

CONSOL Energy Inc  
Form DEF 14A  
March 29, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

**CONSOL Energy Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.





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**CONSOL Energy Inc.**  
**CNX Center**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**Telephone (724) 485-4000**  
**Annual Meeting of Shareholders**  
**to be held on May 8, 2013**

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2013 Annual Meeting of Shareholders on May 8, 2013 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The enclosed Notice of Annual Meeting and Proxy Statement describe the various matters to be acted upon at the meeting. Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States.

If you need assistance, please contact CONSOL's Investor Relations Office at (724) 485-4000. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 accompanies this Proxy Statement.

We appreciate your ownership of CONSOL Energy Inc. and hope you will be able to join us at this year's Annual Meeting.

Sincerely,

J. Brett Harvey

*Chairman of the Board and Chief Executive Officer*

March 29, 2013

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**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**Telephone (724) 485-4000**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 8, 2013**

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting ) of CONSOL Energy Inc. ( CONSOL ) will be held on May 8, 2013, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, for the following purposes:

1. To elect nine directors to hold office in accordance with the Amended and Restated Bylaws of CONSOL;
2. To approve the amendment and restatement of the Executive Annual Incentive Plan;
3. To ratify the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL for the fiscal year ending December 31, 2013;
4. To approve the compensation paid to our named executives in 2012, as reported in this Proxy Statement;
5. If properly presented, to consider and vote upon a shareholder proposal regarding political contributions; and
6. If properly presented, to consider and vote upon a shareholder proposal regarding a climate change report.

By resolution of the Board of Directors, we have fixed the close of business on March 22, 2013 as the record date for determining the shareholders of CONSOL entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States. Your prompt response will be helpful and your cooperation is appreciated. If you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON MAY 8, 2013: The Proxy Statement, form of proxy, Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and related materials are available at [www.edocumentview.com/CNX](http://www.edocumentview.com/CNX) or contact the Investor Relations Department at the address and phone number above.**

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Sincerely,

Stephanie L. Gill

*Vice President, Deputy General Counsel and Corporate Secretary*

March 29, 2013

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This Proxy Summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

**Annual Meeting of the Shareholders**

|                |   |
|----------------|---|
| Time and Date: | Tuesday, May 8, 2013, at 10:00 a.m. Eastern Time  |
| Place:         | Hyatt Regency Pittsburgh International Airport, Wright Room,<br><br>1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231  |
| Record Date:   | March 22, 2013  |
| Voting:        | Shareholders of CONSOL Energy Inc. ( CONSOL or the Corporation ) as of the record date are entitled to vote. Each share of CONSOL common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on. |

**Annual Report**

CONSOL's Annual Report to Shareholders is being mailed together with this Proxy Statement on or about March 29, 2013 to shareholders of record, as of March 22, 2013, of CONSOL common stock.

**Proposals for Meeting****I. Elect Nine Directors**

The following table provides summary information about each director nominee as of March 15, 2013. Each director nominee is elected annually by a majority of votes cast.

| Name                   | Age | Director |  | Occupation  | Independent | Committee Memberships |    |     |    |     |
|------------------------|-----|----------|--|---|-------------|-----------------------|----|-----|----|-----|
|                        |     | Since    |  |   |             | AC                    | CC | HSE | FC | NCG |
| J. Brett Harvey        | 62  | 1998     |  | CONSOL Chairman and Chief Executive Officer   |             |                       |    |     |    |     |
| Philip W. Baxter       | 64  | 2009     |  | Former President Stan Johnson Company; Lead Independent Director of CONSOL and Stan Johnson Company             | X           | X                     | X  |     |    | X   |
| James E. Altmeyer, Sr. | 74  | 2003     |  | Former President/Chief Executive Officer and Chairman of Altmeyer Funeral Homes, Inc.                           | X           |                       |    | C   | X  |     |
| William E. Davis       | 70  | 2004     |  | Former Chairman and Chief Executive Officer of Niagara Mohawk Power Corporation                                 | X           |                       |    | X   |    | C   |
| Raj K. Gupta           | 70  | 2004     |  | Independent Management Consultant and Former Vice President of Strategic Planning of Phillips Petroleum Company | X           | C                     |    | X   |    |     |
| David C. Hardesty, Jr. | 67  | 2005     |  | President Emeritus and Professor of Law at West Virginia University   | X           |                       |    | X   | X  |     |
| John T. Mills          | 65  | 2006     |  | Former Chief Financial Officer of Marathon Oil Corporation  | X           | X                     | X  |     |    |     |

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|                    |    |      |  |   |   |   |
|--------------------|----|------|--|---|---|---|
| William P. Powell  | 57 | 2004 | Managing Partner of 535 Partners LLC         | X | C | X |
| Joseph T. Williams | 75 | 2004 | Former Chairman and CEO of DevX Energy, Inc. | X | X | C |

AC Audit Committee  
CC Compensation Committee  
HSE Health, Safety and Environmental Committee  
FC Finance Committee  
NCG Nominating and Corporate Governance Committee  
C Chair

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### **2. *Approve the Amended and Restated Executive Annual Incentive Plan***

The Executive Annual Incentive Plan was originally adopted and approved by CONSOL's shareholders in 2008, to advance the interests of CONSOL by providing annual cash incentives to officers and key employees, and is being submitted for shareholder approval at this Annual Meeting to continue to enable awards granted thereunder to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

### **3. *Ratify the Anticipated Selection of Ernst & Young LLP (Auditors)***

As a matter of good corporate governance, we are asking shareholders to ratify the anticipated selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

### **4. *Approve Named Executive Compensation***

We provide our shareholders with an annual advisory vote to approve the compensation paid to our named executive officers (named executives). The following summary of 2012 compensation decisions demonstrates the direct linkage between our pay practices with respect to our named executives and our short- and long-term corporate financial and stock performance.

### **5. *Consider Shareholder Proposal Regarding Political Contributions***

As described later, a shareholder of the Corporation has submitted a proposal regarding disclosure of political contributions made by CONSOL and CONSOL's related policies and procedures. For the reasons set forth in *Proposal No. 5 Shareholder Proposal Regarding Political Contributions*, the Board recommends that the shareholders vote AGAINST this proposal.

### **6. *Consider Shareholder Proposal Regarding a Climate Change Report***

As described later, a shareholder of the Corporation has submitted a proposal regarding a climate change report by CONSOL. For the reasons set forth in *Proposal No. 6 Shareholder Proposal Regarding A Climate Change Report*, the Board recommends that the shareholders vote AGAINST this proposal.

CONSOL's Board of Directors (the Board) recommends that you vote **FOR** the election of each of the director nominees, **FOR** Proposals 2, 3 and 4, and **AGAINST** Proposals 5 and 6.

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### *2012-13 Business, Governance and Compensation Highlights*

**Record Safety Performance in 2012:** Our Coal Division improved its reportable incident rate by approximately 8% from 2011 (approximately three times better than the industry average). Our Gas Division employees had no lost time accidents, having surpassed 6 million exposure hours, without a lost time accident. These results are important for our shareholders because a safe workplace reduces our costs and increases the reliability of our operations and production. CONSOL also improved its safety compliance and reduced Mine Safety and Health Administration (MSHA) orders by 8.6% and MSHA citations by 11.6%, each as compared to 2011.

**Maintained Exceptional Financial Performance in Very Challenging Markets for Coal and Natural Gas in 2012:** CONSOL delivered exceptional results in a very challenging time. CONSOL management anticipated slowing markets by reducing administrative and operating costs, balanced coal shipments while maintaining strict mine inventory levels, reduced our natural gas drilling levels, and refocused drilling activity on the higher return wet gas areas. Thus, in very challenging markets, CONSOL delivered in 2012: (i) net income of \$388 million; (ii) cash flow from operations of \$728 million; and (iii) adjusted EBITDA of \$1.3 billion,\* which was only surpassed in the past five years by the record performance of 2011. CONSOL continues to reinvest in our business in a measured way while keeping our liquidity strong. CONSOL's assets and strategic focus continue to deliver outstanding results both in good and bad economic times. Combined results for 2011 and 2012 demonstrate the success of management's approach: (i) net income over \$1 billion; (ii) cash flow from operations in excess of \$2.2 billion; and (iii) adjusted EBITDA in excess of \$3 billion.\*

**Consistently Outperformed Our Coal Peers:** Our stock price outperformed each of our coal peers' stock price -- Alpha Natural Resources, Inc., Peabody Energy Corporation and Arch Coal, Inc. -- in 2012. Compared to the average of our coal peers, CONSOL's total shareholder return was 29% better on a one-year basis, 28% better on a three-year basis and 16% better on a five-year basis. CONSOL ranked in the 58<sup>th</sup> percentile relative to its current TSR Peer Group described on page 43. CONSOL's prudent approach to capital allocation and understanding market dynamics has enabled the Corporation to avoid substantial write-downs.

**Participation in Growth of World Coal Markets:** CONSOL continues to participate in the growth of the world coal markets, exporting more than 10 million tons in 2012.

**Shareholder Outreach/Re-Design of 2013 Long-Term Incentive Program:** Following our 2012 say-on-pay vote, we actively engaged in discussions with our shareholders and considered shareholder sentiments about our core principles and objectives when determining the compensation of our named executives. As a result of those discussions, CONSOL redesigned its 2013 long-term incentive program to be entirely performance-based and at-risk. CONSOL stock units were the only long-term incentives granted to our executive officers in 2013 and these awards will only be earned if the Corporation's (i) average closing stock price at the end of the three-year performance period equals or exceeds 50% of the Corporation's average closing stock price at the commencement of such period and (ii) return on average capital employed ( ROCE ) for the three-year performance period equals or exceeds 80% of the cumulative, budgeted ROCE for such period. If (i) and (ii) are achieved, the number of shares earned will be determined based on the following formula (with payout capped at 150% of target):

$$\text{Stock Units (at target)} \times \frac{\text{Ending Stock Price}}{\text{Beginning Stock Price}}$$

This program applies to our executives and numerous non-executives throughout CONSOL. The Compensation Committee's practice is to strictly adhere to payout formulas developed under its compensation programs. In accordance with this practice, the CONSOL Stock Units and the related performance formula do not allow for any exercise of discretion by the Compensation Committee.

**Implemented Stock Retention Guidelines:** The Compensation Committee adopted stock retention guidelines that apply to CONSOL stock units granted after December 31, 2012 and which require that 50% of the shares subject to a CONSOL stock unit award (net of taxes) must be held by the recipient until the earlier of (i) 10 years from the share settlement of such award or (ii) the recipient's normal

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retirement. These retention guidelines are in addition to our existing stock ownership guidelines, which require our executives to own a significant level of stock until the executive retires or otherwise terminates service with the Corporation.

\* *Reconciliations of adjusted EBITDA for 2011 and 2012 can be found on pages 61-62 of our Annual Report on Form 10-K for the year ended December 31, 2012.*

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**No Tax Gross-Ups:** As mentioned in the past, CONSOL has eliminated all tax-gross ups for our named executives (except those provided for in change in control agreements that were entered into prior to April 2009).

***Executive 2012 Pay Significantly At-Risk:***

***Chief Executive Officer's 2012 Pay -- Decreased Salary and Increased At-Risk Pay (only Performance Share Units Granted, no Restricted Stock Units or Options):*** For 2012, our Compensation Committee, together with the full Board, decreased our Chief Executive Officer's base salary by \$100,000 to \$1 million and shifted more of his compensation to at-risk pay. Approximately 92% of our Chief Executive Officer's compensation was at-risk for 2012. Our Chief Executive Officer's 2012 long-term incentive opportunity -- all in the form of performance share units -- will be earned as follows: (i) 87.5% based on the achievement of certain performance goals, including relative total shareholder return, return on capital and safety; and (ii) 12.5% based on our stock price appreciating in value, on an absolute basis, over a two-year period, and on CONSOL achieving certain performance goals, over a two-year period, related to promoting long-term growth, including through strategic transactions. Further, the Compensation Committee did not increase the Chief Executive Officer's total direct compensation in 2013.

***No Base Salary Increases for Any Other Named Executives for 2012:*** The Compensation Committee did not increase executive officers' base salaries for 2012.

***Actual Realizable Pay Substantially Less than Reported Compensation:*** CONSOL pays for performance. If CONSOL's stock price does not perform, a substantial portion of our executives' at-risk pay has a reduced value and in that event, actual executive pay received will be less than the compensation required to be reported by the proxy disclosure rules.

***Risk Mitigation:*** The incentive compensation payable to our named executives is based on a variety of performance factors, including safety, compliance, production, costs, total shareholder return and return on capital, which is designed to incentivize activities that lead to sustained growth and mitigate inappropriate risk.

***Corporate Responsibility Report Issued:*** CONSOL issued its first Corporate Responsibility Report in 2012, which reported on our 2011 performance indicators of corporate governance, safety, compliance (both safety and environmental) and stakeholder engagement. Our second Corporate Responsibility Report will be published in the Spring of 2013.

***Employ Best Governance Practices in Executive Compensation Program:*** We have adopted no-hedging and no pledging policies in our insider trading policy, which generally prohibit our directors, officers, and employees from engaging in hedging and pledging transactions involving shares of CONSOL common stock.

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**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**INFORMATION ABOUT THE ANNUAL MEETING**

March 29, 2013

The enclosed proxy is being solicited by the Board of CONSOL to be voted at the Annual Meeting of Shareholders (the Annual Meeting ) to be held on May 8, 2013, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The specific proposals to be considered and voted upon at the Annual Meeting are summarized in the Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.

***Voting***

The persons named as proxies on the accompanying proxy card have informed CONSOL of their intention, if no contrary instructions are given, to vote the shares represented by such proxies as follows:

in favor of the election as directors of CONSOL of those persons nominated in this Proxy Statement to hold office in accordance with the Amended and Restated Bylaws of CONSOL;

in favor of the adoption of the Amended and Restated CONSOL Energy Inc. Executive Annual Incentive Plan;

in favor of the ratification of the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL for the fiscal year ending December 31, 2013;

in favor of, on an advisory basis, the compensation paid to our named executives in 2012 as reported in this Proxy Statement;

if properly presented, against the shareholder proposal regarding political contributions;

if properly presented, against the shareholder proposal regarding a climate change report; and

in accordance with their judgment on any other matters which may properly come before the Annual Meeting.

The Board does not know of any other business to be brought before the Annual Meeting other than as indicated in the Notice of Annual Meeting of Shareholders.

***Record Date and Vote Required for Approval***

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The record date with respect to this solicitation is March 22, 2013. All holders of record of CONSOL common stock as of the close of business on March 22, 2013 (the Record Date ) are entitled to vote at the Annual Meeting and any adjournment or postponement thereof. As of March 22, 2013, the Corporation had 228,563,196 shares of common stock outstanding. Each share of common stock is entitled to one vote. Shareholders do not have cumulative voting rights. The holders of a majority of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, will constitute a quorum at the Annual Meeting.

***Director Elections:*** The election of directors at the Annual Meeting will be by ballot and a majority of the votes cast at the Annual Meeting is required for each director nominee to be elected. Under our



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Amended and Restated Bylaws, this means that the number of votes cast for a director's election must exceed 50% of the total number of votes cast with respect to that director's election. Votes cast include direction to withhold authority.

***Executive Annual Incentive Plan, Independent Auditor, Executive Compensation, and Shareholder Proposals:*** The vote to approve the amended and restated CONSOL Energy Inc. Executive Annual Incentive Plan, the vote to ratify the anticipated selection of Ernst & Young LLP as the independent auditor of the Corporation for the fiscal year ending December 31, 2013, the advisory vote to approve the compensation paid to our named executives in 2012 as reported in this Proxy Statement, the shareholder proposal regarding political contributions and the shareholder proposal regarding a climate change report will each be determined by the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the meeting and entitled to vote on the matter.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may be treated as broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on non-routine proposals, such as the election of directors (Proposal No. 1), the approval of the amended and restated Executive Annual Incentive Plan (Proposal No. 2), the advisory vote to approve the compensation paid to our named executives in 2012 as reported in this Proxy Statement (Proposal No. 4), the shareholder proposal regarding political contributions (Proposal No. 5), and the shareholder proposal regarding a climate change report (Proposal No. 6), although they may vote their clients' shares on routine matters, such as the ratification of the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, to serve as the independent auditor of the Corporation for the fiscal year ending December 31, 2013 (Proposal No. 3). In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions have the same effect as votes against the matter except, in the case of Proposal 1 (election of directors), where abstentions would not have an effect on the outcome. Proxies received but marked as abstentions and broker non-votes will be counted for quorum purposes.

