person” means, with respect to a Person, all of such Person’s Affiliates and all of such Person’s and such Person’s Affiliates’ respective managers, members, directors, officers, employees, owners, shareholder, unitholders, partners, representatives, attorneys, agents, successors and assigns.

2. Termination of Hillsboro Litigation.

The Parties shall cause their respective counsel to promptly file the duly executed Joint Dismissal with Prejudice dismissing the Hillsboro Litigation with prejudice. The Parties acknowledge that each party shall bear its own costs and attorney’s fees.

3. Release of Claims by WPP.

WPP for itself, its Affiliates, and for each of their respective successors, assigns and any and Releasing Persons, hereby forever releases, waives and discharges Hillsboro and its respective Released Persons of and for any and all Claims that have been or could have been asserted in, brought in connection with, or are in any way related to, the Hillsboro Litigation and/or the Hillsboro Lease.

4. Release of Claims by Hillsboro.

Hillsboro for itself, its Affiliates, and for each of their respective successors, assigns and any Releasing Persons, hereby forever releases, waives and discharges WPP and its respective Released Persons of and for any and all Claims that have been, could have been, asserted in, brought in connection with, or are in any way related to, the Hillsboro Litigation and/or the Hillsboro Lease.

5. Settlement Payment.

Simultaneously with the execution of this Mutual Release, Hillsboro shall pay WPP the sum of Twenty-Five Million U.S. Dollars (\$25,000,000) (the “Settlement Payment”).

6. No Admission of Liability.

The Parties deny that they engaged in any wrongdoing, breached any contract, or violated any applicable duty or rule (statutorily, common law, or otherwise) in connection with, arising out of or relating to the released Claims. Nothing in this Mutual Release shall be construed as an admission by any of the Parties of any fault, wrongdoing or liability whatsoever. Neither this Mutual Release, nor any of its terms, shall be offered by any of the Parties in evidence in any arbitral, civil, criminal, administrative, or other proceeding as a concession or admission of fault, wrongdoing or liability. Nothing in this paragraph, however, shall prevent any Party from using or offering this Mutual Release in evidence in any proceeding to enforce and/or effectuate the terms of this Mutual Release.

7. Acknowledgment of Adequate Consideration.

The Parties acknowledge, represent and warrant to each other that each of the Parties received or is to receive adequate consideration, directly or indirectly, in exchange for the consideration given in this Agreement.

8. General Terms and Conditions:

a. Governing Law and Jurisdiction. This Mutual Release and any dispute arising out of or relating to this Mutual Release shall in all respects be governed by and construed in accordance with the laws of the State of Illinois, without regard to any rules or principles governing conflicts of laws.

b. Interpretation. The Parties acknowledge and agree that they have been given the opportunity to independently review this Mutual Release with legal counsel and that they have the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. In the event of an ambiguity in or dispute regarding the interpretation of this Mutual Release, the interpretation of this Mutual Release shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty or against the draftsman, and each of the Parties expressly agrees that in the event of an ambiguity in or dispute regarding the interpretation of this Mutual Release, this Mutual Release

will be interpreted as if each Party participated equally in the drafting. No Party may offer in evidence or otherwise use, for purposes of suggesting any interpretation of this Agreement, any prior draft of this Agreement.

c. Fees and Costs. The Parties shall bear their own fees and costs associated with the Hillsboro Litigation.

d. Binding Effect. This Mutual Release shall be binding upon, and inure to the benefit of, all Parties, their Affiliates, their successors and assigns.

e. Severability. The provisions of this Mutual Release are severable. Should any provision be found to be invalid, unlawful or unenforceable by a court of competent jurisdiction, the remaining terms and provisions of this Mutual Release shall remain in full force and effect. If any provision of this Mutual Release is held to be invalid, unlawful or unenforceable by a court of competent jurisdiction, that provision shall be replaced by a valid and enforceable substitute provision that carries out, as closely as possible, the intentions of the Parties under this Mutual Release.

