

September 30, 2016

Tax Year 2016
1065-B MeF ATS Scenario 8
Black Coal Industries LLC
00-2000008

FORMS REQUIRED: 1065-B, 1125-A, 8308, Schedule K-1(F1065-B) (3), Schedule M-3 (F1065),
Schedule C (F1065)

ATTACHMENTS:

Itemized Other Deductions Schedule

BINARY ATTACHMENTS: None

HEADER INFO:

Tax Period: Calendar Year 2016

Preparer Firm: Electronic Tax Filers, Inc 69-0000098
1065 Efile Drive
Anytown, WV 25001

Multiple Software Packages Used: Yes or No

Originator: **EFIN:** Self-select
Type: ERO
Practitioner PIN:
EFIN: Self-select
PIN: Self-select
PIN Entered by – ERO

Signature Option: PIN Number

Return Type: 1065-B

Filer: **EIN:** 00-2000008
Name: Black Coal Industries LLC
Name Control: BLAC
Address: 100 Main St
Anytown, WV 25001

Partner: **Name:** Bubba Christmas
Title: Chief Executive Officer
Taxpayer PIN: 0200
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 03/15/2017

Preparer:

Name: John Dark
PTIN: P00000008
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/01/2017
Self Employed: No

IRS PAYMENT:

N/A

Details for attachments to Form

Attachment 1, Form 1065-B, Page 1, Line 23 (Itemized Other Deductions Schedule)

Type	Amount
Engineering	\$2,168,140
Permits	\$1,400,000
Legal and Accounting	\$1,600,320
Consulting	\$385,914

U.S. Return of Income for Electing Large Partnerships

Department of the Treasury
Internal Revenue Service

For calendar year 2016, or tax year beginning _____, 2016, and ending _____, 20_____

2016

► Information about Form 1065-B and its separate instructions is at www.irs.gov/form1065b.

A Principal business activity Mining	TYPE or PRINT	Name of partnership Black Coal Industries LLC	D Employer identification number 00-2000008
B Principal product or service Coal		Number, street, and room or suite no. If a P.O. box, see instructions. 100 Main St	E Date business started 08/03/1998
C Business code no. (see instructions) 212110		City or town, state or province, country, and ZIP or foreign postal code Anytown, WV 25001	F Total assets (see instructions) \$ 20,440,320

- G** Check applicable boxes: (1) Final return (2) Name change (3) Address change (4) Amended return
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ►
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ► 100
- J** Check if Schedule M-3 (Form 1065) is attached ►

Part I Taxable Income or Loss From Passive Loss Limitation Activities

Income	1a Gross receipts or sales	101,256,342	b Less returns and allowances		c Bal ►	1c	101,256,342
	2 Cost of goods sold (attach Form 1125-A)					2	58,332,511
	3 Gross profit. Subtract line 2 from line 1c					3	42,923,831
	4 Net rental real estate income (loss) (attach Form 8825)					4	
	5 Net income (loss) from other rental activities (attach statement)					5	
	6 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)					6	
	7 Net farm profit (loss) (attach Schedule F (Form 1040))					7	
	8 Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 20)					8	
	9 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9	
	10 Other income (loss) (see instructions) (attach statement)					10	
	11 Total income (loss). Combine lines 3 through 10					11	42,923,831
Deductions	12 Salaries and wages (other than to partners) (less employment credits)					12	12,487,136
	13 Guaranteed payments to partners					13	
	14 Repairs and maintenance					14	4,842,657
	15 Bad debts					15	
	16 Rent					16	1,720,000
	17 Taxes and licenses					17	4,106,315
	18 Interest					18	
	19a Depreciation and section 179 expense deduction (see instructions)	19a				19c	
	b Less: depreciation reported on Form 1125-A and elsewhere on return	19b					
	20 Depletion					20	1,520,108
	21 Retirement plans, etc.					21	
	22 Employee benefit programs					22	1,218,412
	23 Other deductions (attach statement)					23	5,554,374
	24 Total deductions. Add the amounts shown in the far right column for lines 12 through 23					24	31,449,002
25 Taxable income (loss) from passive loss limitation activities. Subtract line 24 from line 11					25	11,474,829	
Tax and Payments	26 Tax (see instructions). Check if from: a <input type="checkbox"/> Form 4255 b <input type="checkbox"/> Form 8611					26	
	27 Other payments. Check if from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136					27	
	28 Amount owed. Enter the excess of line 26 over line 27					28	
	29 Overpayment. Enter the excess of line 27 over line 26					29	