The voting instruction form also serves as the voting instructions for the trustees who hold shares of record for participants in the CONSOL Energy Inc. Investment Plan for Salaried Employees. If voting instructions representing shares in this plan are not received, those shares will not be voted.

### ***Director Resignation Policy***

Our Amended and Restated Bylaws provide that if an incumbent director is not elected at any meeting for the election of directors and no successor has been elected at such meeting, the director must promptly tender his or her resignation to the Board. The Nominating and Corporate Governance Committee of the Board will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, and publicly disclose its decision and the rationale behind it in a press release, a filing with the Securities and Exchange Commission (the "SEC") or other broadly disseminated means of communication within 90 days from the date of the certification of the election results.

### ***Revocation of Proxy***

If you are the owner of record as of the close of business on the Record Date, you can revoke your proxy at any time before its exercise by:

sending a written notice to CONSOL at CNX Center, 1000 CONSOL Energy Drive, Canonsburg, PA 15317, attention: Secretary, bearing a date later than the date of the proxy that is received prior to the Annual Meeting, and stating that you revoke your proxy;

submitting your voting instructions again by telephone or over the internet;

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signing another valid proxy card bearing a later date than the proxy initially received and mailing it so that it is received by the Corporation prior to the Annual Meeting; or

attending the Annual Meeting and voting in person.

If you hold your shares through a bank, broker or other nominee, you must follow the instructions found on the voting instruction card, or contact your bank, broker or other nominee in order to revoke your previously delivered proxy.

If a proxy is properly executed and is not revoked by the shareholder, the shares it represents will be voted at the Annual Meeting in accordance with the instructions provided by the shareholder. If a proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of the Board. Attendance at the Annual Meeting without a request to revoke a proxy will not by itself effectively revoke a previously executed and delivered proxy.

***Proxy Solicitation***

All costs relating to the solicitation of proxies will be borne by CONSOL. Georgeson Inc. has been retained by CONSOL to aid in the solicitation of proxies at an estimated cost of \$12,500 plus reimbursement of out-of-pocket expenses. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. Upon request, CONSOL will pay brokers and other persons holding shares of common stock in their names or in the names of their nominees for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

***Secrecy in Voting***

As a matter of policy, proxies, ballots and voting tabulations that identify individual shareholders are held confidential by CONSOL. Such documents are available for examination only by the inspectors of election and certain employees who assist in the tabulation of votes. The vote of any individual shareholder will not be disclosed except as may be necessary to meet legal requirements.

***Attendance at the Meeting***

Subject to space availability, all shareholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Because seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration will begin at 9:00 a.m. Shareholders who attend may be asked to present valid picture identification, such as a driver's license or passport, and may be issued a ticket for admission to the meeting. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. Please also note that if you hold your shares in street name (that is, through a bank, broker or other nominee), a copy of a brokerage statement reflecting your stock ownership as of the Record Date must be provided during check-in at the registration desk at the Annual Meeting. If you require directions to the Annual Meeting, please contact CONSOL's Investor Relations Office at (724) 485-4000.

**CONSOL will provide to any shareholder, without charge and upon the written request of the shareholder, a copy (without exhibits, unless otherwise requested) of CONSOL's Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Annual Report) as filed with the SEC. Any such request should be directed to CONSOL Energy Inc., Investor Relations Department, 1000 CONSOL Energy Drive, Canonsburg, PA 15317.**

**BOARD OF DIRECTORS AND COMPENSATION INFORMATION**

**BOARD OF DIRECTORS AND ITS COMMITTEES**

***Board of Directors***

The business and affairs of CONSOL are managed under the direction of our Board. We do not have a policy regarding directors' attendance at our annual meetings of shareholders; however, directors are encouraged to attend. All of the current members of our Board attended the 2012 annual meeting of shareholders.

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### ***Board Leadership Structure***

Following the \$3.5 billion acquisition of the Appalachian Energy and Production assets of Dominion Resources, Inc. in 2010 (the "Dominion Acquisition"), and at the time the Corporation acquired all of the outstanding shares of CNX Gas Corporation's ("CNX Gas") common stock, the Board reviewed its leadership structure and determined that it was in the best interests of the Corporation to combine the role of Chief Executive Officer and Chairman into one person as described below. Accordingly, on June 29, 2010, Mr. Harvey assumed the position of Chairman, in addition to his role as the Corporation's Chief Executive Officer. In connection with this change, Mr. Baxter was elected Lead Independent Director by the Board.

We believe that by combining the roles of Chief Executive Officer and Chairman in one individual, we are able to centralize Board leadership and provide more effective communication to the other members of the Board regarding corporate developments. We also believe that Mr. Harvey's role as both the Chairman of the Board and Chief Executive Officer will promote decisive leadership, ensure clear accountability and enhance the Corporation's ability to communicate its message and strategy clearly and consistently to the Corporation's shareholders, employees, customers and suppliers. Mr. Harvey has been the Chief Executive Officer and a director of CONSOL since January 1998. He also served as President of the Corporation from January 1998 until his resignation from that position on February 23, 2011. With more than 30 years of natural resources industry experience, Mr. Harvey is especially qualified to understand the risks and leadership challenges facing a diversified energy company like CONSOL. Mr. Harvey also brings substantial corporate governance expertise to the CONSOL Board, which he has acquired through his years of service on multiple public company boards.

In connection with the Board's decision to combine the roles of Chairman of the Board and Chief Executive Officer into one person, the Board determined that it was appropriate and necessary to appoint a Lead Independent Director, who they decided must be an independent director that has served for at least one year with the Corporation. The Lead Independent Director has the following duties:

To act as a liaison between the Chairman and the independent directors;

To preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;

To review with the Chairman the schedule of meetings, meeting agendas and types of information to be provided for each Board meeting and to review with the Chairman whether there are particular risks which the Board should focus upon at such meetings;

Authority to direct the Chief Executive Officer or Secretary to call a special meeting of the independent directors; and

To perform such other duties as may from time to time be delegated to the Lead Independent Director by the Board.

With Mr. Baxter's service as a long-standing member of the CONSOL Board and as chairman of the board of directors of CNX Gas, he was ideally suited for the position of Lead Independent Director.

Our Board is composed of more than a majority of independent directors. In addition, as indicated below, each of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, described below in *Committees of the Board of Directors*, is composed entirely of independent directors, including the chairperson of each respective committee. We believe that the number of independent directors that make up our Board, along with the independent oversight of the Board by our Lead Independent Director, benefits the Corporation, as well as our shareholders.

### ***Board's Role in Risk Management***

Our management team is responsible for the management and assessment of risk at the Corporation and communicating those risks to our Board. Through regular presentations to the Board and the appropriate committees



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(as determined by the subject matter of the particular risk), management identifies and discusses the risks affecting the Corporation and our business. In 2012, our management team performed a comprehensive risk analysis that included a review of the material risks that could affect the Corporation and communicated the results of the analysis to the full Board.

Under our Corporate Governance Guidelines, the Board is charged with assessing major risks facing the Corporation and reviewing options for their mitigation with the assistance of the various committees. Even when a risk has been delegated to a particular committee, the Board as a whole continues to monitor such risk through its receipt and review of reports provided by the respective committee chairpersons at each regularly-scheduled Board meeting.

The Audit Committee assists the Board in its general oversight of, among other things, the Corporation's policies, guidelines and related practices regarding risk assessment and risk management, including the risk of fraud. As part of this endeavor, the Audit Committee reviews and assesses the Corporation's major financial, legal, regulatory, environmental and similar risk exposures and the steps that management has taken to monitor and control such exposures. The Audit Committee also reviews and assesses the quality and integrity of the Corporation's public reporting, the Corporation's compliance with legal and regulatory requirements, the performance and independence of the Corporation's independent auditors, the performance of the Corporation's internal audit department, the effectiveness of the Corporation's disclosure controls and procedures, and the adequacy and effectiveness of the Corporation's risk management policies and related practices.

Our Finance Committee is charged with monitoring and evaluating risks affecting the Corporation. Consistent with its charter, our Finance Committee reviews the Corporation's financial plans, strategic plans, debt and investments, as well as the Corporation's compliance with debt covenants.

Our Health, Safety and Environmental Committee addresses various risks associated with health, safety and the environment. This Committee reviews (i) any material compliance issues with health, safety and environmental laws, (ii) any material pending or threatened administrative, regulatory or judicial proceedings regarding health, safety or environmental matters, and (iii) management's response to the foregoing legal matters.

Our Nominating and Corporate Governance Committee addresses risks associated with our management structure by reviewing, among other matters, the qualifications and backgrounds of our directors on an annual basis to ensure that our Board is composed of individuals who are capable of providing appropriate oversight and insight to our executive management team in light of the Corporation's business.

Finally, our Compensation Committee reviews and comments on our succession planning and assesses whether our compensation policies and practices incentivize excessive risk-taking. See *Compensation Policies and Practices As They Relate To CONSOL's Risk Management* on page 51 for a discussion of the Compensation Committee's findings and conclusions with respect to the Corporation's compensation policies and practices.

### ***Committees of the Board of Directors***

Our Board has five standing committees: Audit, Compensation, Nominating and Corporate Governance, Finance and Health, Safety and Environmental. Actions taken by our committees are reported to the full Board. In January 2013, the Board determined that all members of each of the Audit, Compensation and Nominating and Corporate Governance Committees are independent under the current listing standards of the New York Stock Exchange ( NYSE ) and other applicable regulatory requirements. See *Determination of Director Independence* on page 26 for additional information regarding the Board's independence determinations with respect to its members.

#### ***Audit Committee***

Our Audit Committee, which currently consists of three directors, provides assistance to our Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, financial reporting, internal control and compliance functions of the Corporation and its subsidiaries. Our Audit Committee employs an independent

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registered public accounting firm to audit the financial statements of CONSOL and its subsidiaries and perform other assigned duties. Further, our Audit Committee provides general oversight with respect to the accounting principles employed in financial reporting and the adequacy of CONSOL's internal controls. In discharging its responsibilities, our Audit Committee may rely on the reports, findings and representations of the Corporation's auditors, legal counsel, and responsible officers. Our Board has determined that all members of the Audit Committee are financially literate within the meaning of SEC rules and under the current listing standards of the NYSE. Our Board has also determined that Messrs. Gupta, Mills and Baxter each qualify as an audit committee financial expert. A copy of the audit committee's report for the 2012 fiscal year is set forth in this Proxy Statement.

### ***Compensation Committee***

Our Compensation Committee, which currently consists of four directors, establishes executive compensation policies consistent with the Corporation's objectives and shareholder interests. Our Compensation Committee also reviews the performance of our executive officers and establishes, adjusts and awards compensation, including incentive-based compensation, as more fully discussed below. In addition, our Compensation Committee generally is responsible for:

establishing and periodically reviewing our executive compensation philosophy and the adequacy of compensation plans and programs for our directors, executive officers and certain other employees;

overseeing our compensation plans, including the establishment of performance goals under the Corporation's incentive compensation arrangements and the review of performance against those goals in determining incentive award payouts;

reviewing and monitoring our management development and succession plans and activities;

overseeing our executive employment contracts, special executive retirement benefits, executive severance, executive change in control arrangements and/or similar plans;

reviewing and recommending to our Board the compensation of our non-employee directors for their service as directors on our Board; and

overseeing the outside compensation consultant engaged by the Compensation Committee.

Our Compensation Committee's charter generally permits it to delegate its authority, duties and responsibilities or functions to one or more members of the Compensation Committee or to the Corporation's officers, except where otherwise prohibited by law or applicable listing standards. The terms of our Equity Incentive Plan (the "Plan") also permit our Compensation Committee to delegate its power and authority under the Plan to our officers. In February 2012, the Compensation Committee authorized our Chief Executive Officer to grant up to 1,250,000 shares of our common stock (in the form of stock option or restricted stock unit awards) to our non-executive employees in compliance with the terms and conditions of such delegation, the Plan and applicable laws and regulations.

Our Compensation Committee periodically reviews the compensation paid to our non-employee directors and the principles upon which their compensation is determined. The Compensation Committee also periodically reports to the Board on how our non-employee director compensation practices compare with those of other similarly situated public corporations and, if the Compensation Committee deems it appropriate, recommends changes to our director compensation practices to our Board for approval.

Outside compensation consulting firms retained by our Compensation Committee and management also provide assistance to the Compensation Committee in making its compensation-related decisions. Our Compensation Committee has directly engaged Deloitte Consulting LLP (Deloitte) to assist the committee with its evaluation of our compensation programs for executive officers and directors. The scope of Deloitte's work for the Compensation Committee in 2012 included, among other matters:

the development and review of a relevant peer group of companies;

the benchmarking of components of our compensation programs with those of our peer group;

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assisting our Compensation Committee with the development of performance goals underlying the Long-Term Incentive Program ( LTIP ) under the Plan;

assessing the stock ownership and retention guidelines applicable to our directors and executive officers; and

assessing the overall competitiveness of our executive compensation program.

For additional information regarding the Compensation Committee s processes and procedures for reviewing and determining executive officer compensation, see *Compensation Discussion and Analysis* on page 28.

Deloitte provided advice and/or recommendations to the Compensation Committee regarding amounts and forms of executive compensation in 2012. In connection with these services, the Corporation incurred \$358,633 in aggregate fees in 2012. Deloitte Tax LLP, an affiliate of Deloitte, also provided, at management s request, tax services to the Corporation which in 2012 totaled \$428,947 in aggregate fees. The tax services were reviewed and approved by the Audit Committee and the Compensation Committee was made aware of the Corporation s retention of Deloitte Tax LLP. To prevent the perception of a potential conflict of interest involving Deloitte and its affiliate, (i) the individuals from Deloitte Tax LLP who provided the tax services to the Corporation were not the same individuals who provided the consulting services to the Compensation Committee, (ii) the Deloitte consultants who provided services to the Compensation Committee assured the Committee that no portion of their compensation would be based on the amount or level of tax services provided by Deloitte Tax LLP to the Corporation, (iii) the Deloitte consultants who provided services to the Compensation Committee do not own any stock in the Corporation or otherwise provide any other services to the Corporation, other than consulting services to the Compensation Committee, and (iv) the Deloitte compensation consultants have no business or personal relationships with members of the Compensation Committee or the Corporation s executive officers.

***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee, which currently consists of four directors, monitors our corporate governance system, assesses Board membership needs, makes recommendations to the Board regarding potential director candidates for election at annual meetings of shareholders or in the event of any director vacancy, and performs any other functions or duties deemed appropriate by the Board. Messrs. Harvey, Baxter, Altmeyer, Davis, Gupta, Hardesty, Mills, Powell and Williams were each recommended by our Nominating and Corporate Governance Committee to our Board for nomination for election at the Annual Meeting.

In making director recommendations, the Nominating and Corporate Governance Committee will consider for nomination candidates whose names are submitted by shareholders. Shareholders should submit the names of candidates to the Secretary, CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317. See *Additional Matters* on page 98 for more information on submitting director nominations. In assessing the Board s membership needs, the Nominating and Corporate Governance Committee generally seeks to maintain a Board that is comprised of individuals who are competent in the following areas:

general industry knowledge;

accounting and finance;

ability to make sound business decisions;

management;

leadership;



knowledge of international markets;

business strategy;

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crisis management;

corporate governance; and

risk management.

Directors must have or have had experience in positions with a high degree of responsibility and leadership experience in the companies or institutions with which they are or have been affiliated. Directors are selected based upon contributions that they can make to CONSOL. The Nominating and Corporate Governance Committee's process for identifying and evaluating director nominees is as follows:

determine what types of backgrounds, skills, and attributes of Board members are needed to help strengthen and balance the Board, taking into account the competencies described above;

at appropriate times, actively seek individuals qualified to become new members of the Board; and

evaluate and recommend to our Board the slate of director nominees to be elected by the shareholders at CONSOL's next annual meeting of shareholders.

CONSOL does not maintain a separate policy regarding the diversity of its Board members. However, consistent with its charter, the Nominating and Corporate Governance Committee, and ultimately the Board, seeks directors (including director nominees) with diverse personal and professional backgrounds, experience and perspectives that, when combined, provide a diverse portfolio of experience and knowledge that will well serve the Corporation's governance and strategic needs.

### ***Finance Committee***

Our Finance Committee, which currently consists of four directors, monitors and provides advice and counsel to our Board and management regarding our asset mix, potential mergers and acquisitions, capital structure and policies, financial position and policies, financing activities, compliance with debt covenants, dividend policies and material investments and contracts. No member of the Finance Committee may be an officer or employee of CONSOL or any of our subsidiaries.