f. Entire Agreement. This Mutual Release constitutes the complete and entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous discussions, negotiations, agreements, representations, and understandings of the Parties, whether oral or written, expressed or implied. Each of the Parties acknowledge that no other party, nor any agent or attorney of any other party, has made any promise, representation, or warranty whatsoever, express or implied, and not contained herein, concerning the subject matter hereof to induce the party to execute or authorize the execution of this Agreement, and acknowledges that the party has not executed or authorized the execution of this instrument in reliance upon any such promise, representation, or warranty not contained herein.

g. Amendment/Modification. This Mutual Release may be modified only by a writing which expressly refers to this Agreement and is signed by all Parties.

h. Counterparts; Facsimile. This Mutual Release may be executed in any number of counterparts and such counterparts may be delivered by facsimile, email or other electronic means. Each such counterpart shall be deemed an original, and all of the counterparts together shall constitute one and the same instrument.

i. Headings; Recitals. The headings used herein are included for convenience of reference only and shall be ignored in the construction or interpretation of this Mutual Release.

The Recitals set forth at the beginning of this Mutual Release shall be incorporated into and constitute a part of this Mutual Release.

j. Warranty of Authority. Each person executing this Mutual Release represents and warrants that he or she has full authority to sign this Mutual Release on behalf of the Party for which he or she is acting and that the Parties will thereby be fully bound by the terms of this Mutual Release. The Parties specifically represent and warrant that they have not sold, assigned, transferred, conveyed or otherwise disposed of any claim, demand or action which is the subject of this Mutual Release.

k. Representation by Counsel: The Parties warrant that they were each represented by competent counsel with respect to this Mutual Release. Each Party has been fully advised by counsel with respect to its rights and obligations and with respect to the execution of this Mutual Release.

l. Waiver of Breach. The Parties may not waive or vary any right hereunder except by an express written waiver or variation. Any failure to exercise or any delay in exercising any such rights, or any partial or defective exercise of any such rights, shall not operate as a waiver or variation of that or any other such right. The waiver by one Party of any breach of this Mutual Release by another Party shall not be deemed a waiver of any other prior or subsequent breach of this Mutual Release.

[signatures appear on following pages]

IN WITNESS WHEREOF, the Parties have caused this Mutual Release to be executed by their duly authorized signatories as of the Effective Date set forth above.

WPP LLC

Signature: /s/ Greg Wooten
Name: **Greg Wooten**
Title: **Vice President & Chief Engineer**

HILLSBORO ENERGY LLC

Signature: /s/ Robert D. Moore
Name: **Robert D. Moore**
Title: **President and Chief Executive Officer**

FORESIGHT ENERGY GP LLC

Signature: /s/ Robert D. Moore
Name: **Robert D. Moore**
Title: **Chairman, President, and Chief Executive Officer**

FORESIGHT ENERGY LP

Signature: /s/ Robert D. Moore
Name: **Robert D. Moore**
Title: **President and Chief Executive Officer**

FORESIGHT ENERGY LLC

Signature: /s/ Robert D. Moore
Name: **Robert D. Moore**
Title: **President and Chief Executive Officer**

FORESIGHT ENERGY SERVICES LLC

Signature: /s/ Robert D. Moore
Name: **Robert D. Moore**
Title: **President and Chief Executive Officer**

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Section 4: EX-10.3 (EX-10.3)

Exhibit 10.3
Execution Version

LIMITED COMMERCIAL GUARANTY

THIS LIMITED COMMERCIAL GUARANTY (“Guaranty”) is entered into as of October 19, 2018, by **FORESIGHT ENERGY LP**, a Delaware limited partnership (“Guarantor”), and WPP LLC, a Delaware limited liability company (together with its successors and/or assigns, “WPP”).

