

CONSOL Energy Inc
Form 11-K
June 20, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2012;

OR

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

For the transition period from

Commission file number: 001-14901

A. Full title of the plan and the address of the plan, if different from that of issuer named below:

CONSOL Energy Inc. Investment Plan for Salaried Employees

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

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CONSOL Energy Inc.

CNX Center

1000 CONSOL Energy Drive

Canonsburg, PA 15317

Registrant's telephone number including area code: 724-485-4000

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CONSOL Energy Inc.

Investment Plan for

Salaried Employees

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December 31, 2012 and 2011

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Note: Other Schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act (ERISA) of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Trustees, Investment Plan Committee, Audit Committee, and Participants

CONSOL Energy Inc. Investment Plan for Salaried Employees

We have audited the accompanying statements of net assets available for benefits of CONSOL Energy Inc. Investment Plan for Salaried Employees (the Plan) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Part IV, Line 4(i) Schedule of Assets Held for Investment Purposes at End of Year as of December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ ParenteBeard LLC

Pittsburgh, Pennsylvania

June 20, 2013

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Statements of Net Assets Available for Benefits

(in thousands of dollars)

	December 31	
	2012	2011
ASSETS		
<u>Investments at Fair Value</u>		
Stable Value Fund	\$ 613,713	\$ 615,718
Interests in Registered Investment Companies	359,853	224,810
Collective Trusts	0	75,225
E.I. DuPont de Nemours & Company Common Stock	29,387	34,873
CONSOL Stock Fund	119,987	148,510
	1,122,940	1,099,136
<u>Receivables</u>		
Due from Broker for Securities Sold	358	161
Employer Contribution	0	72
Accrued Interest and Dividends	0	11
Notes Receivable from Participants	23,442	20,489
	23,800	20,733
<u>Cash</u>		
	936	68
<u>Net Assets Reflecting All Investments at Fair Value</u>	1,147,676	1,119,937
<u>Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts Held in Stable Value Fund</u>	(31,562)	(28,392)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,116,114	\$ 1,091,545

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

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Statement of Changes in Net Assets Available for Benefits

(in thousands of dollars)

For the Year Ended
December 31, 2012

Additions to Net Assets Attributable to:

Contributions:

Participants Contributions	\$	44,868
Participants Rollovers		17,513
Employer		29,506
		91,887

<u>Interest Income from Participants Notes Receivable</u>	953
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Investment Income:

Interest and Dividends	17,975
Net Appreciation in Fair Value of Investments	32,770
	50,745

<u>Total Additions</u>	143,585
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Deductions from Net Assets Attributed to:

Benefits Paid to Participants	118,789
Administrative Expense	227

<u>Total Deductions</u>	119,016
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<u>Net Increase</u>	24,569
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Net Assets Available for Benefits

Beginning of Year	1,091,545
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END OF YEAR	\$ 1,116,114
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The accompanying notes are an integral part of these financial statements.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF PLAN

The following description of the CONSOL Energy Inc. Investment Plan for Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General The Plan is a tax-qualified, defined-contribution plan covering salaried, operations and maintenance, production and maintenance, warehouse and maintenance, and certain casual employees of CONSOL Energy Inc. and other participating employers (CONSOL Energy or the Company). Eligible employees can participate in the Plan on the first day of the first full pay period following the later of the start of regular full-time employment or the date they first become eligible. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and the Internal Revenue Code (Code).

The Plan Administrator is the Investment Plan Committee of CONSOL Energy, whose members are appointed by the Board of Directors (the Board) of the Company. The Investment Plan Committee also has responsibility for selecting and overseeing the Plan's investments. The Board has the authority to appoint trustees and has designated Bank of America, N.A. (Bank of America) as trustee for the Plan.