### ***Health, Safety and Environmental Committee***

Our Health, Safety and Environmental Committee, which currently consists of four directors, provides oversight of the Corporation's policies and management systems with respect to health, safety and environmental matters. Our Health, Safety and Environmental Committee is generally responsible for:

overseeing management's monitoring and enforcement of the Corporation's policies to protect the health and safety of employees, contractors, customers, the public and the environment and review with management the quality of the Corporation's procedures for identifying, assessing, monitoring and managing the principal risks facing our business associated with health, safety and the protection of the environment and report the Committee's findings to the Board, as deemed necessary or appropriate;

reviewing the Corporation's strategy, including objectives and policies, relative to the protection of the safety and health of employees, contractors, customers and the public, and the protection of the environment;

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reviewing (i) any material compliance issues with health, safety and environmental laws, (ii) any material pending or threatened administrative, regulatory or judicial proceedings regarding health, safety or environmental matters, and (iii) management's response to the foregoing matters; and

reviewing any significant health, safety and environmental public policy and legislative, political and social issues and trends that may materially affect the business operations, financial performance or public image of the Corporation or the industry, and management's response to such matters.

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***Corporate Governance Web Page and Available Documents***

We maintain a corporate governance page on our website at [www.consolenergy.com](http://www.consolenergy.com). The following documents are currently included on the corporate governance page of our website:

Amended and Restated Bylaws;

CONSOL Corporate Governance Guidelines;

CONSOL Code of Director Business Conduct and Ethics;

CONSOL Code of Employee Business Conduct and Ethics, which covers all employees of CONSOL, including executive employees;

Charters of the Audit, Nominating and Corporate Governance, Compensation, Finance and Health, Safety and Environmental Committees;

Related Party Policy; and

Corporate Responsibility Report.

We will also provide a printed copy of any of these documents free of charge if you contact the Investor Relations department in writing at CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317 and make your request.

***Membership and Meetings of the Board of Directors and its Committees***

Each director attended all of the aggregate of:

the total number of meetings held by our Board (during the period for which he or she was a director during 2012); and

the total number of meetings held by all committees of our Board on which he or she served (during the period that he or she served on such committees during 2012).

Current committee membership and the number of meetings of the full Board and its committees are shown in the following table:

|                  | <b>Board of Directors</b> | <b>Audit Committee</b> | <b>Compensation Committee</b> | <b>Nominating and Corporate Governance Committee</b> | <b>Finance Committee</b> | <b>Health, Safety and Environmental Committee</b> |
|------------------|---------------------------|------------------------|-------------------------------|--|--------------------------|---|
| J. Brett Harvey  | Chair                     | -                      | -                             | -  | -                        | -   |
| Philip W. Baxter | Lead Indep. Dir.          | Member                 | Member                        | Member <sup>(1)</sup>                                | -                        | -   |

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|                        |                  |        |        |        |        |        |
|------------------------|------------------|--------|--------|--------|--------|--------|
| James E. Altmeyer, Sr. | Member           | -      | -      | -      | Member | Chair  |
| William E. Davis       | Member           | -      | -      | Chair  | -      | Member |
| Raj K. Gupta           | Member           | Chair  | -      | -      | -      | Member |
| Patricia A. Hammick    | Member           | -      | -      | Member | Member | -      |
| David C. Hardesty, Jr. | Member           | -      | -      | -      | Member | Member |
| John T. Mills          | Member           | Member | Member | -      | -      | -      |
| William P. Powell      | Member           | -      | Chair  | Member | -      | -      |
| Joseph T. Williams     | Member           | -      | Member | -      | Chair  | -      |
| No. of 2012 Meetings   | 5 <sup>(2)</sup> | 11     | 5      | 4      | 5      | 4      |

(1) Mr. Baxter was appointed as a member of the Nominating and Corporate Governance Committee effective March 7, 2013.

(2) Of the five Board meetings, all five were Regularly Scheduled Meetings and none were Special Meetings.

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During 2012, the non-management directors held five executive sessions of the Board. The presiding director for the executive sessions was Mr. Baxter, our Lead Independent Director.

***Communication with the Board of Directors***

Shareholders and other interested persons who wish to communicate with the Board may do so by writing to the Board and should address their communications to the attention of the Secretary at CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317, or by sending an e-mail to [directors@consolenergy.com](mailto:directors@consolenergy.com). The Secretary will relay all such communications to the Board in its entirety or to individual directors (as appropriate) at the next regularly scheduled Board meeting (or earlier as necessary) except for spam, junk mail, mass mailings, solicitations, resumes, job inquiries or other matters unrelated to the Corporation. Communications that are intended specifically for the Chairman or the independent directors should be sent to the street address or e-mail address noted above, to the attention of the Chairman or the independent directors, as intended. Information concerning how to communicate with the Board is also included on CONSOL's website at [www.consolenergy.com](http://www.consolenergy.com).

**Table of Contents****DIRECTOR COMPENSATION TABLE - 2012**

The following table sets forth the compensation of our directors for the 2012 fiscal year:

| Name <sup>(1)</sup>                | Fees Earned or Paid in Cash | Stock Awards <sup>(2)</sup> | Option Awards <sup>(3)</sup> | All Other Compensation <sup>(9)</sup> | Total      |
|------------------------------------|-----------------------------|-----------------------------|------------------------------|---------------------------------------|------------|
| James E. Altmeyer, Sr.             | \$ 105,000                  | \$ 130,000                  | -                            | -                                     | \$ 235,000 |
| Philip W. Baxter                   | \$ 127,500                  | \$ 130,000                  | -                            | -                                     | \$ 257,500 |
| William E. Davis                   | \$ 105,000                  | \$ 130,000 <sup>(4)</sup>   | -                            | -                                     | \$ 235,000 |
| Raj K. Gupta                       | \$ 112,500                  | \$ 130,000                  | -                            | -                                     | \$ 242,500 |
| Patricia A. Hammick <sup>(6)</sup> | \$ 95,000                   | \$ 130,000 <sup>(5)</sup>   | -                            | -                                     | \$ 225,000 |
| David C. Hardesty, Jr.             | \$ 95,000                   | \$ 130,000 <sup>(4)</sup>   | -                            | -                                     | \$ 225,000 |
| John T. Mills                      | \$ 102,500                  | \$ 130,000 <sup>(4)</sup>   | -                            | -                                     | \$ 232,500 |
| William P. Powell                  | \$ 105,000                  | \$ 130,000 <sup>(4)</sup>   | -                            | -                                     | \$ 235,000 |
| John Whitmire <sup>(7)</sup>       | \$ 31,667                   | -                           | -                            | \$ 775,000 <sup>(8)</sup>             | \$ 806,667 |
| Joseph T. Williams                 | \$ 105,000                  | \$ 130,000                  | -                            | -                                     | \$ 235,000 |

- (1) Mr. Harvey is a member of the Board of Directors of CONSOL. As Chairman and Chief Executive Officer, Mr. Harvey's compensation is reported in the Summary Compensation Table and other sections of this Proxy Statement. He does not receive any additional compensation in connection with his service on our Board.
- (2) The values set forth in this column are based on the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Compensation-Stock Compensation (FASB ASC Topic 718) (disregarding any estimate of forfeitures related to service-based vesting conditions). The grant date fair value is computed based upon the closing price of CONSOL's stock on the date of grant. The values reflect the awards' fair market value at the date of grant, and do not correspond to the actual value that will be recognized by the directors. As of December 31, 2012, the number of restricted stock units held by our current non-employee directors was: (i) 3,873 for Messrs. Altmeyer, Gupta, Williams, Baxter, Davis, Hardesty, Mills, Powell and Ms. Hammick. In addition, as of December 31, 2012: (i) Ms. Hammick and Messrs. Hardesty and Powell each had 12,715 deferred restricted stock units outstanding; (ii) Mr. Williams had 3,380 deferred restricted stock units outstanding; (iii) Mr. Gupta had 2,274 deferred restricted stock units outstanding; (iv) Mr. Mills had 9,581 deferred restricted stock units outstanding; (v) Mr. Davis had 8,321 deferred restricted stock units outstanding; (vi) Mr. Whitmire had 20,995 deferred restricted stock units outstanding; and (vii) Messrs. Whitmire and Gupta had 11,118 and 2,423 deferred stock units outstanding, respectively.
- (3) No options were granted to directors in 2012. As of December 31, 2012, the number of options held by our current and one former non-employee directors was: (i) 12,962 for Mr. Davis; (ii) 1,158 for Mr. Whitmire; (iii) 15,962 for Mr. Powell; (iv) 2,692 for Mr. Hardesty; (v) 2,962 for Mr. Williams, Mr. Gupta and Ms. Hammick; (vi) 8,592 for Mr. Mills and (vii) 3,643 for Mr. Altmeyer.
- (4) Each of Messrs. Davis, Hardesty, Mills, and Powell elected to defer until termination of service, 100% of his restricted stock unit award granted on May 1, 2012 (or 3,814 restricted stock units). Upon termination of service, all of the shares underlying these restricted stock unit awards will be delivered in a one-time distribution.
- (5) Ms. Hammick elected to defer until termination of service, 50% of her restricted stock unit award granted on May 1, 2012 (or 1,907 restricted stock units). Upon termination of service, all of the shares underlying her restricted stock unit award will be delivered in a one-time distribution.
- (6) Ms. Hammick has not been nominated for re-election to our Board and will cease to be a member of our Board of Directors following the Annual Meeting.
- (7) Mr. Whitmire ceased to be a member of our Board on May 1, 2012.

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- (8) Mr. Whitmire was provided clerical support by CONSOL, which for 2012 totaled \$50,000. He was also paid \$725,000 in consulting fees as described in *Understanding Our Director Compensation Table - CONSOL Consulting Agreement with Mr. Whitmire* on page 17 of this Proxy Statement.
- (9) The non-employee directors are permitted to use a *de minimis* number of tickets purchased by the company to attend sporting or other events when such tickets are not otherwise being used for business purposes.



**Table of Contents****UNDERSTANDING OUR DIRECTOR COMPENSATION TABLE**

We generally use a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on our Board. Each of our non-employee directors is entitled to receive annual fees for their service, any portion of which may be deferred at such director's election. In lieu of all or any portion of the annual retainer otherwise payable to our non-employee directors, our Board may grant deferred stock units, which carry dividend equivalent rights. We also reimburse directors for customary travel and related expenses for their attendance at Board or committee meetings. A description of the fees and awards paid to our non-employee directors are described in greater detail below.

***CONSOL Non-Employee Director Annual Fees and Awards***

Our non-employee director compensation program is set forth in the following table:

| <b>Element of Annual Compensation</b>                                      | <b>Dollar Value<br/>of Board<br/>Compensation</b> |
|--|---|
| Board Retainer   | \$ 95,000   |
| Committee Chair Retainer (excluding Audit Committee Chair Retainer)        | \$ 10,000   |
| Audit Committee Chair Retainer   | \$ 17,500   |
| Audit Committee Member Retainer (excluding Audit Committee Chair Retainer) | \$ 7,500  |
| Lead Independent Director Retainer   | \$ 25,000   |
| Annual Equity Award (restricted stock units)                               | \$ 130,000  |

The compensation structure adopted by our Board was the result of a competitive assessment of board compensation provided to the Compensation Committee in September 2010 by Deloitte, its outside compensation consultant, which described board compensation paid by (i) companies included in the Corporation's peer group at that time, (ii) companies in the S&P 500, excluding financial service companies, and (iii) a select group of approximately 100 similar-sized companies in the S&P 500. The Compensation Committee also conducted a review of current board compensation trends and developments affecting the compensation paid to non-employee directors generally.

***CONSOL Non-Employee Director Stock Options***

Prior to October 2006, our non-employee directors received nonqualified stock options to acquire shares of the Corporation's common stock. All of these options have fully vested. Subject to the provisions of the particular nonqualified stock option agreement and the Plan, the holders of these options may exercise all or any part of their options at any time prior to the tenth anniversary of the grant date, which is the expiration date. If a director is terminated for cause, all options held by such director, if any, will be forfeited as of the termination date.

***CONSOL Non-Employee Director Restricted Stock Units***

Each restricted stock unit represents the right to receive one share of common stock following the vesting date of that unit. Non-employee director restricted stock unit awards vest in full one year from the grant date. A director is not entitled to shareholder rights, including voting rights and/or dividend rights with respect to the shares underlying a restricted stock unit award, until such shares become vested and are issued to the director. Should a regular cash dividend be declared on our common stock at a time before the shares subject to a restricted stock unit award become vested and are issued, then the number of shares subject to the award will be automatically increased by a certain number of shares determined in accordance with a pre-established formula. The additional shares resulting from this calculation will be subject to the same terms and conditions as the unissued shares of common stock to which they relate under the award.

The non-employee director restricted stock unit award agreements provide that in the event of death or disability or upon the completion of a change in control (as defined in our Plan), all shares subject to such award will vest automatically and be delivered to the director immediately, or as soon as administratively practical thereafter (but in

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no event later than the 15<sup>th</sup> day of the third month following that date). If a director is terminated for cause (as defined in our Plan) or ceases to provide services to the Corporation for any reason other than death, disability or in connection with a change in control, such director's award will be cancelled with respect to any unvested shares, and the number of restricted stock units will be reduced accordingly. The director will then cease to have any rights or entitlements to receive any shares of common stock under those cancelled units.

As a condition to a director's right to receive shares subject to a restricted stock unit award, the director must agree to abide by the terms and conditions of the proprietary information covenant included in the award agreement and must return any materials belonging to the Corporation upon termination of service on the Board. See *Equity Incentive Plan Definitions* on page 81 for definitions under our Plan.

### ***CONSOL Consulting Agreement with Mr. Whitmire***

In connection with the Dominion Acquisition, we entered into a consulting agreement (the Consulting Agreement) with Mr. Whitmire, effective July 1, 2010, pursuant to which Mr. Whitmire was engaged as an independent contractor to provide certain high-level strategic advice to our Chairman and Chief Executive Officer and such other executive officers as the Corporation may reasonably request, in order to assist the Corporation with the integration and development of the Dominion assets. Pursuant to the terms of the Consulting Agreement, Mr. Whitmire received \$725,000 per year, payable in equal monthly installments in arrears. Mr. Whitmire was also provided clerical support by the Corporation at an annual cost not to exceed \$50,000 and was reimbursed for any out-of-pocket business expenses incurred in connection with the performance of his duties for the Corporation. The Consulting Agreement also included non-compete and non-disparagement provisions, which applied during the term of the agreement and for two years thereafter. On February 5, 2013, CONSOL provided Mr. Whitmire with notice of termination of the Consulting Agreement effective June 30, 2013.

### ***CONSOL Non-Employee Directors Deferred Compensation Plan (adopted 1999)***

The CONSOL Directors Deferred Compensation Plan was adopted on October 25, 1999. The CONSOL Directors Deferred Compensation Plan permits members of our Board to defer all or any portion of their Board fees, such as the annual retainer, meeting fees or other amounts earned for services performed as a member of our Board and allows each participant's earnings under the plan to be based on the performance of specified hypothetical investments that participants may periodically designate. These hypothetical investment options may include hypothetical investments in CONSOL common stock. The CONSOL Directors Deferred Compensation Plan is an unfunded and unsecured liability of CONSOL and benefits will be paid from our general assets. Accordingly, participants are general unsecured creditors of the Corporation with respect to any benefits to be received by them under the plan. Mr. Whitmire was the only participant in the CONSOL Directors Deferred Compensation Plan in 2012.

### ***CONSOL Non-Employee Directors Deferred Fee Plan (adopted 2004)***

The CONSOL Directors Deferred Fee Plan was adopted on July 20, 2004 to allow non-employee directors of the Corporation to defer payment of all or any portion of their annual cash Board retainer and director meeting fees. Participation in the plan is at the election of the particular director. Upon the Corporation's receipt of a deferral agreement from a director, an account is established by the Corporation on behalf of such director and is credited with all fees selected by the participating director. Prior to February 21, 2006, the account of each participant in the Directors Deferred Fee Plan was credited, on a quarterly basis, with interest based on the interest rate in effect on the last day of the applicable quarter. On February 21, 2006, our Board approved an amendment to the CONSOL Directors Deferred Fee Plan, which provides that a participant's account will be adjusted by an amount equal to the amount that would have been earned (or lost) if amounts deferred under the plan had instead been invested in hypothetical investments designated by the participant based on a list of hypothetical investments provided by the plan administrator from time to time or, in the event that a participant fails to designate such hypothetical investments, the participant's account shall earn interest as provided in the plan. Earnings are credited to the participant's account on a quarterly basis. The amount payable to a director participant will be paid in cash as soon as administratively practicable after the earlier of: (i) the director's termination of service as a director or (ii) the date selected by such director, which date must be at least two years after the end of the plan year for which fees are

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deferred. The CONSOL Directors Deferred Fee Plan is an unfunded and unsecured liability of the Corporation and benefits will be paid from our general assets. Accordingly, participants are general unsecured creditors of the Corporation with respect to any benefits to be received by them under the plan. At this time, Messrs. Gupta and Williams are the only participants in the Directors Deferred Fee Plan.