RECITALS:

A. Pursuant to that certain Coal Mining Lease and Sublease Agreement dated as of September 10, 2009 (as has been, or may hereinafter be, amended, modified or supplemented from time to time, including the Sixth Amendment (as defined below) the "Lease") by and between WPP as Lessor and Hillsboro Energy, LLC (together with its successors and/or assigns, whether by operation of law or otherwise, "Hillsboro Energy") as Lessee, Hillsboro Energy is obligated to make certain Quarterly Minimum Payments to WPP.

B. Guarantor owns 100% of the membership interests, directly or indirectly, of Hillsboro Energy and will receive substantial economic benefit from Amendment No. 6 to the Lease being entered into on or about the date hereof (the "Sixth Amendment").

C. In consideration of the substantial economic benefit that Guarantor will receive from the Sixth Amendment, and in order to induce WPP to amend the Lease pursuant to the Sixth Amendment, and settle the attendant litigation against Guarantor, without which inducement WPP would be unwilling to amend the Lease or settle the litigation, Guarantor has agreed to guarantee certain of Hillsboro Energy's obligations under the Lease in a limited amount for a limited period of time pursuant to the terms and conditions of this Guaranty. Defined terms used herein but not defined shall have the meaning ascribed to them in the Lease, as amended.

AGREEMENT:

NOW, THEREFORE, Guarantor and WPP hereby agree as follows:

1. (A). DECLINING GUARANTY. (i) Guarantor does hereby unconditionally guarantee to WPP, up to a maximum obligation of Fifty Million Dollars (\$50,000,000), for the full and prompt payment of the Quarterly Minimum Royalty Payments due from Hillsboro Energy (or its permitted transferee) to WPP beginning with such payment due on April 20, 2019 and ending immediately after such payment due on January 20, 2033, all pursuant to Section 4 of the Lease and (ii) if the Lease terminates as a result of a bankruptcy event of Hillsboro Energy, Guarantor does hereby unconditionally agree to pay to WPP the Quarterly Minimum Royalty Payments that would otherwise be due under the Lease had such termination not occurred (as and when such payments would otherwise have been required to be made by or on behalf of Hillsboro Energy under the Lease), in an amount not to exceed (x) Fifty Million Dollars (\$50,000,000) less (y) the aggregate amount of the Quarterly Minimum Payments made by Hillsboro Energy to WPP for the period beginning on April 20, 2019 and ending on the date the Lease is terminated as a result of such bankruptcy event (the "Lease Termination Payment Obligations"; collectively, with the obligations described in clause (i) of this Section 1(A), the "Obligations").

(B). GUARANTY IN THE EVENT OF A SPECIAL SURRENDER UNDER SECTION 19

OF THE LEASE. In the event Hillsboro Energy makes a Surrender Offer pursuant to the provisions of Section 19 of the Lease, and WPP accepts such Surrender Offer, Guarantor shall and shall cause Hillsboro Energy and/or its affiliate entities to deliver the Deer Run Mining Assets.

2. AUTOMATIC EXPIRATION. Notwithstanding anything in this Guaranty to the contrary, this Guaranty shall automatically expire without additional notice or action, upon the earlier to occur of (i) the payment or satisfaction in full of all of the Quarterly Minimum Royalty Payments due from Hillsboro Energy to WPP beginning with such payment due on April 20, 2019 and ending with such payment due on January 20, 2033, (ii) if, prior to such date the Lease is terminated as a result of a bankruptcy event of Hillsboro Energy, the payment or satisfaction in full of the Lease Termination Payment Obligations and (iii) an accepted Surrender Offer under Section 19 of the Lease of even date herewith, provided all Quarterly Minimum Royalty Payments accrued as of the effective date of termination have been paid in full to WPP.

3. ENFORCEMENT. This is a guaranty of payment, and not a guaranty of collection. If the Obligations are not satisfied as and when required, WPP may pursue all remedies hereunder and those available at law or in equity against Guarantor.

4. WAIVER OF RIGHTS. The Guarantor hereby expressly waives: (a) notice of WPP amending, substituting for, releasing, waiving, or modifying the Obligations or the Lease, (b) all other notices to which the Guarantor or Hillsboro Energy might otherwise be entitled, (c) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons, and (d) modifications of the Lease or any other obligations of Hillsboro Energy.