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager

Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P0000008
	Firm's name ► Electronic Tax Filers INC			Firm's EIN ►	69-000098
	Firm's address ► 1065 e-filer Dr. Anytown, TX 75001			Phone no.	(555) 631-1212

Part II Taxable Income or Loss From Other Activities

1	Interest		1	357,610
2a	Total ordinary dividends	2a		
b	Qualified dividends	2b		
c	Nonqualified dividends (subtract line 2b from 2a)		2c	
3	Gross royalties		3	1,569,721
4	Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 23)		4	
5	Other income (loss) (see instructions) (attach statement)		5	
6	Total income (loss). Add lines 1, 2c, 3, 4, and 5		6	1,927,331
7	Interest expense on investment debts (attach Form 4952)		7	
8	State and local income taxes (see instructions)		8	
9	Charitable contributions (see instructions for limitations and required attachment)		9	
10a	Total miscellaneous itemized deductions	10a		
b	Deductible amount. Multiply line 10a by 30% (0.30)		10b	
11	Other deductions (attach statement)		11	
12	Total deductions. Add lines 7, 8, 9, 10b, and 11		12	
13	Taxable income (loss) from other activities. Subtract line 12 from line 6		13	1,927,331

Schedule B Other Information (see instructions)

		Yes	No
1	What type of entity is filing this return? Check the applicable box:		
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other ▶ _____		
2	Are any partners in this partnership also partnerships?		✓
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment		✓
4	Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805, and 8813. (See instructions.)		✓
5	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		✓
6	Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		✓
7	At any time during calendar year 2016, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country. ▶ _____		✓
8	During the tax year, did the partnership receive a distribution from, or was it the grantor to, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520		✓
9	Enter the number of Forms 8865 , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶ <u>0</u>		
10	During the partnership's tax year, did the partnership make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		✓

Schedule D Capital Gains and Losses (Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.)

Part I—Short-Term Capital Gains and Losses—Assets Held One Year or Less

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.				
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term capital gain from installment sales from Form 6252, line 26 or 37				4
5 Short-term capital gain or (loss) from like-kind exchanges from Form 8824				5
6 Partnership's share of net short-term capital gain (loss) from other partnerships, estates, and trusts				6
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h)				7

Part II—Long-Term Capital Gains and Losses—Assets Held More Than One Year

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.				
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Enter gain from Form 4797, Part I				11
12 Long-term capital gain from installment sales from Form 6252, line 26 or 37				12
13 Long-term capital gain or (loss) from like-kind exchanges from Form 8824				13
14 Partnership's share of net long-term capital gain (loss) from other partnerships, estates, and trusts				14
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h)				15

Part III—Summary of Parts I and II

16 Combine lines 7 and 15 and enter the net gain (loss)	16		
17 Enter excess of net short-term capital gain (line 7) over net long-term capital loss (line 15)	17		
18 Net capital gain or (loss). Subtract line 17 from line 16	18		

Part IV—Net Capital Gain (Loss) From Passive Loss Limitation Activities

19 Redetermine the amount on line 17 by taking into account only gains and losses from passive loss limitation activities	19		
20 Excess of net short-term capital gain over net long-term capital loss. Enter the smaller of the amount on line 17 or line 19. Enter here and on page 1, Part I, line 8	20		
21 Redetermine the amount on line 18 by taking into account only gains and losses from passive loss limitation activities	21		
22 Net capital gain or (loss) from passive loss limitation activities. If lines 18 and 21 are both positive or both negative, enter the smaller of line 18 or line 21. Otherwise, enter -0-. Enter here and on Schedule K, line 4a Note: When figuring whether line 18 or line 21 is smaller , treat both numbers as positive.	22		