### ***CONSOL Non-Employee Director Deferred Stock Units***

Under the terms of our Plan, non-employee directors may elect to receive deferred stock units in lieu of all or any portion of their retainer fees otherwise payable to such director in cash, or to defer receipt of shares to be paid to them in the form of deferred stock units. The deferred stock units have dividend equivalent rights. Deferred stock units that have vested are paid following the earlier of: (i) the director's separation from service or (ii) the date selected by the director on his or her payment date election form previously filed with the Corporation. Upon a change in control, unvested deferred stock units will accelerate and vest.

A director is not entitled to shareholder rights, including voting rights and actual dividends, with respect to the shares subject to an award until the director becomes the record holder of the shares following their actual issuance. Should a regular cash dividend be declared on the Corporation's common stock at a time when the director holds deferred stock units, he or she will be entitled to dividend equivalent payments equal to the cash dividends declared on the shares. Dividend equivalents are converted into additional deferred stock units based on a pre-established formula. The additional deferred stock units resulting from this calculation will be subject to the same terms and conditions as the deferred stock units subject to the award.

If a director ceases to be a director on account of death, disability or retirement at normal retirement age for directors, all unvested deferred stock units granted to such director will automatically vest and become non-forfeitable. If the director is terminated for cause or ceases to provide services for any reason other than death, disability or retirement at a normal age, all unvested deferred stock units and any rights to the underlying shares will be immediately forfeited for no consideration. In addition, in the event of a termination for cause (as defined in our Plan) or a breach of the proprietary information covenant contained in the deferred stock unit agreement, the director will also forfeit all of his or her right, title and interest in and to any shares that have vested under his or her award. See *Equity Incentive Plan Definitions* on page 81 for definitions of cause and disability under our Plan. Deferred stock units are structured to comply with Section 409A of the Code.

### ***CONSOL Stock Ownership Guidelines for Directors***

Our Board has adopted stock ownership guidelines for our directors in order to further align their interests with those of our shareholders and to ensure that they maintain an appropriate financial stake in CONSOL. The stock ownership guidelines provide, among other things, that our directors hold CONSOL common stock (not including shares issuable upon the exercise of options) with a value equal to three times the annual Board cash retainer on or before the fifth anniversary of becoming a Board member. As of March 1, 2013, each Board member was in compliance with our stock ownership guidelines.

**Table of Contents****BENEFICIAL OWNERSHIP OF SECURITIES**

The following table sets forth information with respect to the beneficial ownership of the Corporation's common stock by:

beneficial owners of more than five percent of CONSOL's common stock as of December 31, 2012, based upon information filed with the SEC; and

each director and each nominee for director, each named executive and all directors and executive officers of the Corporation as a group, as of March 1, 2013.

Amounts shown below include options that are currently exercisable or that may become exercisable within 60 days of March 1, 2013 (or by April 30, 2013) and the shares underlying deferred stock units and the shares underlying restricted stock units that will be settled before April 30, 2013. Unless otherwise indicated, the named person has the sole voting and dispositive powers with respect to the shares of CONSOL common stock set forth opposite such person's name.

| Name and Address of Beneficial Owner  | Amount and Nature of Beneficial Ownership <sup>(1)</sup> | Percent of Class |
|---|--|------------------|
| BlackRock, Inc. <sup>(2)</sup><br>40 East 52nd Street<br>New York, NY 10022                               | 29,521,164   | 12.92%           |
| Southeastern Asset Management, Inc. <sup>(3)</sup><br>6410 Poplar Ave., Suite 900<br>Memphis, TN 38119    | 24,999,741   | 10.94%           |
| Wellington Management Company, LLP <sup>(4)</sup><br>280 Congress Street<br>Boston, MA 02210              | 23,669,472   | 10.36%           |
| T. Rowe Price Associates, Inc. <sup>(5)</sup><br>100 E. Pratt Street<br>Baltimore, MD 21202               | 22,879,347   | 10.01%           |
| Franklin Mutual Advisers, LLC <sup>(6)</sup><br>101 John F. Kennedy Parkway<br>Short Hills, NJ 07078-2789 | 17,434,072   | 7.63%            |
| Capital World Investors <sup>(7)</sup><br>333 South Hope Street<br>Los Angeles, CA 90071                  | 15,135,000   | 6.62%            |
| The Vanguard Group, Inc. <sup>(8)</sup><br>100 Vanguard Boulevard<br>Malvern, PA 19355                    | 13,691,227   | 5.99%            |
| J. Brett Harvey <sup>(9)(10)</sup>  | 1,828,357  | *                |
| Nicholas J. DeIulii <sup>(9)(11)</sup>  | 462,545  | *                |
| William J. Lyons <sup>(9)</sup>   | 360,215  | *                |
| P. Jerome Richey <sup>(9)</sup>   | 126,797  | *                |
| Robert F. Pusateri <sup>(9)</sup>   | 97,911   | *                |
| William E. Davis <sup>(9)</sup>   | 31,532   | *                |
| Raj K. Gupta <sup>(9)(12)</sup>   | 36,629   | *                |
| John T. Mills <sup>(9)</sup>  | 33,182   | *                |
| William P. Powell <sup>(9)</sup>  | 32,677   | *                |
| James E. Altmeyer, Sr. <sup>(9)(13)</sup>   | 30,856   | *                |
| Patricia A. Hammick <sup>(9)</sup>  | 20,763   | *                |
| Joseph T. Williams <sup>(9)</sup>   | 29,296   | *                |
| Philip W. Baxter  | 19,327   | *                |
| David C. Hardesty, Jr. <sup>(9)</sup>   | 17,753   | *                |

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All directors and current executive officers as a group (14)<sup>(14)</sup>

2,728,438

1.19%

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\* Indicates less than one percent (1%) ownership.

- (1) As of March 1, 2013, there were 228,539,064 shares of CONSOL common stock outstanding.
- (2) Based on a Schedule 13G/A filed by BlackRock, Inc. on January 11, 2013, BlackRock, Inc., as a parent holding company for a number of investment management subsidiaries, is deemed to be the beneficial owner of, and have sole voting and dispositive power with respect to, all 29,521,164 shares. The following subsidiaries of BlackRock, Inc. are investment advisors which hold shares of our common stock: BlackRock Japan Co. Ltd, BlackRock Advisors, LLC, BlackRock Advisors (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Australia Limited, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock Life Limited, BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited, BlackRock International Limited and BlackRock Investment Management (UK) Limited.
- (3) Based on a Schedule 13G/A filed by Southeastern Asset Management, Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, on February 14, 2013. Southeastern Asset Management, Inc. is deemed to be the beneficial owner of and has sole voting power with respect to 10,193,767 shares, sole dispositive power with respect to 12,416,741 shares and shared voting and dispositive power with respect 12,583,000 shares. The Schedule 13G/A indicates that Longleaf Partners Fund, an investment company registered under Section 8 of the Investment Company Act, shares voting and dispositive power with Southeastern Asset Management, Inc. with respect to these 12,583,000 shares.
- (4) Based on a Schedule 13G/A filed by Wellington Management Company, LLP, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, on February 14, 2013. Wellington Management Company, LLP is deemed to be the beneficial owner of and has shared dispositive power with respect 23,669,472 shares and shared voting power with respect to 10,604,849 shares.
- (5) Based on a Schedule 13G/A filed by T. Rowe Price Associates, Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, on February 12, 2013. T. Rowe Price Associates, Inc. is deemed to be the beneficial owner of and have sole dispositive power with respect to 22,850,047 shares and sole voting power with respect to 7,042,781 shares. T. Rowe Price Associates, Inc. has advised the Corporation that (i) these securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. serves as an investment adviser with power to direct investments and/or sole power to vote the securities and (ii) for the purposes of the reporting requirements of the Exchange Act (defined below), T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc., expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (6) Based on a Schedule 13G filed by Franklin Mutual Advisers, LLC, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, with the SEC on January 30, 2013. Franklin Mutual Advisers, LLC is deemed to be the beneficial owner of and has sole voting and dispositive power with respect to all 17,434,072 shares.
- (7) Based on a Schedule 13G/A filed by Capital World Investors, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, with the SEC on February 13, 2013. Capital World Investors is deemed to be the beneficial owner of and has sole dispositive power and sole voting power with respect to all 15,135,000 shares.
- (8) Based on a Schedule 13G/A filed by The Vanguard Group, Inc., an investment company registered under Section 203 of the Investment Advisers Act of 1940, on February 11, 2013. The Vanguard Group, Inc. is deemed to be the beneficial owner of and has sole voting power with respect to 387,851 shares, sole dispositive power with respect to 13,315,066 shares and shared dispositive power with respect to 376,161 shares.
- (9) Includes shares issuable pursuant to options that are currently exercisable (or may become exercisable on or before April 30, 2013) as follows: Mr. Harvey, 1,108,624; Mr. Lyons, 210,243; Mr. DeIulius, 219,098; Mr. Richey, 86,657; Mr. Pusateri, 72,568; Ms. Hammick, 2,962; Mr. Williams, 2,962; Mr. Altmeyer, 3,643; Mr. Davis, 12,962; Mr. Powell, 15,962; Mr. Gupta, 2,962; Mr. Mills, 8,592; and Mr. Hardesty, 2,692.
- (10)

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Includes 196,704 shares of common stock held in Grantor Retained Annuity Trusts. Also includes 2,000 shares of common stock held in Mr. Harvey's wife's Amended and Restated Revocable Trust, dated December 17, 2007, for which Mr. and Mrs. Harvey serve as trustees, and 28,443 shares of common stock held in trusts for his children, for which the co-trustees include Mrs. Harvey and the children of Mr. and Mrs. Harvey for their respective trusts.

(11) Includes 20,000 shares of common stock held in Grantor Retained Annuity Trusts.

(12) Includes 2,423 deferred stock units held by Mr. Gupta.

(13) Includes 1,600 shares of common stock held in a trust established for the benefit of Mr. Altmeyer's spouse. Mr. Altmeyer disclaims beneficial ownership of such shares, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for purposes of Section 16 under the Securities Exchange Act of 1934 (the Exchange Act). Also includes 21,683 shares of common stock held in a trust established for the benefit of Mr. Altmeyer.

(14) Includes shares issuable pursuant to options that are currently exercisable (or may become exercisable on or before April 30, 2013) as described in footnote 9 above for the directors and Mr. DeIuliis and 108,214 for the other current executive officers.

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Brokerage account agreements may grant security interests in securities held at the broker to secure payment and performance obligations of the brokerage account holder in the ordinary course. Shares shown in the table for the directors and executive officers may be subject to this type of security interest.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Corporation's directors, executive officers and persons who beneficially own more than ten percent of a class of the Corporation's registered equity securities to file with the SEC and deliver to the Corporation initial reports of ownership and reports of changes in ownership of such registered equity securities. To our knowledge, based solely upon a review of Section 16 filings with the SEC, written representations that no other reports were required, and on CONSOL's records, we believe that during 2012, the Corporation's executive officers, directors and greater than ten percent shareholders complied with all applicable Section 16(a) filing requirements.

**PROPOSAL NO. 1 - ELECTION OF DIRECTORS**

The nine nominees for election as directors for 2013 are identified below. Each director who is elected will hold office until the next annual meeting and until the director's successor is elected and qualified. All nominees are current members of the Board. If any nominee should for any reason become unable to serve, all shares represented by valid proxies will be voted for the election of such other person as the Board may designate following a recommendation by the Nominating and Corporate Governance Committee. Alternatively, the Board may reduce the number of directors to eliminate the vacancy.

***Biographies of Nominees***

The following biographies include information concerning the nominees for director, including their recent employment, positions with CONSOL, other directorships, Board committee memberships and ages as of March 15, 2013.

***J. BRETT HARVEY***

**Age:** 62

**Director Since:** 1998

**Occupation:** Chairman of the Board and Chief Executive Officer

**Background:** J. Brett Harvey has been our Chief Executive Officer since January 1998 and served as our President from January 1998 through February 2011. He has also been a director of CONSOL since January 1998 and on June 29, 2010 was appointed Chairman of the Board. Mr. Harvey has also been a director of CNX Gas, our wholly-owned subsidiary, since June 30, 2005 and has served as chairman of the CNX Gas Board since January 2009. He was also elected to the position of chief executive officer of CNX Gas in January 2009. Mr. Harvey is a member of the coal industry advisory board of the International Energy Agency, chairman of the Bituminous Coal Operators' Association board of directors and is a member of the Leadership Council of the American Coalition for Clean Coal Electricity. He is a member of the board of directors of Barrick Gold Corporation, the world's largest gold producer (Barrick), where he serves on the compensation committee. Mr. Harvey is also a member of the board of directors of Allegheny Technologies Incorporated, a specialty metals producer, and serves on its nominating and corporate governance committee and personnel and compensation committee. In addition, he is a member of the Virginia Coalfield Economic Development Authority, the National Coal Council, Waterways Council, Inc., and The Conservation Fund. He is a member of the board of the Allegheny Conference on Community Development, the National Executive Board of the Boy Scouts of America and a director and past chairman of the Laurel Highlands Council of the Boy Scouts.

**Qualifications:** As Chief Executive Officer of the Corporation, Mr. Harvey is the most senior executive of the Corporation and as such provides our Board with the greatest insight into the Corporation's business and the challenges and material risks it faces. Mr. Harvey has more than 32 years of natural resources industry experience and is especially qualified to understand the risks and leadership challenges facing a diversified energy company.





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Mr. Harvey also brings substantial corporate governance expertise to our Board, which he acquired through his years of service on multiple public company boards, including Barrick and Allegheny Technologies Incorporated.

***PHILIP W. BAXTER***

|  |   |
|--|---|
| <b>Age:</b> 64   | <b>CONSOL Committees:</b>                               |
| <b>Director Since:</b> 1999 2005; and since 2009   | Audit   |
| <b>Occupation:</b> Lead Independent Director; Lead Independent Director<br>Former President Stan Johnson Company | Compensation<br><br>Nominating and Corporate Governance |

**Background:** Philip W. Baxter rejoined the CONSOL Board in January 2009. He is currently the Lead Independent Director and serves as a member of the Audit, Compensation and Nominating and Corporate Governance Committees. Mr. Baxter previously served as a director of CONSOL (as well as Chairman of its Audit Committee and a member of its Finance Committee) from August 1999 until August 2005. Mr. Baxter also served as a director of CNX Gas from June 30, 2005 until May 28, 2010 and was the chairman of its board of directors from June 2005 until January 2009. With respect to the CNX Gas Board, he served as a member of the audit committee and the finance committee. Since January 1, 2013, Mr. Baxter has been the lead independent director of Stan Johnson Company, a nationally recognized leader in commercial real estate brokerage specializing in single-tenant properties. Previously, Mr. Baxter served as the President of Stan Johnson Company from September 2002 until his retirement on December 31, 2012. He is also a member of the board of directors of Yorktown Financial Holdings, headquartered in Tulsa, Oklahoma, where he serves on its audit committee. Mr. Baxter served as chief financial officer and executive vice president of the Tulsa-based energy conglomerate, Mapco Inc., until March 1998, when it merged with The Williams Company. During his 18-year career at Mapco, Mr. Baxter held a number of officer level positions including chief information officer and senior vice president of strategic planning. Prior to his career at Mapco, he held a number of financial positions with Williams Energy Company, a subsidiary of The Williams Company.

**Qualifications:** Mr. Baxter brings over 40 years of business experience to our Board, including over 30 years of energy industry experience, accumulated principally in the areas of finance, strategic planning, mergers and acquisitions, technology, government affairs and human resources. Having served in various supervisory executive-level positions over the course of his career, Mr. Baxter has developed significant management and leadership skills and is well accustomed to interfacing with rating agencies, investors, analysts, auditors, outside advisors and governmental officials. He has also served as a member of our Board and the board of CNX Gas for 14 years, collectively, and has served on each of the Audit Committee, Compensation Committee and the Finance Committee of CONSOL.