5. PRIMARY LIABILITY OF GUARANTOR. The Guarantor agrees that this Guaranty may be enforced by WPP without the necessity at any time of resorting to or exhausting any other security or collateral, and the Guarantor hereby waives the right to require WPP to proceed against Hillsboro Energy or any other person (including a co-guarantor) or to require WPP to pursue any other remedy or enforce any other right. The Guarantor further agrees that the Guarantor shall have no right of subrogation, contribution, reimbursement, exoneration, participation or indemnity whatsoever, nor any right of recourse to security for the debts and obligations of Hillsboro Energy to WPP until all amounts owing to WPP on account of the Obligations are irrevocable and indefeasibly paid in full in cash. If any amount shall be paid to the Guarantor on account of such subrogation or other rights at any time when all of the Obligations shall not have been irrevocably and indefeasibly paid in full in cash, such amount shall be held by the Guarantor in trust for WPP, and shall, forthwith upon receipt by the Guarantor, be turned over to WPP in the exact form received by the Guarantor (duly indorsed by the Guarantor to WPP, if required), to be applied against the Obligations, whether mature or unmatured, in accordance with the terms of this Guaranty. This waiver is expressly intended to prevent the existence of any claim in respect to such reimbursement by the Guarantor against the estate of Hillsboro Energy within the meaning of Section 101 of the Bankruptcy Code, and to prevent the Guarantor from constituting a creditor of Hillsboro Energy in respect of such reimbursement within the meaning of Section 547(b) of the Bankruptcy Code in the event of a subsequent case involving Hillsboro Energy. With respect to any payments made by or on behalf of the Guarantor to or for WPP under this Guaranty, WPP shall assign to Guarantor all of WPP's claims against Hillsboro Energy to the extent of such payments; provided, however, that such assignment shall not occur until all of the Obligations

have been paid in full. The Guarantor further agrees that nothing contained herein shall prevent WPP from suing on the Obligations or from exercising any other rights available to it under the Lease or any other instrument or document executed in connection with the Obligations if neither Hillsboro Energy nor the Guarantor timely performs the obligations of Hillsboro Energy thereunder, and the exercise of any of the aforesaid rights and the completion of any foreclosure proceedings shall not constitute a discharge of any of the Guarantor's obligations hereunder. Neither the Guarantor's obligations under this Guaranty nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release or limitation of the Obligations or by reason of Hillsboro Energy's bankruptcy or insolvency.

6. GOVERNING LAW. This Guaranty shall be governed by and construed in accordance with the Laws of the State of Illinois without giving effect to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Illinois.

7. CONSENT TO JURISDICTION AND SERVICE OF PROCESS; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS. EACH PARTY TO THIS GUARANTY HEREBY CONSENTS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE CENTRAL DISTRICT OF ILLINOIS, AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY, THE OTHER TRANSACTION DOCUMENTS, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR ANY BUSINESS OR OTHER DISPUTES BETWEEN THE PARTIES (WHETHER SUCH ACTIONS OR PROCEEDINGS ARE BASED IN STATUTE, TORT, CONTRACT OR OTHERWISE), SHALL BE LITIGATED IN SUCH COURTS. EACH PARTY (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF SUCH COURTS FOR SUCH ACTIONS OR PROCEEDINGS, (B) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT, AND (C) AGREES THAT IT WILL NOT BRING ANY SUCH ACTION OR PROCEEDING IN ANY COURT OTHER THAN SUCH COURTS. EACH PARTY ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE AND IRREVOCABLE JURISDICTION AND VENUE OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY NON-APPEALABLE JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH ACTIONS OR PROCEEDINGS AND AGREES THAT ANY SUCH JUDGMENT MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. A COPY OF ANY SERVICE OF PROCESS SERVED UPON THE PARTIES SHALL BE MAILED BY REGISTERED MAIL TO THE RESPECTIVE PARTY EXCEPT THAT, UNLESS OTHERWISE PROVIDED BY APPLICABLE LAW, ANY FAILURE TO MAIL SUCH COPY SHALL NOT AFFECT THE VALIDITY OF SERVICE OF PROCESS. IF ANY AGENT APPOINTED BY A PARTY REFUSES TO ACCEPT SERVICE, EACH PARTY AGREES THAT SERVICE UPON THE APPROPRIATE PARTY BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, SHALL CONSTITUTE SUFFICIENT SERVICE. NOTHING