Part V—Net Capital Gain (Loss) From Other Activities

23 Excess of net short-term capital gain over net long-term capital loss. Subtract line 20 from line 17. Enter here and on page 2, Part II, line 4	23		
24 Net capital gain or (loss) from other activities. Subtract line 22 from line 18. Enter here and on Schedule K, line 4b	24		

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

(a) Distributive share items				(b) Total amount	
1a	Taxable income (loss) from passive loss limitation activities (Part I, line 25)			1a	11,474,829
b	Amount on line 1a allocated to general partners as:				
	(1)	Taxable income (loss) from trade or business activities	1b(1)		
	(2)	Taxable income (loss) from rental real estate activities	1b(2)	0	
	(3)	Taxable income (loss) from other rental activities	1b(3)		
c	Total amount on line 1a allocated to general partners. Combine lines 1b(1) through 1b(3)			1c	
d	Taxable income (loss) from passive loss limitation activities allocated to limited partners. Subtract line 1c from line 1a (report on Schedules K-1, box 1)			1d	11,474,829
2	Taxable income (loss) from other activities (Part II, line 13)			2	1,927,331
3	Qualified dividends from other activities (Part II, line 2b)			3	
4a	Net capital gain (loss) from passive loss limitation activities (Schedule D, line 22)			4a	
b	Net capital gain (loss) from other activities (Schedule D, line 24)			4b	
5	Net passive alternative minimum tax adjustment			5	
6	Net other alternative minimum tax adjustment			6	
7	Guaranteed payments			7	
8	Income from discharge of indebtedness			8	
9	Tax-exempt interest income			9	
10	General credits (see instructions)			10	
11	Low-income housing credit (see instructions)			11	
12	Rehabilitation credit from rental real estate activities (attach Form 3468, if applicable)			12	
13a	Net earnings (loss) from self-employment			13a	3,719,693
b	Gross nonfarm income			13b	3,719,693
14a	Name of foreign country or U.S. possession ▶				
b	Gross income from all sources			14b	
c	Gross income sourced at partner level (attach statement)			14c	
d	Foreign gross income sourced at partnership level:				
	(1)	Passive category	14d(1)		
	(2)	General category	14d(2)		
	(3)	Other (attach statement)	14d(3)		
e	Deductions allocated and apportioned at partner level:				
	(1)	Interest expense	14e(1)		
	(2)	Other	14e(2)		
f	Deductions allocated and apportioned at partnership level to foreign source income:				
	(1)	Passive category	14f(1)		
	(2)	General category	14f(2)		
	(3)	Other (attach statement)	14f(3)		
g	Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>			14g	
h	Reduction in taxes available for credit (attach statement)			14h	
15	Other items and amounts required to be reported separately to partners (attach statement)				

Analysis of Net Income (Loss)

1	Net income (loss). In column (b), add lines 1c through 4b, 7, and 8. From the result, subtract line 14g						1	13,402,160
2	Analysis by partner type:							
	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other		
a	General partners							
b	Limited partners							
			13,402,160					

Schedule L Balance Sheets per Books

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		2,468,821		2,612,147
2a Trade notes and accounts receivable			3,100,000	
b Less allowance for bad debts			200,000	
3 Inventories		5,650,225		6,222,163
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)				
7a Loans to partners (or persons related to partners)				
b Mortgage and real estate loans				
8 Other investments (attach statement)				
9a Buildings and other depreciable assets			7,957,000	
b Less accumulated depreciation			1,900,000	
10a Depletable assets	4,227,116			
b Less accumulated depletion	1,392,032	2,835,084		4,385,600
11 Land (net of any amortization)		7,220,410		7,220,410
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach statement)				
14 Total assets		18,174,540		20,440,320
Liabilities and Capital				
15 Accounts payable		2,147,882		2,110,320
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach statement)				
18 All nonrecourse loans		10,376,658		5,263,460
19a Loans from partners (or persons related to partners)				
b Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach statement)				
21 Partners' capital accounts		5,650,000		13,066,540
22 Total liabilities and capital		18,174,540		20,440,320

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: The partnership may be required to file Schedule M-3 (see instructions).