During 2012 and 2011, the Plan offered CONSOL Energy common stock (CONSOL Stock Fund) as an investment option to Plan participants. The CONSOL Stock Fund is an Employee Stock Ownership Plan (ESOP) where participants can elect to have dividends paid out to them in cash instead of being reinvested in the CONSOL Stock Fund in their Plan account. For the years ended December 31, 2012 and 2011, approximately \$82,000 and \$47,000 in dividends from the CONSOL Stock Fund were paid to participants in cash, respectively.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF PLAN (Continued)

Contributions Participants can, with certain restrictions, contribute a maximum of 75% of eligible compensation to the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants are automatically enrolled in the Plan if no action is taken by the employee within forty-five days from the date they first become eligible (as defined by the Plan) and contribute at the rate of 6% of eligible compensation (4% for employees of Fairmont Supply Company and its subsidiaries, participating employers that are a qualified separate line of business), unless the participant elects not to contribute. Under the automatic enrollment provision, participant assets are invested in accordance with a managed account feature offered by Bank of America based on certain demographic characteristics of the participant. A participant may also separately designate from 1% to 75% (not to exceed \$10,000) of any incentive compensation payment as a supplemental contribution. Participants may also contribute amounts representing distributions from other qualified defined-benefit or defined-contribution plans. Contributions may be made with before-tax or after-tax dollars. All of the above participant contributions are subject to regulatory and Plan limitations.

CONSOL Energy matches these contributions (excluding deferrals of incentive compensation payments), dollar for dollar, up to 6% of eligible compensation (fifty cents on every dollar up to 12% of eligible compensation for employees of Fairmont Supply Company and its subsidiaries). Company matching contributions for certain participants of the Plan are considered nonforfeitable, safe-harbor contributions within the meaning of that term under final Code 401(k) and 401(m) regulations.

In addition, certain eligible employees of Fairmont Supply Company and its subsidiaries receive qualified non-elective (QNEC) contributions equal to \$1,500 per year, regardless of

the employee's contribution election. The Company may also make discretionary contributions to the Plan ranging from 1% to 4% of eligible compensation for eligible employees (as defined by the Plan). There were no such discretionary contributions made by the Company for the years ending December 31, 2012 and 2011. Total contributions credited to a participant's account are subject to annual addition limitations under the Code.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF PLAN (Continued)

Participant Accounts Each participant's account is credited with the participant's contributions and allocations of the Company's contributions and Plan investment earnings and is charged with an allocation of administrative expenses and Plan investment losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Investment Options Upon enrollment in the Plan, a participant may direct employee and Company contributions into any of the funds included in the supplemental schedule of assets held for investment purposes at end of year, except for E.I. DuPont de Nemours & Company (DuPont) common stock. This investment option is no longer available to Plan participants.

Vesting Participants are immediately vested in their contributions and any matching contributions, QNEC contributions, or discretionary contributions made by the Company plus actual earnings (losses) thereon.

Notes Receivable from Participants Participants may borrow up to one-half of their account balances subject to a \$1,000 minimum and required regulatory loan maximum limitations. Such loans are repayable over periods of 12 to 60 months (120 months maximum if for the purchase of a principal residence) and are secured by the balance in the participant's account. The rate of interest on loans is commensurate with the average rate charged by selected major banks for secured personal loans and remains fixed for the life of the loan. Loans are repaid over the period in installments of principal and interest via payroll deductions or Automated Clearing House (ACH) account debit for participants that terminate employment subsequent to the loan's execution. A participant also has the right to repay the loan in full, at any time, without penalty. At December 31, 2012, loan interest rates ranged from 4.00% to

9.25%.

Payment of Benefits Participants who retire from active service may elect to defer withdrawals until April of the calendar year following the later of the year in which the participant attains age 70 ¹/₂ or terminates employment. They may also elect an option to have their account distributed over a period of not less than two years or more than a period which would pay the account balance during the participant's actuarial life in either a fixed or variable amount. Before-tax deposits may be withdrawn only in the event of a participant's retirement, death, termination, attainment of age 59 ¹/₂ or defined hardship.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF PLAN (Continued)

Plan Termination Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements of the Plan have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Fully Benefit-Responsive Investment Contracts Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits presents the fair value of the fully benefit-responsive investment contracts held in the CONSOL Energy Inc. Stable Value Fund (Stable Value Fund or SVF) as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See

Note 4 for a discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses on the sale of DuPont and CONSOL Energy common stock are based on the average cost of the securities sold. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable from Participants Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest on notes receivable from participants is recognized over the term of the notes and is calculated using a simple-interest method on principal amounts. If a participant does not make a loan repayment on at least a quarterly basis, the Plan administrator considers the loan to be defaulted on the last day of the calendar quarter following the calendar quarter in which the last payment was made, and reclassified as a distribution based upon the terms of the Plan document.