HEREIN SHALL AFFECT THE RIGHT OF A PARTY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

8. WAIVER OF JURY TRIAL. EACH OF THE PARTIES TO THIS GUARANTY HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. EACH PARTY WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

9. NO USE OF THIS GUARANTY. Nothing in this Guaranty shall be construed as an admission by any of the Parties of any fault, wrongdoing or liability whatsoever, nor shall this Guaranty or any of its terms be otherwise used or offered as evidence (either supporting or opposing) any claim or theory of recovery or vicarious responsibility, including, but not limited to, civil conspiracy, alter ego, or tortious interference in connection with any claim under the Lease. Nothing in this paragraph, however, shall prevent any Party from using or offering this Guaranty in evidence in any proceeding to enforce and/or effectuate the terms of this Guaranty.

10. ENTIRE AGREEMENT. This Guaranty embodies the entire agreement and understanding of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements and understandings relating to the subject matter hereof.

11. COUNTERPARTS. This Guaranty may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this Guaranty may be detached from any counterpart of this Guaranty without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Guaranty identical in form hereto but having attached to it one or more additional signature pages.

12. NO WAIVER; TIME OF ESSENCE. The failure of any party hereto to enforce any right or remedy hereunder, or to promptly enforce any such right or remedy, shall not constitute a waiver thereof nor give rise to any estoppel against such party nor excuse any of the parties hereto from their respective obligations hereunder. Any waiver of such right or remedy must be in writing and signed by the party to be bound. This Guaranty is subject to enforcement at law or in equity, including actions for damages or specific performance.

[signatures appear on following pages]

IN WITNESS WHEREOF, the parties hereto have executed this Guaranty as of the date first above written.

FORESIGHT ENERGY LP

By: FORESIGHT ENERGY GP LLC
Its: General Partner

/s/ Robert D. Moore

By: Robert D. Moore
Its: Chairman, President, and Chief Executive Officer

WPP LLC

By: NRP (OPERATING) LLC
Its: Sole Member

/s/ Greg Wooten

By: Greg Wooten
Its: Vice President & Chief Engineer

Limited Commercial Guaranty

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Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

**Certification by Chief Executive Officer pursuant to
Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert D. Moore certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foresight Energy LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting

which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2018

/s/ Robert D. Moore

Robert D. Moore
Chairman of the Board, President
and Chief Executive Officer

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Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

**Certification by Chief Financial Officer pursuant to
Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jeremy J. Harrison certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foresight Energy LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2018

/s/ Jeremy J. Harrison

Jeremy J. Harrison
Principal Financial Officer and
Chief Accounting Officer

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Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foresight Energy LP (the "Partnership") on Form 10-Q for the quarterly period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert D. Moore, Chairman of the Board, President and Chief Executive Officer of Foresight Energy GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By: /s/ Robert D. Moore
Robert D. Moore
*Chairman of the Board, President and Chief Executive Officer
of Foresight Energy GP, LLC*

Date: November 7, 2018

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Partnership specifically incorporates it by reference. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foresight Energy LP (the "Partnership") on Form 10-Q for the quarterly period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy J. Harrison, Principal Financial Officer and Chief Accounting Officer of Foresight Energy GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By: /s/ Jeremy J. Harrison
 Jeremy J. Harrison
 Principal Financial Officer and Chief Accounting Officer
 of Foresight Energy GP, LLC

Date: November 7, 2018

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Partnership specifically incorporates it by reference. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 9: EX-95.1 (EX-95.1)

Exhibit 95.1

MINE SAFETY DISCLOSURE

Our mine operations are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a regular basis and issues various citations and orders to our operators when its inspectors believe that a violation has occurred under the Mine Act. We disclose information regarding certain citations and orders issued by MSHA and related assessments and legal actions with respect to our coal mining operations. In evaluating the below information regarding mine safety and health, investors should take into account factors such as: (i) the number of citations and orders will vary depending on the size of a coal mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed, and in that process are often reduced in severity and amount, and are sometimes dismissed or vacated.