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, lines 1c through 4b, and 8 (itemize):	
2 Income included on Schedule K, lines 1c through 4b, and 8, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments			
4 Expenses recorded on books this year not included on Schedule K, lines 1c through 4b, and 14g (itemize):		7 Deductions included on Schedule K, lines 1c through 4b, and 14g, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Travel and entertainment \$			
		8 Add lines 6 and 7	
5 Add lines 1 through 4		9 Income (loss). (Analysis of Net Income (Loss), line 1.) Subtract line 8 from line 5	

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	5,650,000	6 Distributions:	
2 Capital contributed:		a Cash	5,000,000
a Cash		b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	12,416,540		
4 Other increases (itemize):		8 Add lines 6 and 7	5,000,000
		9 Balance at end of year. Subtract line 8 from line 5	13,066,540
5 Add lines 1 through 4	18,066,540		

Name Black Coal Industries LLC		Employer identification number 00-2000008	
1	Inventory at beginning of year	1	5,650,225
2	Purchases	2	57,478,827
3	Cost of labor	3	1,425,622
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	64,554,674
7	Inventory at end of year	7	6,222,163
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions	8	58,332,511

9a Check all methods used for valuing closing inventory:

(i) Cost

(ii) Lower of cost or market

(iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Purpose of Form

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Filers of Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. If you are a qualifying taxpayer or a qualifying small business taxpayer (defined below), you can adopt or change your accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method).

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, you can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See the instructions for lines 2 and 7.

For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on adopting or changing to this method of accounting, see Form 3115, Application for Change in Accounting Method, and its instructions.

Qualifying taxpayer. A qualifying taxpayer is a taxpayer that, (a) for each prior tax year ending after December 31, 1998, has average annual gross receipts of \$1 million or less for the 3 prior tax years, and (b) its business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2001-10, 2001-2 I.R.B. 272.

Qualifying small business taxpayer. A qualifying small business taxpayer is a taxpayer that, (a) for each prior tax year

ending on or after December 31, 2000, has average annual gross receipts of \$10 million or less for the 3 prior tax years, (b) whose principal business activity is not an ineligible activity, and (c) whose business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2002-28, 2002-18 I.R.B. 815.

Uniform capitalization rules. The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property by a corporation for use in its trade or business or in an activity engaged in for profit.

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

Report of a Sale or Exchange of Certain Partnership Interests

▶ Information about Form 8308 and its instructions is at www.irs.gov/form8308.

Name of partnership Black Coal Industries LLC	Phone number (555) 555-5555	Employer identification number 00-2000008
Number, street, and room or suite no. If a P.O. box, see instructions. 100 Main St		
City or town, state or province, country, and ZIP or foreign postal code Anytown, WV 25001		

Part I Transferor Information (Beneficial owner of the partnership interest immediately before the transfer of that interest)

Name Bronco Juno	Identifying number 000-70-0002
Number and street (including apt. no.) 300 Main St	
City or town, state or province, country, and ZIP or foreign postal code Anytown, WV 25001	

Notice to Transferors: The information on this form has been supplied to the Internal Revenue Service. The transferor in a section 751(a) exchange is required to treat a portion of the gain realized from the exchange as ordinary income. For more details, see Pub. 541, Partnerships.

Statement by Transferor: The transferor in a section 751(a) exchange is required under Regulations section 1.751-1(a)(3) to attach a statement relating to the sale or exchange to his or her return. See Instructions to Transferors for more details.