Payment of Benefits Benefits are recorded when paid. Amounts allocated to accounts of participants who have elected to withdraw from the Plan, but have not yet been paid, were approximately \$972,000 and \$77,000 at December 31, 2012 and 2011, respectively.

Administrative Expenses Expenses incurred in connection with the operation of the Plan with regard to the purchase and sale of investments and certain trustee and professional fees are paid by the Plan. Asset-based fees are deducted prior to allocation of the Plan's investment earnings activity and thus are not separately identifiable as an expense. Other administrative expenses are paid by CONSOL Energy at no cost to the Plan.

Use of Estimates The preparation of financial statements in conformity with US GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

ESOP The Plan's ESOP provision provides that participants may invest a portion or all of their account in Company stock. The ESOP provision also contains a put option in

accordance with the requirements of the Code, which is a right for any participant who is otherwise entitled to a distribution from the Plan to require the Company stock in their ESOP account be repurchased by the Company if it is not readily tradable on an established market. Participants who elect to invest their account balance in Company stock have voting rights commensurate with their shares and participants are fully vested at all times in dividends paid on the acquired Company stock. A participant also has the right to diversify stock in their accounts pursuant to the provisions of the Plan document. At December 31, 2012 and 2011, and from the period since inception of the ESOP, there were no Company contributions in the form of stock.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements In May 2011, the FASB issued guidance to provide a consistent definition of fair value and ensure that the fair value measurements and disclosure requirements are similar between US GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. This pronouncement was effective for reporting periods beginning after December 15, 2011, requiring prospective application only. The adoption of this guidance did not have a material impact on the Plan's financial statements.

3. CONTRACTS WITH INSURANCE COMPANIES

The Plan has direct holdings of fully benefit-responsive investment contracts in its SVF. The SVF is comprised of guaranteed investment contracts (GIC), separate account portfolios (SAP), and synthetic GICs (SYN), all of which are held with multiple insurance companies and banks. GICs are comprised of assets held in the issuing company's general account and are backed by the full faith and credit of the issuer. SAPs and SYNs are backed by underlying fixed income assets.

The aggregate crediting rates for all contracts as of December 31, 2012 and 2011 were 2.92% and 3.26%, respectively. Contract or crediting rates for GICs are negotiated with the issuer and are effective for the life of the contract. The contract or crediting rates for SAPs and SYNs are reset periodically throughout the year and are based on the performance of the portfolio of assets underlying these contracts. Inputs used to determine the crediting rate include each contract's portfolio market value of fixed income assets, current yield-to-maturity, duration, and market value relative to contract value. All contracts have a

guaranteed rate of at least 0% or higher with respect to determining interest rate resets. If future crediting rates increase or decrease, the adjustment from fair value to contract value would change in the same direction. The average market value yield of the SVF based on the actual earnings of the underlying assets was approximately 3.14% and 4.16% in 2012 and 2011, respectively. The average yield of the SVF based on the actual interest rate credited to participants' accounts in 2012 and 2011 was approximately 2.89% and 3.12%, respectively.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

3. CONTRACTS WITH INSURANCE COMPANIES (Continued)

Traditional GICs expose the Plan through the SVF to direct credit risk associated with each contract issuer. To mitigate this risk, investment guidelines prohibit the Plan from purchasing contracts from issuers with a credit rating lower than Aa3/AA. In addition, the weighted average credit rating of all GIC contracts must be A3/A- or higher at all times and no single GIC issuer may represent more than 5% of the total SVF. Additionally, the Plan administrator and the Plan's third party investment advisors continually monitor the issuers of these investments through external credit rating agencies and monitor credit rating history, downgrade/upgrade notifications, and analyst reports for all current and potential issuers. There are no reserves against contract value for credit risk of the contract issuers or otherwise.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their SVF investment at contract value for Plan permitted benefit payments. Certain events may limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Company or other Plan sponsor events (i.e. divestitures or spin-offs of a subsidiary, location closings or layoffs) which cause a significant withdrawal from the Plan, or failure of the Plan to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable of occurring.