***JAMES E. ALTMAYER, SR.***

|   |  |
|---|--|
| <b>Age:</b> 74  | <b>CONSOL Committees:</b>                |
| <b>Director Since:</b> 2003   | Health, Safety and Environmental (Chair) |
| <b>Occupation:</b> Former President/Chief Executive<br>Officer and Chairman Altmeyer<br>Funeral Homes, Inc. | Finance                                  |

**Background:** James E. Altmeyer, Sr. has served on the CONSOL Board since November 2003. He was a director of CNX Gas from June 30, 2005 until April 28, 2009, during which time he was chairman of the compensation committee and served on the audit committee. He currently serves as Chairman of the Health, Safety and Environmental Committee and as a member of the Finance Committee of CONSOL. Mr. Altmeyer served as president and chief executive officer of Altmeyer Funeral Homes, Inc. of West Virginia, Ohio, Virginia and North Carolina from 1972 until 2007, at which time he became chairman of Altmeyer Funeral Homes, Inc. He has also been president of Altmeyer Realty, a real estate holding company, and of Martin-Steadfast Insurance Company since 1972. Mr. Altmeyer served on the board of directors of WesBanco, Inc., a multi-state bank holding company from 1987 until April 2010, when he retired from the board. During that time he served on the board's audit committee. Mr. Altmeyer is also a member of the executive committee of the Wheeling Hospital board of directors and vice chairman of the Chambers Foundation.



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**Qualifications:** Mr. Altmeyer brings over 35 years of business experience to our Board and more than 20 years of board experience. In addition to his service on our Board and his previous service on the board of directors of CNX Gas, Mr. Altmeyer served as a director on the board of directors of WesBanco, Inc. for over 20 years and that of Wheeling Hospital for 30 years and as such offers significant corporate governance and financial expertise to our Board. Having graduated from the United States Military Academy at West Point in 1961 and serving on active duty until October 1972, Mr. Altmeyer brings significant leadership to our Board. Among his numerous combat (Vietnam) awards are a Silver Star and three Bronze Stars.

**WILLIAM E. DAVIS****Age:** 70**CONSOL Committees:****Director Since:** 2004

Nominating and Corporate Governance (Chair)

**Occupation:** Former Chairman and Chief Executive Officer  
Niagara Mohawk Power Corporation

Health, Safety and Environmental

**Background:** William E. Davis joined the CONSOL Board in January 2004. He currently serves as Chairman of the Nominating and Corporate Governance Committee and as a member of the Health, Safety and Environmental Committee. From November 2007 until December 2010, Mr. Davis was a director of AbitibiBowater Inc., which produces a broad range of forest products marketed around the world, and served on its governance, finance and audit committees. Mr. Davis was a director of Abitibi Consolidated Inc., which produced newsprint and commercial printing paper, from April 2003 to November 2007, and served on its audit and nominating and governance committees. Mr. Davis was also the chairman of the board of directors and Chief Executive Officer of Niagara Mohawk Power Corporation, an electricity and natural gas utility located in upstate New York, from May 1993 to February 2002. Following the sale of Niagara Mohawk in February 2002, and until his retirement in April 2003, Mr. Davis served as chairman of National Grid USA and as an executive director of National Grid (UK), owner and operator of the electricity transmission network in England and Wales. He served as chairman and chief executive officer of the Metropolitan Development Foundation of Central New York until December 4, 2008.

**Qualifications:** Having served as chairman and chief executive officer of Niagara Mohawk Power Corporation, a major investor owned gas and electric utility, for nine years, and as chairman of National Grid USA and executive director of National Grid (UK), Mr. Davis provides our Board with substantial insight into the energy industry. Mr. Davis also contributes significant knowledge with respect to corporate governance matters acquired through his years of multiple board service and a unique corporate governance insight having graduated from the National Association of Corporate Directors certification course.

**RAJ K. GUPTA****Age:** 70**CONSOL Committees:****Director Since:** 2004

Audit (Chair)

**Occupation:** Independent Management Consultant and Former Vice President of Strategic Planning of Phillips Petroleum Company

Health, Safety and Environmental

**Background:** Raj K. Gupta has served on the CONSOL Board since February 2004. He currently serves as chairman of the Audit Committee and as a member of the Health, Safety and Environmental Committee. He also served as a director of CNX Gas from June 30, 2005 until May 28, 2010, where he served as (i) chairman of the finance committee until January 16, 2009 and (ii) a member of the audit committee throughout his term. From July 2007 to April 2009, Mr. Gupta also served as chairman of the board of directors of Quetzal Energy Inc., a Canadian-based international oil and gas company operating in Guatemala, Central America. Mr. Gupta currently works as an independent management consultant. From 1965 until his retirement in 2000, Mr. Gupta held various management positions with Phillips Petroleum Company, an international integrated oil and gas company now part of ConocoPhillips, including Vice President of Strategic Planning, managing business development, strategic growth and globalization efforts in South America, China, the Middle East and the former Soviet Union. From 2000 to December 2004, Mr. Gupta served on the board of directors of Yukos Oil Company, Moscow, Russia, chaired its compensation committee and was a member of its audit and finance committees. From 2000 to 2009, Mr. Gupta was



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a member of the Advisory Council of the Industrial, Manufacturing and Systems Engineering Department at Kansas State University. He also serves on the board of Preng & Associates in Houston.

**Qualifications:** Mr. Gupta brings 47 years of business experience in the integrated oil and gas industry, including upstream and downstream businesses in the areas of strategic planning, finance, operations and technology. Through his more than eleven years of collective service on the boards of CONSOL, Quetzal Energy Inc. and Yukos Oil Company, Mr. Gupta has acquired a wealth of knowledge regarding the natural resources industry and the challenges and risks it faces, which he shares with our Board. In addition, his financial experience, and in particular his experience overseeing and assessing the performance of companies and independent public accounting firms, including (i) the corporate financial reporting process and (ii) the preparation and integrity of financial information and statements, makes him an invaluable asset to our Corporation and our Audit Committee in particular. Having served as a member of the Board for the past nine years and having served as a member of the CNX Gas board for almost five years, Mr. Gupta is very familiar with our business and the challenges and material risks it faces.

**DAVID C. HARDESTY, JR.****Age:** 67**CONSOL Committees:****Director Since:** 2005

Finance

**Occupation:** President Emeritus and Professor of Law  
West Virginia University

Health, Safety and Environmental

**Background:** David C. Hardesty, Jr. joined the CONSOL Board in October 2005. He currently serves as a member of the Finance and Health, Safety and Environmental Committees. Mr. Hardesty is president emeritus and professor of law at West Virginia University (WVU). He was president of WVU from 1995 to 2007. While serving as president, he was also a member of the National Security Higher Education Advisory Board. In addition, Mr. Hardesty served as the permanent chair of WVU's affiliated research corporation, teaching hospital and the hospital's parent health care system of hospitals. He is a member of numerous professional and civic organizations. Prior to his career in academia, Mr. Hardesty was a partner in the law firm of Bowles Rice LLP in Charleston, West Virginia, where he practiced in the areas of state and local taxation, corporate banking and administrative law. He is currently of counsel at this law firm. Mr. Hardesty was a state tax commissioner during Senator John D. Rockefeller IV's first term as governor of West Virginia (1977-1980). He also served as chairman of the National 4-H Council, a director and officer in the Big East Conference, a member of the Bowl Championship Series Presidential Oversight Committee and was a founding director of the Blanchette Rockefeller Neurosciences Institute.

**Qualifications:** Mr. Hardesty brings more than 16 years of senior level executive experience to our Board, as well as insight into the political affairs of the State of West Virginia, where CONSOL has significant coal and gas operations. Mr. Hardesty also offers a unique and invaluable perspective into corporate governance matters, having practiced as an attorney in the areas of corporate law, banking and administrative law and state and local taxation for 18 years. Mr. Hardesty has developed significant leadership skills over the course of his career, having been president of a major higher education institution, an agency head in state government, a law professor, and chair of a large health care system. He has also been a member of numerous civic and charitable boards and commissions, including the National Security Higher Education Advisory Board.

**JOHN T. MILLS****Age:** 65**CONSOL Committees:****Director Since:** 2006

Audit

**Occupation:** Former Chief Financial Officer  
Marathon Oil Corporation

Compensation

**Background:** John T. Mills joined the CONSOL Board in March 2006. Mr. Mills currently serves as a member of the Audit Committee and the Compensation Committee. He serves on the board of directors of Cal Dive International Inc., a marine contractor providing manned diving, derrick, pipelay and pipe burial services to the offshore oil and natural gas industry, and serves as chairman of the audit committee, a member of the compensation committee, and until January 2012, as a member of the corporate governance and nominating committee. From



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January 2008 through June 2010, Mr. Mills was a member of the board of directors and audit, conflicts and risk management committees of Regency GP, LLC, the general partner of Regency GP, LP, the general partner of Regency Energy Partners LP, a natural gas gathering, processing and transportation master limited partnership. Mr. Mills joined the board of directors of Horizon Offshore, Inc., a marine construction company, in June 2002 and served as the chairman of the board of directors from September 2004 until December 11, 2007, when Horizon Offshore, Inc. was acquired by Cal Dive International, Inc. Mr. Mills was the Chief Financial Officer of Marathon Oil Corporation, an integrated energy company, from January 2002 until his retirement in December 2003. In 2011, Mr. Mills attended the Harvard Business School program Making Corporate Boards More Effective.

**Qualifications:** As a licensed attorney with 38 years of business experience, including 16 years as an officer of Marathon Oil Corporation and U.S. Steel Corporation, Mr. Mills brings significant knowledge and experience to our Board. In particular, Mr. Mills brings an in depth understanding of the evaluation of organic growth capital projects and acquisition and disposition opportunities, and the importance of maintaining a competitive capital structure and liquidity. In addition, having previously served as senior vice president, finance and administration, and later the chief financial officer of Marathon Oil Corporation, Mr. Mills has developed a wealth of financial knowledge with respect to the oversight of (i) the preparation of consolidated financial statements, (ii) internal audit functions, and (iii) public accountants, skills which are critical to our Corporation and particularly our Audit Committee.

**WILLIAM P. POWELL****Age:** 57**CONSOL Committees:****Director Since:** 2004

Compensation (Chairman)

**Occupation:** Managing Partner 535 Partners LLC

Nominating and Corporate Governance

**Background:** William P. Powell has served on the CONSOL Board since January 2004. He currently serves as Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Since 1993, Mr. Powell has also been a director of Cytec Industries, a global specialty chemicals and materials company, where he chairs the governance committee and has served on the audit committee. Until May 2007, Mr. Powell was a managing director of William Street Advisors, a New York City-based merchant banking boutique. Mr. Powell resigned from William Street Advisors to establish a family office, 535 Partners LLC, where he serves as managing partner. Prior to his time at William Street Advisors, he served as a Managing Director of UBS Warburg LLC and its predecessor Dillon, Read & Co. Inc. since 1991.

**Qualifications:** With an MBA degree and over 30 years of financial, management and investment experience, Mr. Powell brings a wealth of knowledge to our Board. Having served on multiple public company boards for over 19 years, Mr. Powell also has significant expertise in corporate governance matters.

**JOSEPH T. WILLIAMS****Age:** 75**CONSOL Committees:****Director Since:** 2004

Finance (Chairman)

**Occupation:** Former Chairman and CEO of DevX Energy, Inc.

Compensation

**Background:** Joseph T. Williams has served on the CONSOL Board since January 2004. He currently serves as Chairman of the Finance Committee and is a member of the Compensation Committee. From July 2006 until January 2009, he was also a director of CNX Gas and served on the nominating and corporate governance and finance committees. Mr. Williams is a retired oil and natural gas industry executive who has held positions as chairman or chief executive officer or both for NASDAQ, American Stock Exchange and NYSE listed companies. He is currently a member of the Society of Petroleum Engineers.

**Qualifications:** Mr. Williams brings to our Board 52 years of operational, engineering and corporate business experience related primarily to oil and natural gas exploration and production. After serving 18 years in domestic and international operations with Chevron Corporation,



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Mr. Williams served as: President, Administration Division of Mitchell Energy and Development Corp.; Chairman and CEO of Lear Petroleum Corporation; President and CEO of Dalen Resources, Inc. (a subsidiary of PG&E Enterprises); Vice Chairman of Enserch Exploration, Inc.;

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President and CEO of MCN Investment Corporation; and Chairman and CEO of DevX Energy, Inc. Having served in these positions, Mr. Williams provides our Board with a broad understanding of the energy industry generally and the challenges and material risks inherent in CONSOL's businesses.

### ***Related Party Policy and Procedures***

Our Audit Committee adopted a written Related Party Policy and Procedures for the review and approval or ratification of related party transactions with directors, nominees for director and executive officers and certain family members (related persons). A copy of the policy is available on our website at [www.consolenergy.com](http://www.consolenergy.com).

Under the policy, prior to entering into a potential related person transaction (which is generally a transaction in excess of \$120,000 involving the Corporation and a related person), the related person must notify our chief financial officer and general counsel of the material facts regarding the transaction. If our chief financial officer and general counsel determine that the proposed transaction is in fact a related person transaction, the details of the transaction are presented to our Audit Committee (or if it is not practicable or desirable to wait until the next Audit Committee meeting, to the chairman of the Audit Committee) for approval. The Audit Committee or Chairman, as applicable, will consider all relevant facts and circumstances including the terms of the transaction and terms that would be available to unrelated parties, the benefits to us and, if the transaction involves an independent director, any impact the transaction would have on such director's independence. The Audit Committee or Chairman, as applicable, will also inform our Nominating and Corporate Governance Committee of any related person transactions involving directors or nominees. Since the SEC's related party regulation also applies to directors' and executive officers' family members, as well as entities in which they may be deemed to have an indirect material interest, it is possible that related person transactions could occur without a director or executive officer being aware of them and bringing them to us for approval. When we become aware of a related person transaction that has not been previously approved, the policy provides that the details of the transaction will be presented to our Audit Committee or Chairman, as applicable, for ratification or other action. The policy also provides that our Audit Committee will review, on an annual basis, ongoing related person transactions having a remaining term of more than six months or that are in excess of \$120,000. We also require that officers and directors complete director and officer questionnaires annually and that they adhere to written codes of business conduct and ethics regarding various topics, including conflicts of interest, the receipt of gifts, service in outside organizations, political activity and corporate opportunities. Officers and directors must certify compliance with these codes in writing each year.

Mr. Altmeyer, a member of the Board, has a brother who is a member of Phillips, Gardill, Kaiser & Altmeyer, PLLC. The Corporation engages this law firm predominantly for workmen's compensation, litigation and land-related legal services, and paid it approximately \$628,651 in 2012, which amount represented approximately 0.94% of the total amount paid by the Corporation to all law firms retained in 2012. CONSOL engaged Phillips Gardill Kaiser & Altmeyer PLLC many years prior to Mr. Altmeyer becoming a member of the Board.

Mr. Hardesty, a member of the Board, has a daughter who is a partner at Bowles Rice LLP. The Corporation engages this law firm predominantly for land-related matters (including title work), and paid it approximately \$2,440,011 in 2012, which amount represented approximately 3.66% of the total amount paid by the Corporation to all law firms retained in 2012. CONSOL engaged Bowles Rice LLP many years prior to Mr. Hardesty becoming a member of the Board.

### ***Determination of Director Independence***

Our Board is required under the NYSE rules to affirmatively determine the independence of each director each year and to disclose this determination in the Proxy Statement for each annual meeting of shareholders of CONSOL. Based on the independence standards set forth in our Corporate Governance Guidelines, which are described below, our Board, at its meeting held in January 2013, determined that each of Messrs. Altmeyer, Baxter, Davis, Gupta, Hardesty, Mills, Powell and Williams and Ms. Hammick, had no material relationship with CONSOL (either directly or indirectly, including as a partner, shareholder or officer of an organization that has a relationship with CONSOL) and are independent under our Corporate Governance Guidelines and the corporate governance rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual. The Board also determined that each member of the Audit Committee meets the heightened independence standards required for audit committee members under the NYSE listing standards and the SEC rules.

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The Board established the following standards for determining director independence, which are reflected in our Corporate Governance Guidelines that are available in the Corporate Governance section of the Corporation's website at [www.consolenergy.com](http://www.consolenergy.com).