Part II Transferee Information (Beneficial owner of the partnership interest immediately after the transfer of that interest)

Name Bubba Christmas	Identifying number 000-70-0001
Number and street (including apt. no.) 200 Main St	
City or town, state or province, country, and ZIP or foreign postal code Anytown, WV 25001	

Part III Date of Sale or Exchange of Partnership Interest ▶ 06 / 30 / 2016

Sign Here Only if You Are Filing This Form by Itself and Not With Form 1065 or Form 1065-B

Under penalties of perjury, I declare that I have examined this return, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ _____ ▶ / /
Signature of general partner or limited liability company member Date

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of form. Form 8308 is filed by a partnership to report the sale or exchange by a partner of all or part of a partnership interest where any money or other property received in exchange for the interest is attributable to unrealized receivables or inventory items (that is, where there has been a section 751(a) exchange).

Who must file. A partnership must file a separate Form 8308 for each section 751(a) exchange of an interest in such partnership. See Regulations section 1.6050K-1.

Note: Form 8308 does not have to be filed if, under section 6045, Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, is required to be filed with respect to the sale or exchange.

A partnership must file Form 8308 once the partnership has notice of the section 751(a) exchange. The partnership has such notice when either:

1. The partnership receives written notification of the exchange from the transferor that includes the names and addresses of both parties to the exchange, the identifying numbers of the transferor and (if known) of the transferee, and the date of the exchange; or

2. The partnership has knowledge that there has been a transfer of a partnership interest and, at the time of the transfer, the partnership had any unrealized receivables or inventory items.

No returns or statements are required under section 6050K if the transfer was not a section 751(a) exchange. For example, a transfer which in its entirety constitutes a gift for federal income tax purposes is not a section 751(a) exchange.

A partnership may rely on a written statement from the transferor that the transfer was not a section 751(a) exchange unless the partnership has knowledge to the contrary. If a partnership is in doubt whether partnership property constitutes unrealized receivables or inventory items or whether a transfer constitutes a section 751(a) exchange, the partnership may file Form 8308 to avoid the risk of incurring a penalty for failure to file.

When to file. Generally, file Form 8308 as an attachment to Form 1065 or Form 1065-B for the tax year of the partnership that includes the last day of the calendar year in which the section 751(a) exchange took place. Form 8308 is due at the time for filing the partnership return, including extensions.

If, however, a partnership is notified of a section 751(a) exchange after it has filed its partnership return, file Form 8308 separately, within 30 days of notification, with the service center where Form 1065 or Form 1065-B was filed.

Copies of Form 8308 to be furnished to transferor and transferee. All partnerships required to file Form 8308 must furnish a copy of the form to each transferor and transferee by January 31 of the year following the calendar year in which the section 751(a) exchange occurred or, if later, 30 days after the partnership has notice of the exchange.

If the partnership does not know the identity of the beneficial owner of an interest in the partnership, the record holder of the interest is treated as the transferor or transferee.

Note: The transferor of the interest is required to notify the partnership of the exchange of the partnership interest unless, under section 6045, Form 1099-B is required to be filed.

Form 8308 must generally be prepared prior to the time it must be attached to the partnership return and sent to the IRS. This will allow the timely furnishing of Forms 8308 to the transferor and transferee.

Instructions to Transferors

This form alerts transferors that they are required to treat a portion of the gain realized from a section 751(a) exchange as ordinary income. For more details, see Pub. 541.

Separate statement required by transferor. The transferor is required by Regulations section 1.751-1(a)(3) to attach a statement to the transferor's income tax return for the tax year of the sale or exchange with the following information.

1. The date of the sale or exchange.
2. The amount of any gain or loss attributable to the section 751 property.
3. The amount of any gain or loss attributable to capital gain or loss on the sale of the partnership interest.

Instructions to Partnerships

Section 751(a) exchange. A section 751(a) exchange occurs when money or any property is exchanged for all or part of a partnership interest that is attributable to unrealized receivables or inventory items. Generally, any sale or exchange of a partnership interest (or any portion) at a time when the partnership has any unrealized receivables or inventory items is a section 751(a) exchange.