Based on certain events specified in the fully benefit-responsive investment contracts (i.e. GICs, SAPs and SYNs), both the Plan and issuers of such investment contracts are permitted

to terminate the investment contracts. If applicable, such terminations can occur prior to the scheduled maturity date.

Examples of termination events that permit issuers to terminate investment contracts include the following:

The Plan sponsor's receipt of a final determination notice from the Internal Revenue Service (IRS) that the Plan does not qualify under Section 401(a) of the Code.

The Plan ceases to be exempt from federal income taxation under section 501(a) of the Code.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

3. CONTRACTS WITH INSURANCE COMPANIES (Continued)

The Plan or its representative breaches material obligations under the investment contract such as failure to satisfy its fee payment obligations or failure to follow the contract's equity wash provisions.

The Plan or its representatives makes a material misrepresentation.

The Plan makes a material amendment to the Plan (including complete or partial termination or merger with another plan) and/or the amendment adversely impacts the issuer.

The Plan, without the issuer's consent, attempts to assign its interest in the investment contract.

The balance of the contract value is zero or immaterial.

Mutual consent.

The termination event is not cured within a reasonable time period, i.e., 30 days.

For SAPs and SYNs, additional termination events include but are not limited to the following:

The investment manager of the underlying securities is replaced without prior written consent of the issuer.

The underlying securities are managed in a way that does not comply with the investment guidelines.

For GICs, the contract value is adjusted to reflect a discounted value based on surrender charges or other penalties at termination. For SAPs and SYNs, termination is at market value

of the underlying securities less unpaid issuer fees or charges. If the termination event is not material based on industry standards, it may be possible for the Plan to exercise its right to require the issuer that initiated the termination to extend the investment contract for a period no greater than what it takes to immunize the underlying securities and/or it may be possible to replace the issuer of a SAP or SYN that terminates the contract with another SAP or SYN issuer. Both options help maintain stable contract value.

Participants investing in the SVF are assigned units at the time of investment based on the net asset value per unit.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

4. FAIR VALUE MEASUREMENTS

US GAAP for fair value measurements provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or other inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011 except for the GIC valuation as disclosed in this note.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

4. FAIR VALUE MEASUREMENTS (Continued)

Stable Value Fund The SVF is comprised of a short-term investment fund in addition to GICs, SAPs and SYNs. These fully benefit-responsive contracts are valued at fair value on the statements of net assets available for benefits and are credited with actual earnings on the underlying investments and charges for participant withdrawals and administrative expenses. The following disclosures provide information about the nature of the investments in the SVF and how fair value of these investments is measured.

U.S. Government Security Fund This security is a short-term investment fund (i.e. money market fund) designed to provide daily liquidity to the SVF and is stated at cost plus accrued interest, which approximates fair value. The fund seeks to preserve a net asset value of \$1 per share and can be validated with a sufficient level of market activity and therefore, is classified within Level 1 of the fair value hierarchy.

Guaranteed Investment Contracts The insurer maintains the assets (underlying portfolio owned by insurer) of the GIC in a general account, backed by the full faith and credit of the insurer. Regardless of the performance of the general account assets, a GIC will provide a fixed rate of return as negotiated when the contract is purchased. At December 31, 2012, GICs are stated at cost plus accrued interest, which approximates fair value. At December 31, 2011, GICs were valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. GICs

have been classified within Level 2 of the fair value hierarchy.