A director will not be deemed independent if:

(i) the director is, or has been within the previous three years, employed by CONSOL, or an immediate family member is, or has been within the previous three years, an executive officer of CONSOL; provided, that employment as an interim Chairman or CEO or other executive officer shall not disqualify a director from being considered independent following that employment;

(ii) the director or an immediate family member has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from CONSOL, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, that compensation received by a director for former service as an interim Chairman or CEO or other executive officer need not be considered in determining independence under this paragraph (ii) and provided further, that compensation received by an immediate family member for service as an employee of CONSOL (other than an executive officer) need not be considered in determining independence under this paragraph (ii);

(iii)(A) the director or an immediate family member is a current partner of the firm that is CONSOL's internal auditor or external auditor (each an Audit Firm); (B) the director is a current employee of an Audit Firm; (C) the director has an immediate family member who is a current employee of an Audit Firm and who personally works on CONSOL's audit or (D) the director or an immediate family member was, within the previous three years (but is no longer), a partner or employee of an Audit Firm and personally worked on CONSOL's audit within that time;

(iv) the director or an immediate family member is, or has been within the previous three years, employed as an executive officer of another company where any of CONSOL's present executive officers at the same time serves or served on such company's compensation (or equivalent) committee of the board of directors; or

(v) the director is a current employee, or an immediate family member is an executive officer, of a company that has made payments to, or received payments from, CONSOL for property or services in an amount which, in any of the previous three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues. For purposes of the foregoing, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year; and

(vi) for members of the audit committee only: other than in the capacity as a member of the audit committee, the Board or any other committee of the Board, the director (A) does not accept, directly or indirectly, any consulting, advisory or other compensatory fee from CONSOL; provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with CONSOL (provided that such compensation is not contingent in any way on continued service) or (B) is not an affiliated person of CONSOL.

Any related person transaction required to be disclosed under SEC Regulation S-K, Item 404, shall be considered in determining the independence of a director or nominee.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ABOVE-NAMED NOMINEES FOR THE BOARD OF DIRECTORS.**

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**EXECUTIVE COMPENSATION INFORMATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**INTRODUCTION**

This Compensation Discussion and Analysis section (the "CD&A") is designed to provide our shareholders with an explanation of CONSOL's executive compensation philosophy and objectives, our 2012 executive compensation program and the compensation paid by the Corporation to the following named executives in 2012:

J. Brett Harvey, Chairman and Chief Executive Officer

Nicholas J. DeLuliis, President

William J. Lyons, Former Executive Vice President and Chief Financial Officer ( "Chief Financial Officer" )\*

P. Jerome Richey, Former Executive Vice President - Corporate Projects ( "EVP - Corporate Projects" )\*

Robert F. Pusateri, Former Executive Vice President - Energy Sales and Transportation Services ( "EVP - Energy Sales" )\*

\* Each of Messrs. Lyons, Richey and Pusateri retired from employment with CONSOL in the first quarter of 2013. Each of Messrs. Lyons and Pusateri has entered into a consulting agreement with the Corporation described under *Consulting Agreements with Messrs. Pusateri and Lyons*, and Mr. Richey has entered into a retirement agreement with the Corporation described under *Retirement Letter with Mr. Richey*.

The contents of this CD&A are organized into the following six sections: (Section 1) Executive Summary; (Section 2) Pay for Performance Approach; (Section 3) Compensation Setting Process; (Section 4) Compensation Decisions for 2012; (Section 5) Other Compensation Policies and Information; and (Section 6) Reconciliation of Non-GAAP Financial Information.

**SECTION 1 - EXECUTIVE SUMMARY**

Our executive compensation program is designed to attract, motivate and retain key executives who will promote the short- and long-term growth of the Corporation and create sustained shareholder value. To this end, we take a pay-for-performance approach to our executive compensation program that ties the majority of the compensation payable to our named executives to the short- and long-term performance of CONSOL and promotes equity ownership among the named executives to greater align their interests with shareholder interests.

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### *2012-13 Business, Governance and Compensation Highlights*

**Record Safety Performance in 2012:** Our Coal Division improved its reportable incident rate by approximately 8% from 2011 (approximately three times better than the industry average). Our Gas Division employees had no lost time accidents, having surpassed 6 million exposure hours, without a lost time accident. These results are important for our shareholders because a safe workplace reduces our costs and increases the reliability of our operations and production. CONSOL also improved its safety compliance and reduced Mine Safety and Health Administration (MSHA) orders by 8.6% and MSHA citations by 11.6%, each as compared to 2011.

**Maintained Exceptional Financial Performance in Very Challenging Markets for Coal and Natural Gas in 2012:** CONSOL delivered exceptional results in a very challenging time. CONSOL management anticipated slowing markets by reducing administrative and operating costs, balanced coal shipments while maintaining strict mine inventory levels, reduced our natural gas drilling levels, and refocused drilling activity on the higher return wet gas areas. Thus, in very challenging markets, CONSOL delivered in 2012: (i) net income of \$388 million; (ii) cash flow from operations of \$728 million; and (iii) adjusted EBITDA of \$1.3 billion,\* which was only surpassed in the past five years by the record performance of 2011. CONSOL continues to reinvest in our business in a measured way while keeping our liquidity strong. CONSOL's assets and strategic focus continue to deliver outstanding results both in good and bad economic times. Combined results for 2011 and 2012 demonstrate the success of management's approach: (i) net income over \$1 billion; (ii) cash flow from operations in excess of \$2.2 billion; and (iii) adjusted EBITDA in excess of \$3 billion.\*

**Consistently Outperformed Our Coal Peers:** Our stock price outperformed each of our coal peers' stock price -- Alpha Natural Resources, Inc., Peabody Energy Corporation and Arch Coal, Inc. -- in 2012. Compared to the average of our coal peers, CONSOL's total shareholder return was 29% better on a one-year basis, 28% better on a three-year basis and 16% better on a five-year basis. CONSOL ranked in the 58<sup>th</sup> percentile relative to its current TSR Peer Group described on page 43. CONSOL's prudent approach to capital allocation and understanding market dynamics has enabled the Corporation to avoid substantial write-downs.

**Participation in Growth of World Coal Markets:** CONSOL continues to participate in the growth of the world coal markets, exporting more than 10 million tons in 2012.

**Shareholder Outreach/Re-Design of 2013 Long-Term Incentive Program:** Following our 2012 say-on-pay vote, we actively engaged in discussions with our shareholders and considered shareholder sentiments about our core principles and objectives when determining the compensation of our named executives. As a result of those discussions, CONSOL redesigned its 2013 long-term incentive program to be entirely performance-based and at-risk. CONSOL stock units were the only long-term incentives granted to our executive officers in 2013 and these awards will only be earned if the Corporation's (i) average closing stock price at the end of the three-year performance period equals or exceeds 50% of the Corporation's average closing stock price at the commencement of such period and (ii) return on average capital employed ( ROCE ) for the three-year performance period equals or exceeds 80% of the cumulative, budgeted ROCE for such period. If (i) and (ii) are achieved, the number of shares earned will be determined based on the following formula (with payout capped at 150% of target):

$$\text{Stock Units (at target)} \times \frac{\text{Ending Stock Price}}{\text{Beginning Stock Price}}$$

This program applies to our executives and numerous non-executives throughout CONSOL. The Compensation Committee's practice is to strictly adhere to payout formulas developed under its compensation programs. In accordance with this practice, the CONSOL Stock Units and the related performance formula do not allow for any exercise of discretion by the Compensation Committee.

**Implemented Stock Retention Guidelines:** The Compensation Committee adopted stock retention guidelines that apply to CONSOL stock units granted after December 31, 2012 and which require that 50% of the shares subject to a CONSOL stock unit award (net of taxes) must be held by the recipient until the earlier of (i) 10 years from the share settlement of such award or (ii) the recipient's normal

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retirement. These retention guidelines are in addition to our existing stock ownership guidelines, which require our executives to own a significant level of stock until the executive retires or otherwise terminates service with the Corporation.

\* *Reconciliations of adjusted EBITDA for 2011 and 2012 can be found on pages 61-62 of our Annual Report on Form 10-K for the year ended December 31, 2012.*

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**No Tax Gross-Ups:** As mentioned in the past, CONSOL has eliminated all tax-gross ups for our named executives (except those provided for in change in control agreements that were entered into prior to April 2009).

***Executive 2012 Pay Significantly At-Risk:***

***Chief Executive Officer's 2012 Pay -- Decreased Salary and Increased At-Risk Pay (only Performance Share Units Granted, no Restricted Stock Units or Options):*** For 2012, our Compensation Committee, together with the full Board, decreased our Chief Executive Officer's base salary by \$100,000 to \$1 million and shifted more of his compensation to at-risk pay. Approximately 92% of our Chief Executive Officer's compensation was at-risk for 2012. Our Chief Executive Officer's 2012 long-term incentive opportunity -- all in the form of performance share units -- will be earned as follows: (i) 87.5% based on the achievement of certain performance goals, including relative total shareholder return, return on capital and safety; and (ii) 12.5% based on our stock price appreciating in value, on an absolute basis, over a two-year period, and on CONSOL achieving certain performance goals, over a two-year period, related to promoting long-term growth, including through strategic transactions. Further, the Compensation Committee did not increase the Chief Executive Officer's total direct compensation in 2013.

***No Base Salary Increases for Any Other Named Executives for 2012:*** The Compensation Committee did not increase executive officers' base salaries for 2012.

***Actual Realizable Pay Substantially Less than Reported Compensation:*** CONSOL pays for performance. If CONSOL's stock price does not perform, a substantial portion of our executives' at-risk pay has a reduced value and in that event, actual executive pay received will be less than the compensation required to be reported by the proxy disclosure rules.

***Risk Mitigation:*** The incentive compensation payable to our named executives is based on a variety of performance factors, including safety, compliance, production, costs, total shareholder return and return on capital, which is designed to incentivize activities that lead to sustained growth and mitigate inappropriate risk.

***Corporate Responsibility Report Issued:*** CONSOL issued its first Corporate Responsibility Report in 2012, which reported on our 2011 performance indicators of corporate governance, safety, compliance (both safety and environmental) and stakeholder engagement. Our second Corporate Responsibility Report will be published in the Spring of 2013.

***Employ Best Governance Practices in Executive Compensation Program:*** We have adopted no-hedging and no pledging policies in our insider trading policy, which generally prohibit our directors, officers, and employees from engaging in hedging and pledging transactions involving shares of CONSOL common stock.

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Managerial decisions over time drive a company's financial performance. CONSOL's financial and non-financial performance has been consistently solid over the years despite the volatile economy and volatile commodity prices. This conclusion is underscored by the above-described business highlights for 2012.

**SECTION 2 - PAY FOR PERFORMANCE APPROACH*****Chief Executive Officer's Reported Compensation for 2012***

Our Chief Executive Officer's 2012 long-term incentive opportunity was entirely in the form of performance share units that were earned as follows:

- (i) 87.5% based on the achievement of goals, including relative total shareholder return, return on capital and safety; and
- (ii) 12.5% based on our stock price appreciating in value, on an absolute basis, over a two-year period, and on CONSOL's achieving goals, over a two-year period, related to promoting long-term growth, including through strategic transactions.

At management's recommendation, the Compensation Committee did not approve increases to named executive base salaries in 2012 and, in fact, the Board decreased Mr. Harvey's 2012 salary by \$100,000 to \$1 million, in favor of making more of his compensation at-risk.

***Strong Link Between Pay and Performance - Emphasis on At-Risk Compensation for Chief Executive Officer***

We have always emphasized putting a substantial portion of our named executives' compensation at-risk, particularly with respect to our Chief Executive Officer. Our Chief Executive Officer is compensated differently than our other named executives in light of a combination of factors including his long tenure in his position with the Corporation, his unique skills and the breadth of his responsibilities to CONSOL and its shareholders. With more than 30 years of natural resources industry experience, together with his leadership responsibilities as a board member at other public companies, our Chief Executive Officer is especially qualified to understand the opportunities, risks and leadership challenges facing a diversified energy company, particularly given the complexity of our business with underground coal mines and the exploration and production of natural gas.

In 2011, we eliminated time-based restricted stock units from our Chief Executive Officer's compensation package in favor of placing more emphasis on performance share units. We increased the at-risk component of his compensation from 90.7% in 2011 to 92% in 2012. Relative to CONSOL's current peer group as defined below, our Chief Executive Officer has a significantly higher proportion of at-risk compensation:

|  | <b>Chief Executive<br/>Officer</b> | <b>Peer<br/>Group</b> |
|--|------------------------------------|-----------------------|
| Fixed Pay/Not At-Risk Compensation (Base Salary + Time-Based Restricted Stock Units) | 8%                                 | 47%                   |
| At-Risk Compensation (Annual Incentive Bonus + Performance Share Units)              | 92%                                | 53%                   |

Because so much of our Chief Executive Officer's compensation is at-risk compensation, there is a strong alignment between his compensation and the interests of shareholders. His compensation is highly correlated with stock price performance – if value is not delivered to our shareholders in terms of stock price, our Chief Executive Officer's compensation will be adversely affected, as discussed below.



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***Target vs. Actual Compensation Chief Executive Officer***

Because so much of our Chief Executive Officer's compensation is at-risk compensation, there is a strong alignment between his compensation and the interests of shareholders, as demonstrated by the following chart:

**Target to Actual Total Direct Compensation Chief Executive Officer (2009-12)**

**(\$ in millions as of December 31, 2012)**

- (1) Target total direct compensation includes the following: (A) annual base salary as reported in the Summary Compensation Tables set forth in this and last year's proxy statement (SCT); (B) target annual bonus as reported in the Grants of Plan-Based Awards Table (PBA Table); and (C) long-term incentive awards reported in the PBA Table and valued as follows: (i) Black-Scholes value of stock options on the date of grant, (ii) grant date fair value of restricted stock units, and (iii) grant date fair value of the target number of performance share units.
- (2) Actual total direct compensation includes the following components: (A) annual base salary as reported in the SCT; (B) actual annual bonus as reported in the SCT; and (C) long-term incentive awards as reported in the PBA Table and valued as follows: (i) the difference between the fair market value and the exercise price (intrinsic value) of stock options, (ii) the fair market value of restricted stock units, and (iii) the fair market value of performance share units. Fair market value is defined as the Corporation's 20-day average closing stock price from December 3, 2012 to December 31, 2012 (which was \$33.06), which we refer to as the valuation price.
- (3) Assumes that restricted stock units and mid-cycle performance share unit awards are held after vesting and do not include dividends. Does not account for the impact of taxes (i.e., assumes awards are deferred).
- (4) Includes a bonus of 161% of target for 2012.
- (5) The 2009-2011 and 2010-2012 performance share awards are based on actual payout of 138% and 128% of target, respectively. 2011-2013 and 2012-2014 performance share award values (including the 2012-2013 special award for Mr. Harvey) are shown at target performance.

**SECTION 3 - COMPENSATION SETTING PROCESS**

***Compensation Philosophy and Objectives***

Our executive compensation program is designed to attract, motivate and retain key executives who drive our success and industry leadership. We achieve these objectives through compensation that:

links a significant portion of total compensation to performance which we believe will create long-term shareholder value;

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consists primarily of stock-based compensation, which encourages our named executives to act as owners of the Corporation;

is tied to both overall corporate performance, financial and operational goals, as well as individual performance (annual and long-term);

enhances retention in a highly competitive market by subjecting a significant portion of total compensation to multi-year vesting or performance conditions;

discourages unnecessary and excessive risk taking; and

provides a competitive total pay opportunity.

Key factors affecting the Compensation Committee's executive compensation judgments include: (i) the nature and scope of an executive's responsibilities; (ii) an executive officer's performance (including contribution to the Corporation's financial results); and (iii) the Compensation Committee's outside compensation consultant's (Deloitte's) report(s) on survey and/or proxy data for compensation paid to executives with similar responsibilities at other similar industry companies.

### ***Results of 2012 Shareholder Vote on Named Executive Compensation    Implementing the CONSOL Stock Unit Program***

CONSOL has a practice of engaging in discussions with major shareholders on various topics, including executive compensation. The insight we have gained over the years through these discussions has been helpful to the Compensation Committee as it considers and adopts compensation policies relating to our named executives.

While a majority (54%) of our shareholders who voted approved our 2011 executive compensation program at our May 2012 Annual Meeting, we viewed the vote as an opportunity to consider how best to structure our executive compensation programs to be as effective as possible at aligning the interests of our executives and shareholders. At the direction of the Board of Directors, our management conducted a shareholder outreach program to evaluate the results of the 2012 say-on-pay vote and to understand the concerns of our shareholders who voted against the proposal. Based on this shareholder outreach, we understand that the primary objections expressed by those shareholders who voted against our 2011 executive compensation program related to a desire to see an increase in the performance component of our long-term incentive program in order to more closely align executive compensation with shareholder interests and to eliminate discretion from our long-term incentive programs.

CONSOL listened to its shareholders and is committed to its pay for performance philosophy and, in connection with the same, we adopted the CONSOL Stock Unit program as part of 2013 executive compensation. The Compensation Committee revised the long-term incentive plan structure by granting long-term incentive awards composed entirely of CONSOL stock units, which will vest after three years, if earned, based on performance relative to the following metrics: return on average capital employed (ROCE) and absolute stock price performance. The CONSOL stock units create a direct link between our named executives' pay and the performance of CONSOL stock. The award formula does not provide for the exercise of discretion by the Compensation Committee with respect to award pay-out amounts.