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires issuers to include in periodic reports filed with the Securities and Exchange Commission (“SEC”) certain information relating to citations and orders for violations of standards under the Mine Act. The following tables disclose information required under the Dodd-Frank Act for the three month period ended September 30, 2018.

Mine Name / MSHA Identification Number	Section 104 S&S Citations Excluding 104(d) Citations / Orders (#)(1)	Section 104(b) Orders (#)(2)	Section 104(d) Citations and Orders (#)(3)	Section 110(b)(2) Violations (#)(4)	Section 107(a) Orders (#)(5)	Total Dollar Value of MSHA Assessments Proposed in Thousands (\$) (6)	Total Number of Mining Related Fatalities (#)(7)	Received Notice of Pattern of Violations Under Section 104 (e) (yes/no) (8)	Legal Actions Pending as of Last Day of Period (#) (9)	Legal Actions Initiated During Period (#) (9)	Legal Actions Resolved During Period (#) (9)
Mach No. 1 / 1103141	33	0	0	0	0	\$25.3	0	No	7	2	3
MC No. 1 / 1103189	36	0	0	0	0	\$52.1	0	No	37	4	5
Deer Run / 1103182	0	0	0	0	0	\$0	0	No	3	0	0
Shay No. 1 / 1100726	13	0	0	0	0	\$59.2	0	No	8	2	0

- (1) Mine Act Section 104 citations and orders for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine safety or health hazard. Excludes 104(d) orders.
- (2) Mine Act Section 104(b) orders are for alleged failures to totally abate a citation within the period of time specified in the citation.
- (3) Mine Act Section 104(d) citations and orders are for an alleged unwarrantable failure to comply with mandatory health or safety standards.
- (4) Total number of flagrant violations issued under Section 110(b)(2) of the Mine Act.

- (5) Mine Act Section 107(a) orders are for alleged conditions or practices that could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
- (6) Total dollar value of MSHA assessments proposed during the three months ended September 30, 2018. These figures do not necessarily relate to the citations or orders issued by MSHA during the current reporting period or to the pending cases reported herein. Note that these figures represent assessments proposed by MSHA during the three months ended September 30, 2018, including those contested or appealed.
- (7) Total number of mining related fatalities during the three months ended September 30, 2018.
- (8) Mine Act Section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine health or safety hazard.
- (9) Any pending legal action before the Federal Mine Safety and Health Review Commission (the “Commission”) involving a coal mine owned and operated by us. The number of legal actions pending as of September 30, 2018, that fall into each of the following categories is as follows:

Mine Name / MSHA Identification Number	Contests of Citations/Orders referenced in Subpart B, 29CFR Part 2700	Contests of Proposed Penalties referenced in Subpart C, 29CFR Part 2700		Complaints for compensation referenced in Subpart D, 29CFR Part 2700	Complaints for discharge, discrimination, or interference referenced in Subpart E, 29CFR Part 2700	Applications for temporary relief referenced in Subpart F 29CFR Part 2700	Appeals of judges' decisions or orders to FMSHRC referenced in Subpart H 29CFR Part 2700
		Dockets	Citations and Orders				
Mach No. 1 / 1103141	0	5	21	0	0	0	2
MC No. 1 / 1103189	22	13	87	0	1	0	1
Deer Run / 1103182	0	3	6	0	0	0	0
Shay No. 1 / 1100726	0	8	21	0	0	0	0

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