Unrealized receivables. Unrealized receivables, to the extent not previously includible in income under the partnership's accounting method, are any rights to payment for:

1. Goods delivered or to be delivered, to the extent that the payment would be treated as received for property other than a capital asset; and
2. Services rendered or to be rendered.

Unrealized receivables also include the amount of gain that would be ordinary income if any of the following types of partnership property were sold on the date of the section 751(a) exchange.

- Mining property (section 617(f)(2)).

- Stock in an interest charge domestic international sales corporation (section 992(a)).
- Farm recapture property or farm land (section 1252(a)).
- Franchises, trademarks, or trade names (section 1253(a)).
- Oil, gas, or geothermal property (section 1254).
- Stock of a controlled foreign corporation (section 1248).
- Section 1245 property.
- Section 1245 recovery property.
- Section 1250 property.
- Market discount bonds (section 1278).
- Short-term governmental obligations (section 1283).
- Other short-term obligations (section 1283(c)).

Inventory items. Inventory items are not just stock in trade of the partnership. They also include the following.

- Any properties that would be included in inventory if on hand at the end of the tax year or that are held primarily for sale to customers in the normal course of business.
- Any asset that is not a capital asset or is not treated as a capital asset.
- Any other property held by the partnership that would be considered inventory if held by the transferor partner.
- Any trade receivables of accrual method partnerships.

Tiered partnerships. In determining whether partnership property is an unrealized receivable or an inventory item, the partnership is treated as owning its proportionate share of the property of any other partnership in which it is a partner. See section 751(f).

Penalty for late filing of correct Form 8308. A penalty may be imposed for failing to file each Form 8308 when due, including extensions. The penalty may also be imposed for failing to include all required information on Form 8308 or for furnishing incorrect information. The penalty is based on when the partnership files a correct Form 8308.

The penalty will not apply to any failure that the partnership can show was due to reasonable cause and not willful neglect.

For more details, see sections 6721 and 6724.

Penalty for failure to furnish correct Forms 8308 to transferor and transferee. A penalty may be imposed for each failure to furnish when due a copy of Form 8308 to either party to the exchange. The penalty may also be imposed for each failure to give the transferor or transferee all required information on each Form 8308 or for furnishing incorrect information. If the partnership intentionally disregards the requirement to report correct information, each penalty is increased. The penalty will not apply to any failure that the partnership can show was due to reasonable cause and not willful neglect. See sections 6722 and 6724 for more details.

Partnership address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the partnership has a P.O. box, show the box number instead.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 2 hr., 23 min.

Learning about the law or the form 2 hr., 23 min.

Preparing and sending the form to the IRS 2 hr., 32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *When to file* on page 1.

**SCHEDULE C
(Form 1065)**

(Rev. December 2014)
Department of the Treasury
Internal Revenue Service

Additional Information for Schedule M-3 Filers

▶ **Attach to Form 1065. See separate instructions.**

▶ **Information about Schedule C (Form 1065) and its instructions is at www.irs.gov/form1065.**

OMB No. 1545-0123

Name of partnership

Black Coal Industries LLC

Employer identification number

00-2000008

	Yes	No
1 At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?		✓
2 Does any amount reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in that partnership or its ratio for sharing other items of that partnership?		✓
3 At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)?		✓
4 At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)?		✓
5 At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle		✓
6 At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes?		✓

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) (Rev. 12-2014)

CORRECTED

PUBLICLY TRADED PARTNERSHIP

PARTNERSHIP'S name, street address, city, state, and ZIP code. Black Coal Industries LLC 100 Main St Anytown, WV 25001		1 Taxable income (loss) from passive activities 52,635	OMB No. 1545-0123 2016 Schedule K-1 (Form 1065-B)
PARTNERSHIP'S Employer I.D. number 00-2000008	PARTNER'S identifying number 000-70-0001	2 Taxable income (loss) from other activities 19,274	3 Qualified dividends
PARTNER'S name Bubba Christmas		4a Net capital gain (loss) from passive activities	4b Net capital gain (loss) from other activities
Street address (including apt. no.) 200 Main St		5 Net passive AMT adjustment	6 Net other AMT adjustment
City, state, and ZIP code Anytown, WV 25001		7 General credits	8 Low-income housing credit
Partner's share of liabilities:		9 Other	
a Nonrecourse \$ 52,635			
b Qualified nonrecourse financing \$ _____			
c Other \$ _____			