The Compensation Committee believes that the 2013 compensation program of our named executives was carefully tailored to CONSOL's business strategies, aligns with our pay for performance philosophy, and responds to our shareholders' concerns regarding CONSOL's executive compensation program. We will continue to actively engage in discussions with our shareholders on these matters and consider shareholder sentiments about our core principles and objectives when determining the compensation of our named executives.

### ***Use of Peer Group and Other Benchmarking Data***

One of the primary factors that the Compensation Committee considers in determining the total compensation opportunities to be provided to each of our named executives is whether such total compensation opportunity is competitive with the total compensation opportunities offered to similarly situated executives by our competitors.



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Since we are unique in that we are both a major coal producer and a gas producer, the Compensation Committee uses a peer group of companies which includes a mix of both coal and gas companies, against which the Compensation Committee measures our overall compensation program. The scarcity of companies similar to CONSOL makes it more difficult for the market to value our diverse holdings of coal and gas assets, which leads to a more complex business than most, if not all, of our peers. In selecting these companies, the Compensation Committee also considers CONSOL's revenue and market capitalization relative to the peers and their business segment revenue.

The following companies were used for purposes of establishing 2012 compensation for our named executives:

|                               |                               |
|-------------------------------|-------------------------------|
| Alpha Natural Resources, Inc. | Noble Energy, Inc.            |
| Arch Coal Inc.                | Peabody Energy Corp.          |
| Chesapeake Energy Corporation | Pioneer Natural Resources Co. |
| Devon Energy Corporation      | QEP Resources, Inc.           |
| El Paso Corp.                 | Southwestern Energy Co.       |
| EOG Resources, Inc.           | Spectra Energy Corp.          |
| EQT Corporation               | Williams Companies, Inc.      |
| Murphy Oil Corporation        |                               |

The Compensation Committee targeted CONSOL's executive compensation at the median of the peer group to be consistent with CONSOL's revenue and market capitalization relative to our peer group. With respect to the average percentile ranking for the named executives' total direct compensation compared to the peer group, the compensation consultant found the following in early 2012 when the Compensation Committee established 2012 compensation packages for the named executives:

**CONSOL Percentile Rankings Within the Above-Referenced Peer Group**

| Average Total Direct Compensation for<br>Named Executives <sup>(1)</sup> | Revenue                                    | Market Capitalization                      |
|--|--|--|
| 48 <sup>th</sup> percentile  | 59 <sup>th</sup> percentile <sup>(2)</sup> | 19 <sup>th</sup> percentile <sup>(3)</sup> |

(1) Total direct compensation includes base salary, annual incentive and grant date value of long-term incentives.

(2) In early 2012, CONSOL's revenues were \$5.9 billion (based on the last quarter in 2010 and the first three quarters in 2011).

(3) In early 2012, CONSOL's market capitalization was \$7.1 billion (based on data as of January 2, 2012).

In connection with the preparation of the 2012 compensation program, the compensation consultant benchmarked the proposed compensation packages for the named executives against (i) proxy data available for the peer group, and (ii) published survey data (including the 2011 Mercer US Executive Benchmark Database, the TowersWatson 2010/2011 Top Management Calculator, and the 2011 Economic Research Institute Executive Compensation Assessor).

The Compensation Committee uses the compensation consultant's benchmarking studies to determine the market pay practices of executives at comparable companies who are similarly situated to our executives. The Compensation Committee's policy is to use the data prepared and presented by the compensation consultant as a reference point or guideline. Our named executives' actual compensation may be higher or lower than the compensation paid to executives in similar positions at comparable companies based on CONSOL's financial performance and individual performance. After considering the named executives' history with CONSOL, the depth and breadth of their experiences, their job responsibilities, their individual performances and CONSOL's performance in 2011, a review of benchmarking and other materials described herein, the named executives' 2012 compensation packages were approved by the Compensation Committee and ratified by the independent members of the Board (in the case of our Chief Executive Officer).



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In light of peer company bankruptcies and mergers, the Compensation Committee asked Deloitte to re-examine CONSOL's peers in August 2012. As a result of that review, Deloitte recommended, and the Compensation Committee and the Board approved, our current peer group, which includes the following companies:

|                                |   |
|--------------------------------|---|
| Alpha Natural Resources, Inc.  | Newfield Exploration Co.                |
| Anadarko Petroleum Corporation | Noble Energy, Inc.                      |
| Apache Corporation             | Peabody Energy Corp.                    |
| Arch Coal Inc.                 | Plains Exploration & Production Company |
| Chesapeake Energy Corporation  | Southwestern Energy Co.                 |
| Devon Energy Corporation       | QEP Resources, Inc.                     |
| EOG Resources, Inc.            | WPX Energy, Inc.                        |

| Revenue                                    | Market Capitalization                      |
|--|--|
| 49 <sup>th</sup> percentile <sup>(1)</sup> | 47 <sup>th</sup> percentile <sup>(2)</sup> |

(1) In 2012, CONSOL's revenues were \$5.6 billion (based on the last twelve months revenues as of September 10, 2012).

(2) CONSOL's market capitalization was \$7.1 billion (based on data as of August 17, 2012).

***Role of Compensation Consultant***

The Compensation Committee has engaged Deloitte, an outside compensation consulting firm, to assist it with the development of our compensation program. The compensation consultant works for the Compensation Committee in coordination with management.

The Compensation Committee looks to the compensation consultant to review the elements of our compensation program and recommend any modifications thereto, including the appropriate mix of short- and long-term incentives, based on the consultant's review of the market practices of a peer group of companies and the Corporation's compensation objectives. The consultant also provides ongoing input on the design of our incentive programs and the underlying performance metrics.

***Process for Evaluating Compensation***

In the first quarter of each year, the Compensation Committee meets to establish the base salaries and incentive opportunities and related performance goals of the Corporation's compensation programs. To establish compensation for a particular named executive (other than our Chief Executive Officer), the Corporation's human resources personnel make an initial assessment and submit it to our Chief Executive Officer for review. This assessment considers relevant industry salary practices, the complexity and level of responsibility associated with the particular named executive's position, the position's overall importance to the Corporation in relation to other executive positions, and the competitiveness of the named executive's total compensation. Our Chief Executive Officer may make appropriate changes to this assessment based on his determination of such named executive's past performance. The Compensation Committee then reviews: our Chief Executive Officer's compensation recommendations for each named executive (other than himself); our Chief Executive Officer's evaluation of each named executive's performance and internal value; and the benchmarking studies and tally sheets (which includes an equity wealth accumulation analysis) compiled by the outside compensation consultant.

From this mix of information, the Compensation Committee approves, in consultation with the Chief Executive Officer and our outside compensation consultant, the amount of each named executive's annual base salary and target short- and long-term incentive compensation opportunities.

To establish compensation for our Chief Executive Officer, the Compensation Committee reviews: (i) the benchmarking studies and compensation alternatives compiled by the outside compensation consultant; (ii) the Chief Executive Officer's self-evaluation of his annual performance in light of the prior year's goals and objectives; and (iii) the Board's evaluation of his annual performance. The Compensation Committee approves and then recommends that the independent members of the Board ratify the compensation of our Chief Executive Officer. Our Chief Executive Officer does not participate in any discussions regarding his performance or his resulting compensation.



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***Executives Performance Considerations***

CONSOL takes a team approach to achieving our strategic vision for CONSOL. The performance of our named executives is reviewed in light of annually determined goals and objectives (described below) and is considered when establishing individual compensation and the pay-out of awards issued under the annual incentive compensation plan. However, the Compensation Committee does not assign any relative weights to these goals and objectives. Rather, the Compensation Committee makes a subjective determination of their achievement based on a review of each named executive's overall performance with respect thereto.

For 2012, our named executives had the following as their combined primary performance goals and objectives (which are consistent with our five core values – safety, compliance, continuous improvement, production and cost):

**Executives Primary Goals and Objectives for 2012**

|  |  |
|--|--|
| <b>Health and Safety</b>                 | Improving and being an industry leader in health and safety by continuing CONSOL's efforts to achieve a zero incident rate and implementing other major health and safety initiatives, including building on the Absolute Zero program, incorporating more secure technology and process into our safety improvement efforts and implementing detailed risk assessment processes across the Corporation.   |
| <b>Compliance</b>                        | Continuing to improve safety and environmental compliance including raising environmental awareness throughout the Corporation, and establishing a world class comprehensive compliance program.   |
| <b>Continuous Improvement</b>            | Continuing to improve and optimize our coal and gas operations and continually improving productivity and efficiency of such operations, including by upgrading operations with new and efficient technologies.  |
| <b>Finance</b>                           | Improving and protecting the Corporation's financial position, among other matters, by protecting our liquidity, refining our strategies and approaches to cash flow and capital expenditures.   |
| <b>Energy Sales and Marketing</b>        | Continuing to secure coal and gas and liquids supply agreements with financially stable energy customers and service providers, optimizing our market portfolio and mitigating risk. Specific targets are generally not determined, but rather, the Compensation Committee considers, at the end of the year, items such as (i) sales prices under the Corporation's coal sales contracts for the year, (ii) the pricing of the Corporation's gas sales contracts and its gas hedge position, and (iii) the Corporation's general market share. The Corporation also considers production volumes and costs per ton with respect to coal results and costs per Mcf with respect to gas results (see <i>2012 Short-Term Incentive Compensation</i> set forth below on page 39 for 2012 target information). |
| <b>Organization and Recruiting</b>       | Continuing to develop the best organizational structure for efficiency, communications, and management development.  |
| <b>Growth &amp; Business Development</b> | Continuing to investigate opportunities to use our coal, gas and land resources to create value for our shareholders.  |
| <b>Corporate Image &amp; Branding</b>    | Continuing to enhance CONSOL's corporate image and build its reputation as a leader in energy, safety and the environment as well as a community leader, and responsible corporate citizen. These efforts are also consistent with our commitment to recruiting and enhancing the Corporation's image as an employer.  |
| <b>Regulatory Risk Management</b>        | Actively managing potential adverse risk associated with new governmental regulations that will impact our business.   |
| <b>Corporate Governance</b>              | Effectuating good corporate governance by continuing to assist the Board in its oversight of CONSOL and further enhancing communication between management and the Board.  |

The Compensation Committee determined that our named executives exceeded their 2012 goals and objectives.





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**SECTION 4 - COMPENSATION DECISIONS FOR 2012**

***Elements of Executive Compensation Program***

In 2012, we continued to compensate our named executives through the following elements of our executive compensation program:

| <b>Compensation Element</b>       | <b>Form of Compensation</b>  | <b>Performance Criteria</b>   | <b>Purpose</b>   |
|-----------------------------------|--|---|--|
| 1. Base Salary (page 38)          | Cash   | Individual performance and experience in the role are factors in determining base salaries.   | To provide fixed compensation necessary to attract and retain key executives and to offset the cyclical nature in our business that may impact variable pay year-to-year.  |
| 2. Short-Term Incentive (page 39) | Cash   | Annual performance criteria include production, operating cost, environmental compliance and safety goals determined by the Compensation Committee, together with individual goals.   | To provide incentives to our employees to achieve performance goals and to reward our employees for the achievement of those goals.  |
| 3. Long-Term Incentive (page 41)  | Performance Share Units (PSUs) (3-year cliff vesting)  | For PSUs granted in 2012, performance criteria include total shareholder return (TSR) (relative to a TSR Peer Group), return on average capital employed (ROCE) and safety. For PSUs granted in 2010 (but paying out in 2013), performance criteria include TSR and EBITDA. | To create a strong incentive for our key management members to achieve our short- and long-term performance objectives and strategic plan, and to align management's interests with our shareholders' interests. |
|                                   | Special 2012 PSU Award to Chief Executive Officer (two-year cliff vesting)   |   |  |
|                                   | Performance-Based Options (Performance Options) (one-time award granted in 2010 with 4-year ratable vesting, if goals are achieved)                  | Performance criteria of stock price appreciation on an absolute basis, the achievement of strategic goals and the achievement of TSR and financial goals (representing 25% of the total long-term incentive opportunity).   |  |
|                                   | Restricted Stock Units (RSUs) (3-year ratable vesting; granted to named executives in 2012, excluding the Chief Executive Officer)                   |   |  |
|                                   | Stock Options (3-year ratable vesting granted to named executives in 2012, excluding the Chief Executive Officer) All equity awards settle in stock. |   |  |
|                                   |  | For Performance Options, vesting is dependent upon satisfying annual gas production and operating cost goals in 2010, 2011, 2012 and 2013.  |  |
|                                   |  | RSUs are time-based vesting.  |  |

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|   |   |                                       |  |
|---|---|---------------------------------------|--|
| 4. Employment and Other Agreements and Benefits (page 47) | Employment Agreement (Chief Executive Officer only)   | Stock Options are time-based vesting. | To attract and retain key management members and, for change in control agreements, to motivate executives to take actions that are in the best interests of CONSOL. |
|   | Change in Control Agreements                          | -                                     |  |
| 5. Perquisites (page 49)                                  | Other Retirement Benefits<br>Country Club Memberships |                                       | To provide a competitive compensation package and, in certain cases, to optimize an executive officer's time.  |
|   | Corporate Aircraft                                    | -                                     |  |
|   | Financial Planning                                    |                                       |  |
|   | Vehicle Allowance                                     |                                       |  |

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As illustrated by the charts below, a significant portion of our named executives' 2012 target total direct compensation was granted in the form of short-term and long-term incentives and is at risk. We believe that this compensation mix ensures a strong link between our named executives' compensation and the Corporation's performance and motivates our named executives to deliver strong business performance results and to create shareholder value, without rewarding inappropriate risks.

**Target Pay Mix in**

**2012<sup>(1)</sup>**

(1) Short-term incentive plan awards assume a target payout and for long-term incentive awards, assume grant date values of equity incentives.

Named executives may receive zero or less than target for poor performance, and more than target for superior performance.

A significant amount of every named executive's compensation is at-risk and aligned with our shareholders' interests, consistent with the discussion above regarding the amount of pay at-risk for our Chief Executive Officer. If the Corporation's stock price does not perform well or CONSOL does not achieve its financial and operational goals, our named executives do not realize the target value of their at-risk compensation.

***2012 Base Salary***

Base salaries are designed to provide a level of fixed compensation that is necessary to attract and retain key executives and to offset the cyclicity in our business that may impact variable pay year-to-year. Factors considered in establishing base salaries include external market data, the internal worth and value assigned to the named executive's role and responsibilities at CONSOL, and the named executive's skills and performance.

The Compensation Committee reviewed the base salaries of our named executives in February 2012. The Compensation Committee did not approve any changes to the annual base salaries for our named executives, other than our Chief Executive Officer. In order to further align our Chief Executive Officer's compensation with our stakeholders' interests and to place more emphasis upon performance, the Compensation Committee approved, and the independent members of the Board ratified, a decrease to the Chief Executive Officer's base salary by \$100,000, and increased his performance-based compensation by the same amount at target (as further explained below).

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With no changes from 2011, the annual base salaries for 2012 were as follows:

| <b>Named Executive</b>  | <b>Salaries for 2012</b> |
|-------------------------|--------------------------|
| Chief Executive Officer | \$ 1,000,000             |
| President               | \$ 690,000               |
| Chief Financial Officer | \$ 565,000               |
| EVP Corporate Projects  | \$ 450,000               |
| EVP Energy Sales        | \$ 480,000               |

***2012 Short-Term Incentive Compensation***

The Short-Term Incentive Compensation Plan (which we refer to as the Short-Term Plan ) is designed to deliver annual cash awards when CONSOL and our named executives are successful in meeting or exceeding established performance targets and to pay less, or nothing at all, when CONSOL and/or our employees fall short of these targets. The Short-Term Plan provides incentive compensation (measured at target) that is comparable to compensation provided by companies with which CONSOL competes for executive talent.

The Committee calculated the actual amount of the awards by strictly adhering to the following formula:

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Each of the individual results, coal results and gas results are measured independently, with scores ranging from 70-200% for each component, with a 100% score indicating target performance and a higher score (up to 200%) indicating above target performance. If the minimum score of 70% is not reached for a particular goal, a score of zero is recorded for that goal. Individual results are based on multiple factors (which are described on page 36) that the Compensation Committee considers on a holistic and qualitative, rather than quantitative, basis. All corporate goals were derived from the Board-approved profit objective for the year. For purposes of 2012, the Performance Factor was calculated based on the average of all three components as follows:

- (1) The At Zero safety rewards program is based on time periods in which sites achieved zero accidents. The time periods applicable to sites are adjusted for exposure (for example, higher exposure sites have shorter time periods measured).
- (2) NOVs mean Notice of Violations.
- (3) Production and costs have been adjusted in accordance with the Short-Term Plan, and were not material.