Separate Account Portfolios SAPs are investment contracts invested in insurance company separate accounts established for the sole benefit of SVF participants. SAPs are comprised of two components, an underlying pool of assets and a wrap contract. The insurer owns the individual underlying assets and the wrap contract (similar to a GIC); however, the assets in a SAP are maintained in a separate account, fully fenced-off from the general assets of the insurer. The Plan participates in the underlying experience of the SAP via future periodic rate resets. Fair value of SAPs is determined by the market values of the underlying securities and the value of the wrap using observable market data by the insurer as of the valuation date. SAPs held by the Plan provide for daily redemptions by the Plan at reported net asset value with no advance notice requirement. This Plan is permitted to redeem investment units at net asset value on the measurement date. SAPs are classified within Level 2 of the fair value hierarchy.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

4. FAIR VALUE MEASUREMENTS (Continued)

Synthetic GICs SYNs are comprised of an underlying pool of assets (owned by the Plan) and a wrap contract designed to provide principal protection and accrued interest over a specified period of time assuming that the underlying assets meet the requirements of a GIC. Short-term investment funds include cash and short-term securities that mature within three months or less at date of purchase and are valued at amortized cost, which approximates fair value (Level 1), and liquid government debt securities valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency traded in markets that are not considered active (Level 2). Fixed income collective trusts invest in high quality fixed income securities across the short, intermediate, and core sectors, and are valued at the net asset value per share on the valuation date (Level 2). Other fixed income funds include government debt securities and corporate bonds valued using the observable quoted price reported in markets that are not considered active or pricing services based on market transactions for comparable securities of issuers with similar credit ratings (Level 2). At December 31, 2011, there was one fixed income fund valued at fair value based on certain security price validations and a review based on unobservable inputs and therefore classified within Level 3 of the fair value hierarchy. Swap contracts are valued at fair value utilizing pricing models and taking into consideration exchange quotations on underlying instruments, dealer quotations and other information (Level 2). Any accrued interest on the underlying assets is also

included as a component of the fair value of those assets. Fair value of the wrap contracts is determined by taking the difference between the actual wrap fee of the contract and the price at which the wrapper would issue an identical contract under current market conditions. That change in fees is then applied to the year-end book value of the contract to determine the wrap contract's fair value. Wrap contracts generally change the investment characteristics of underlying securities (such as corporate debt or U.S. government securities) to those of GICs. The wrap contract provides that benefit-responsive transactions may be processed at contract or face value. Benefit-responsive distributions are generally defined as a withdrawal due to a participant's retirement, termination, or death, or participant-directed transfers, in accordance with the terms of the Plan (see Note 3).

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED
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Notes to Financial Statements

December 31, 2012 and 2011

4. FAIR VALUE MEASUREMENTS (Continued)

Interests in Registered Investment Companies The shares of registered investment companies are public investment vehicles valued at quoted market prices, which represent the net asset values of the shares held in such funds. Each of these funds is considered an open ended interest in a registered investment company and valued using a market approach. Fair value is based on a daily net asset value that can be validated with a sufficient level of observable activity in an active market (i.e. purchases and sales at net asset value) and therefore these interests in registered investment companies have been classified within Level 1 of the fair value hierarchy.

Collective Trusts Collective trusts held by the Plan at December 31, 2011 and liquidated during 2012 were valued at the net asset values per unit as determined by the collective trusts as of the valuation date, which approximated fair value. The net asset values were based on the value of the underlying assets owned by the collective trusts, minus their liabilities, and then divided by the number of shares outstanding. The collective trusts previously held by the Plan were not available in an exchange and active market, however, the fair values were determined based on the underlying investments as traded in an exchange and active market. Due in part to the units of the collective trusts not being actively traded, the fair value measurements were classified within Level 2 of the fair value hierarchy.

Common Stock and Common Stock Fund DuPont Common Stock and the CONSOL Stock Fund are stated at fair value as quoted on a recognized securities exchange and are valued at the last reported sales price on the last business day of the respective Plan year. As a result, the fair value measurements of these investments have been classified within Level 1 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2012 and 2011

4. FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets and liabilities at fair value as of December 31, 2012 and 2011:

<i>(in thousands of dollars)</i>	Assets at Fair Value as of December 31, 2012			Total
	Level 1	Level 2	Level 3	
Stable Value Fund:				
Guaranteed Investment Contracts	\$ 0	\$ 29,371	\$ 0	\$ 29,371
Separate Account Portfolios	0	113,099	0	113,099
U.S. Government Security Fund	20,018	0	0	20,018
Fixed Income Collective Trusts	0	331,790	0	331,790
Other Fixed Income Funds	0	98,978	0	