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2016 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

IRS.gov/form1065b

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

PARTNERSHIP'S name, street address, city, state, and ZIP code. Black Coal Industries LLC 100 Main St Anytown, WV 25001		1 Taxable income (loss) from passive activities 52,635	OMB No. 1545-0123 2016 Schedule K-1 (Form 1065-B)
PARTNERSHIP'S Employer I.D. number 00-2000008	PARTNER'S identifying number 000-70-1001	2 Taxable income (loss) from other activities 19,274	3 Qualified dividends
PARTNER'S name Bubba Christmas		4a Net capital gain (loss) from passive activities	4b Net capital gain (loss) from other activities
Street address (including apt. no.) 200 Main St		5 Net passive AMT adjustment	6 Net other AMT adjustment
City, state, and ZIP code Anytown, WV 25001		7 General credits	8 Low-income housing credit
Partner's share of liabilities:		9 Other	
a Nonrecourse \$ 52,635 b Qualified nonrecourse financing \$ _____ c Other \$ _____			

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2016 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

IRS.gov/form1065b

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

PARTNERSHIP'S name, street address, city, state, and ZIP code. Black Coal Industries LLC 100 Main St Anytown, WV 25001		1 Taxable income (loss) from passive activities 114,749	OMB No. 1545-0123 2016 Schedule K-1 (Form 1065-B)	Partner's Share of Income (Loss) From an Electing Large Partnership Copy A For Internal Revenue Service Center File with Form 1065-B. For Paperwork Reduction Act Notice and instructions for completing this form, see the 2016 Instructions for Form 1065-B , U.S. Return of Income for Electing Large Partnerships.
PARTNERSHIP'S Employer I.D. number 00-2000008		PARTNER'S identifying number 000-70-0002	3 Qualified dividends	
PARTNER'S name Bronco Juno		4a Net capital gain (loss) from passive activities	4b Net capital gain (loss) from other activities	
Street address (including apt. no.) 300 Main St		5 Net passive AMT adjustment	6 Net other AMT adjustment	
City, state, and ZIP code Anytown, WV 25001		7 General credits	8 Low-income housing credit	
Partner's share of liabilities:		9 Other		
a Nonrecourse \$ 52,635 b Qualified nonrecourse financing \$ _____ c Other \$ _____				

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

IRS.gov/form1065b

Department of the Treasury - Internal Revenue Service

Do NOT Cut or Separate Forms on This Page

**SCHEDULE M-3
(Form 1065)**

**Net Income (Loss) Reconciliation
for Certain Partnerships**

OMB No. 1545-0123

2016

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1065 or Form 1065-B.

▶ Information about Schedule M-3 (Form 1065) and its instructions is at www.irs.gov/form1065.

Name of partnership

Black Coal Industries, LLC

Employer identification number

00-2000008

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the tax year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 25,440,320.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 103,183,673.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

Name of Reportable Entity Partner	Identifying Number	Maximum Percentage Owned or Deemed Owned

E Voluntary Filer.

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 - Yes.** Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 - No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 - Yes.** Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 - No.** Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 - Yes.** Complete lines 2 through 11 with respect to that income statement.
 - No.** Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2016 Ending 12 / 31 / 2016
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 - Yes.** (If "Yes," attach a statement and the amount of each item restated.)
 - No.**
- b** Has the partnership's income statement been restated for any of the five income statement periods immediately preceding the period on line 2?
 - Yes.** (If "Yes," attach a statement and the amount of each item restated.)
 - No.**

4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	4a	12,416,540
b Indicate accounting standard used for line 4a (see instructions):		
1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b)		
4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____		
5a Net income from nonincludible foreign entities (attach statement)	5a	()
b Net loss from nonincludible foreign entities (attach statement and enter as a positive amount)	5b	
6a Net income from nonincludible U.S. entities (attach statement)	6a	()
b Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount)	6b	
7a Net income (loss) of other foreign disregarded entities (attach statement)	7a	
b Net income (loss) of other U.S. disregarded entities (attach statement)	7b	
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach statement)	8	
9 Adjustment to reconcile income statement period to tax year (attach statement)	9	
10 Other adjustments to reconcile to amount on line 11 (attach statement)	10	
11 Net income (loss) per income statement of the partnership. Combine lines 4a through 10	11	12,416,540

Note: Part I, line 11, must equal Part II, line 26, column (a) or Schedule M-1, line 1 (see instructions).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

	Total Assets	Total Liabilities
a Included on Part I, line 4	20,440,320	7,373,780
b Removed on Part I, line 5		
c Removed on Part I, line 6		
d Included on Part I, line 7		

Name of partnership

Black Coal Industries, LLC

Employer identification number

00-2000008

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
(Attach statements for lines 1 through 10)				
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Gross foreign distributions previously taxed				
5 Income (loss) from equity method U.S. corporations				
6 U.S. dividends				
7 Income (loss) from U.S. partnerships				
8 Income (loss) from foreign partnerships				
9 Income (loss) from other pass-through entities				
10 Items relating to reportable transactions				
11 Interest income (see instructions)				
12 Total accrual to cash adjustment				
13 Hedging transactions				
14 Mark-to-market income (loss)				
15 Cost of goods sold (see instructions)	()			()
16 Sale versus lease (for sellers and/or lessors)				
17 Section 481(a) adjustments				
18 Unearned/deferred revenue				
19 Income recognition from long-term contracts				
20 Original issue discount and other imputed interest				
21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach statement)				
g Other gain/loss on disposition of assets other than inventory				
22 Other income (loss) items with differences (attach statement)				
23 Total income (loss) items. Combine lines 1 through 22				
24 Total expense/deduction items. (From Part III, line 31) (see instructions)	(3,491,348)		985,620	(2,505,728)
25 Other items with no differences	15,907,888			15,907,888
26 Reconciliation totals. Combine lines 23 through 25	12,416,540		985,620	13,402,160

Note: Line 26, column (a), must equal Part I, line 11, and column (d) must equal Form 1065, Analysis of Net Income (Loss), line 1.

Name of partnership

Employer identification number

Black Coal Industries, LLC

00-2000008

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 State and local current income tax expense				
2 State and local deferred income tax expense				
3 Foreign current income tax expense (other than foreign withholding taxes)				
4 Foreign deferred income tax expense				
5 Equity-based compensation				
6 Meals and entertainment				
7 Fines and penalties				
8 Judgments, damages, awards, and similar costs				
9 Guaranteed payments				
10 Pension and profit-sharing				
11 Other post-retirement benefits				
12 Deferred compensation				
13 Charitable contribution of cash and tangible property				
14 Charitable contribution of intangible property				
15 Organizational expenses as per Regulations section 1.709-2(a)				
16 Syndication expenses as per Regulations section 1.709-2(b)				
17 Current year acquisition/reorganization investment banking fees				
18 Current year acquisition/reorganization legal and accounting fees				
19 Amortization/impairment of goodwill				
20 Amortization of acquisition, reorganization, and start-up costs				
21 Other amortization or impairment write-offs				
22 Reserved				
23a Depletion—Oil & Gas				
b Depletion—Other than Oil & Gas				
24 Intangible drilling & development costs				
25 Depreciation				
26 Bad debt expense				
27 Interest expense (see instructions)				
28 Purchase versus lease (for purchasers and/ or lessees)				
29 Research and development costs				
30 Other expense/deduction items with differences (attach statement)				
31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive				

DRAFT AS OF
August 1, 2016
DO NOT FILE