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The ultimate payouts to our named executives for 2012 performance were as follows:

**Short-Term Plan Payout Information (2012 Performance)**

| Named Executive         | Target Opportunity Percentages for 2012 (as a % of Base Salary) <sup>(1)</sup> | Target Payout | Maximum Potential Payout | Actual Payout <sup>(2)</sup> |
|-------------------------|--|---------------|--------------------------|------------------------------|
| Chief Executive Officer | 175%   | \$1,750,000   | \$3,500,000              | \$2,823,392                  |
| President               | 110%   | \$759,000     | \$1,518,000              | \$1,225,000                  |
| Chief Financial Officer | 70%  | \$395,500     | \$791,000                | \$225,000 <sup>(3)</sup>     |
| EVP Corporate Projects  | 60%  | \$270,000     | \$540,000                | \$415,000                    |
| EVP Energy Sales        | 60%  | \$288,000     | \$576,000                | \$440,000                    |

<sup>(1)</sup> The Compensation Committee determined the 2012 Target Opportunity Percentages for our named executives based on a review of competitive data and performance. The Compensation Committee approved (and, in the case of the Chief Executive Officer, the independent members of the Board ratified) the Target Opportunity Percentages and Target Payouts for each of the named executives.

<sup>(2)</sup> In January 2013, our Chief Executive Officer reviewed and discussed with the Compensation Committee his assessment of the other named executives' performances in 2012 relative to the target goals referenced above. Our Compensation Committee concurred with our Chief Executive Officer's assessment of executive performance and approved performance scores for our President, Chief Financial Officer, EVP Corporate Projects, and EVP Energy Sales that were at or within the following range: 152-180%. Similarly, the Compensation Committee and the independent members of the Board reviewed and evaluated the Chief Executive Officer's self-assessment in light of his stated goals and objectives and the Compensation Committee approved (and the independent members of our Board ratified) an individual performance score of 180%, which accounts for one-third of the total payout.

<sup>(3)</sup> Our Chief Financial Officer also received a discretionary bonus in the amount of \$395,500 in December 2012. As a result, the Compensation Committee determined to exercise discretion to reduce his 2012 Short-Term Plan payout of \$618,312 by that amount. The discretionary bonus was granted to our Chief Financial Officer in recognition of his years of service with, and contributions to, the Corporation including his naming to the 2013 All-America Executive Team by *Institutional Investor* magazine and his leadership in the areas of ethics and corporate governance.

The Short-Term Plan awards granted to our executive officers are intended to comply with Section 162(m) of the Code in order to maximize tax deductions for our shareholders. Accordingly, these awards contain certain objective, performance-based conditions of Annual EBITDA, Annual Net Income and Annual TSR. The performance conditions were achieved as follows: Annual EBITDA performance condition was achieved at \$1,311,574,000, which exceeded the goal of \$678,288,500, Annual Net Income was achieved at \$388,470,000 which exceeded the goal of \$193,522,500, and CONSOL's TSR relative to a peer group of companies (described below for the 2012 performance share unit awards) for the annual period was achieved at the 58th percentile, which exceeded the goal of being at or above the 50<sup>th</sup> percentile of such peer group. As a result of attaining any one of such conditions, the awards became potentially payable at 200% of target depending on performance relative to the performance formula described above, which shows the Committee's exercise of downward discretion to reduce the awards. Please refer to *Reconciliation of Non-GAAP Financial Information* on page 50 for the GAAP reconciliation relating to EBITDA.

**Awards of 2012 Long-Term Incentive Compensation**

Our long-term incentive compensation program is designed to create a strong incentive for our named executives to achieve our longer-term performance objectives in the strategic plan and to align management's interests with our shareholders' interests.





**Table of Contents****Mix of Long-Term Incentive Compensation**

In 2012, the Compensation Committee determined that, with the exception of the Chief Executive Officer, combined grants of stock options, restricted stock units and performance share units for our other named executives provided a balance between risk and potential reward. As described above, our Chief Executive Officer received his entire 2012 long-term incentive opportunity in the form of performance share units.

Stock options and restricted stock units have three-year ratable vesting and the performance share units generally have three-year cliff vesting, if earned. These allocations are based primarily on a desire to balance risk and retention. The Compensation Committee also determined that this equity mix for our non-CEO executives would reward stock price appreciation as well as financial performance over both the short- and long-term.

In February 2012, the Compensation Committee approved (and, in the case of our Chief Executive Officer, the independent members of the Board ratified) the target long-term incentive opportunities for our named executives and the following mix of equity awards:

**Equity Mix for Named Executives (2012 Grants)****Long-Term Incentive Compensation Awards**

As a result of the Compensation Committee's decisions regarding the mix of 2012 long-term incentive compensation awards, the Compensation Committee approved the following equity awards for the named executives (in the dollar amounts shown below):

| Named Executive         | Stock Options | Restricted Stock Units | Performance Share Units (Target) |
|-------------------------|---------------|------------------------|----------------------------------|
| Chief Executive Officer | \$ 0          | \$ 0                   | \$ 9,125,000 <sup>(1)</sup>      |
| President               | \$ 739,250    | \$ 739,250             | \$ 1,478,500                     |
| Chief Financial Officer | \$ 539,667    | \$ 539,666             | \$ 539,667                       |
| EVP Corporate Projects  | \$ 282,667    | \$ 282,666             | \$ 282,667                       |
| EVP Energy Sales        | \$ 275,000    | \$ 275,000             | \$ 275,000                       |

<sup>(1)</sup> As described below, the Chief Executive Officer's 2012 long-term incentive opportunity was granted in the form of two performance share unit awards: (i) 75% of his target 2012 long-term incentive opportunity was in the form of a performance share unit award that will be earned if certain goals, including relative TSR, are met over a three-year period and (ii) 25% of his 2012 target long-term incentive opportunity was in the form of a performance share unit award (the Special Performance Unit Award) that will be earned if certain goals, including absolute stock price performance, are met over a two-year period.

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### ***Stock Options and Restricted Stock Units***

The Compensation Committee believes that our stock option and restricted stock unit awards promote the achievement by CONSOL of short- and long-term performance objectives, while aligning certain named executives' interests with CONSOL's shareholders. The stock option and restricted stock unit awards vest ratably over a three-year period with the goal of promoting sustained performance and retention of our named executives. See *Stock Options*, *Restricted Stock Units* and *Change in Control and Restrictive Covenant Provisions* on pages 57 and 79-82 for more detailed description of these awards, related restrictive covenants and the effects of employment termination.

### ***Performance Share Units***

The Compensation Committee believes that our performance share unit awards align the interests of our employees with those of our shareholders because the vesting of such awards is tied to the achievement of pre-approved three-year performance goals (and also two-year performance goals in the case of the Special Performance Unit Award).

In February 2012, the Compensation Committee approved (and the independent members of the Board with respect to the Chief Executive Officer ratified) performance share unit awards for each of our named executives for the performance period of January 1, 2012 through December 31, 2014 and, in the case of the Chief Executive Officer's Special Performance Unit Award, such award will pay out if certain performance goals are achieved for the period of January 1, 2012 through December 31, 2013 as described below. See *Performance Share Units* on page 57 and *Change in Control and Restrictive Covenant Provisions* on pages 79-82 for a more detailed description of these awards, related restrictive covenants and the effects of employment termination.

The vesting of the Chief Executive Officer and the other named executives' 2012-2014 performance share unit awards will be calculated at the end of the performance period based on the following pre-established goals:

#### ***Step 1***

- (1) Based on the following companies (the TSR Peer Group): Alliance Resource Partners, L.P.; Alpha Natural Resources, Inc.; Anadarko Petroleum Corporation; Apache Corporation; Arch Coal Inc.; Cabot Oil & Gas Corporation; Callon Petroleum Co/DE; Chesapeake Energy Corporation; Cimarex Energy Co.; Comstock Resources Inc.; Denbury Resources Inc.; Devon Energy Corporation; Encana Corporation; EOG Resources, Inc.; James River Coal Company; Newfield Exploration Company; Nexen Inc.; Noble Energy Inc.; Peabody Energy Corporation; Penn Virginia Corporation; Pioneer Natural Resources Company; Rio Tinto Group (GBR) ADR; St. Mary Land & Exploration Company or SM Energy Company (its current name), Stone Energy Corporation; Ultra Petroleum Corporation; and Westmoreland Coal Company (unlike the current 15-company peer group used to benchmark compensation pay levels, this TSR Peer Group was not selected based on company size and represents a broader mix of energy companies).

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### ***Step 2***

Similar to the Short-Term Plan, the 2012 performance share unit awards granted to our executive officers are intended to comply with Section 162(m) of the Code in order to maximize tax deductions for our shareholders. Accordingly, these awards contain objective, three-year performance-based conditions of 50% of Board-approved EBITDA, 50% of Board-approved Net Income, and TSR relative to a peer group at least equal to or greater than the 50<sup>th</sup> percentile. If any one of the performance conditions is met, the Compensation Committee may award up to 250% of the target award based on performance relative to the formula set forth above. The Compensation Committee may then reduce the amount payable based on the formula described above.

\* The Compensation Committee has determined that the ROCE, EBITDA and Net Income target numbers constitute confidential information. When ROCE, EBITDA and Net Income goals were established, the Compensation Committee believed that they were challenging, yet achievable target levels based upon a review of CONSOL's performance in the prior three-year period and its business goals and objectives for the performance period covering 2012-2014. EBITDA will be calculated using the Target EBITDA formula set forth under *Reconciliation of Non-GAAP Financial Information* for the 2010-2012 period; provided, however, that EBITDA and Net Income shall be adjusted for certain items consistent with the Plan. ROCE is a ratio that indicates the efficiency and profitability of a company's invested capital. It is calculated by taking the annual Net Income plus after-tax financing costs divided by the average equity plus long-term debt. The target goals will be disclosed in the 2015 proxy once the performance period has been completed and earned awards are reported.

### ***Chief Executive Officer Special Performance Unit Award***

In the case of the Chief Executive Officer only, the Compensation Committee approved, and the independent members of the Board ratified, that 25% of his 2012 long-term incentive opportunity would be in the form of a performance share unit award that could be earned at a maximum amount of 200% of target as follows: (i) 50% based on the attainment of any of the performance conditions of EBITDA, Net Income or relative TSR (based on the TSR Peer Group) for the performance period of January 1, 2012 through December 31, 2013 and, if any of such goals are attained, the Compensation Committee would then consider and determine award pay-out based on the achievement of strategic goals related to value enhancement of strategic transactions, growth initiatives creating growth above CONSOL's long-range business plan, and business succession planning which will be judged by the Compensation Committee on a purely qualitative basis and with no specific weights assigned to such goals and (ii) 50% based on the achievement of an absolute stock price goal over a performance period from January 1, 2012 through December 31, 2013.

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The Compensation Committee has determined that the EBITDA, Net Income and stock price goals applicable to this award constitute confidential information and that when such goals were established they were challenging, yet achievable, based upon a review of CONSOL's stock price performance over a prior two-year period and the Corporation's business plan. EBITDA will be calculated using the Target EBITDA formula set forth under *Reconciliation of Non-GAAP Financial Information* for the 2010-2012 period; provided, however, that EBITDA and Net Income will be adjusted for certain items consistent with the Plan.

***Payout of Performance Share Units Under the 2010-2012 Long-Term Incentive Program***

In February 2010, the Compensation Committee approved (and, in the case of our Chief Executive Officer, the independent members of the Board ratified) the award of performance share units to our named executives and other key employees, which awards had a performance period from January 1, 2010 through December 31, 2012.

Following the performance period, the Committee determined the actual payout of the awards by strictly adhering to the following formula (each metric is equally weighted):

\*Please refer to *Reconciliation of Non-GAAP Financial Information* on page 50 for information on the calculation of the Target EBITDA and the EBITDA adjusted for the LTIP for 2010-12.

As a result of the above performance determinations, the performance share units were settled as follows:

| <b>Named Executive</b>  | <b>Performance Share Units Granted<br/>in February 2010<br/>(Target)<br/>(including Subsequent Dividends)</b> | <b>Shares of Common Stock<br/>Issued<br/>(Earned Performance Share Units)</b> |
|-------------------------|---|---|
| Chief Executive Officer | 79,476  | 101,332   |
| President               | 15,875  | 20,241  |
| Chief Financial Officer | 9,518   | 12,136  |
| EVP Corporate Projects  | 4,907   | 6,257   |
| EVP Energy Sales        | 2,872   | 3,662   |

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As with the Short-Term Plan awards and the 2012 performance share unit awards, the 2010 performance share unit awards granted to our executive officers were intended to comply with Section 162(m) of the Code to maximize tax deductions for our shareholders. Accordingly, these awards contained objective, performance-based three-year cumulative conditions of EBITDA, Net Income and TSR. The performance conditions were achieved as follows: the EBITDA performance condition was achieved at \$5,303,475,940, which exceeded the goal of \$1,961,432,000. Net Income was achieved at \$1,963,607,364, which exceeded the goal of \$743,932,000, and CONSOL's TSR relative to a peer group of companies was achieved at the 35<sup>th</sup> percentile, which did not exceed the goal of being at or above the 50<sup>th</sup> percentile. As a result of attaining any one of these conditions, the awards became payable at 200% of target depending on performance relative to the performance formula described above. The Committee then exercised its downward discretion to reduce the awards to 127.5% of target level. Please refer to *Reconciliation of Non-GAAP Financial Information* on page 50 for the GAAP reconciliations relating to EBITDA and Net Income.

Additional information regarding the 2010 LTIP is included in the CONSOL proxy statement filed on March 28, 2011.

***Dominion Award (Nonqualified Performance Stock Option Award)***

In June 2010, the Corporation adopted a transaction incentive plan (the *Transaction Incentive Plan*) to incent management to achieve the gas production and operating cost goals in connection with the Dominion Acquisition, which the Corporation considers to have been a transformational event. Pursuant to the terms of the Transaction Incentive Plan, the Compensation Committee granted four-year nonqualified performance stock options (the *Performance Options*) to certain named executives and key employees of the Corporation, who the Compensation Committee deemed to be instrumental in the successful integration and development of the Dominion assets. Among others, Messrs. Harvey, DeLuliis, Lyons, Richey and Pusateri each received Performance Options. The exercise price of the options (\$45.05) was set at a dollar amount 12% higher than the Corporation's closing stock price on the date the Performance Options were granted (\$40.22), so as to ensure that the Corporation's shareholders were rewarded before the Performance Option recipients. For a description of the additional terms of the Performance Options, see *Understanding Our Summary Compensation And Grants Of Plan-Based Awards Tables* on page 56.

The terms of the award agreements provide that, subject to the achievement of certain gas production goals and operating cost goals (the *Annual Performance Goals*), in each of the fiscal years ending December 31, 2010, 2011, 2012 and 2013, respectively (each a *Performance Period*), up to twenty-five percent (25%) of the Performance Options may vest and become exercisable with respect to each such Performance Period, on such date as the Compensation Committee certifies that the applicable Annual Performance Goals with respect to such Performance Period and other material terms of the award agreements have been satisfied. In the case of the 2010 and 2011 performance periods, the gas production and operating cost goals were met and the corresponding portion of the Performance Options were deemed earned, as previously disclosed by the Corporation in its proxy statements filed on each of March 28, 2011 and March 26, 2012, respectively.

Because the performance goals were satisfied for purposes of 2010 and 2011, 50% of each of the Performance Option awards became exercisable (25% in February 2011 and 25% in February 2012). The following table

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represents the Performance Options that were originally granted, and the portion that vested for purposes of the 2012 Performance Period:

| Name                 | Shares Underlying  | Percentage of                     | Number of          | Percentage of  |
|----------------------|--------------------|-----------------------------------|--------------------|----------------|
|                      | Performance Option | Performance Option                |                    | Performance    |
|                      | Awards             | Awards that                       | Performance        | Option Awards  |
|                      | Granted            | Vested                            |                    | Remaining      |
|                      | on                 | (January 1,                       | Option Shares that | Unvested       |
|                      | June 15, 2010      | 2012 through                      | Vested For         | as of          |
|                      |                    | December 31, 2012) <sup>(1)</sup> | 2012               | March 15, 2013 |
| J. Brett Harvey      | 243,273            | 12.5%                             | 30,409             | 37.5%          |
| Nicholas J. DeIuliis | 152,046            | 12.5%                             | 19,005             | 37.5%          |
| William J. Lyons     | 97,309             | 12.5%                             | 12,163             | 37.5%          |
| P. Jerome Richey     | 60,819             | 12.5%                             | 7,602              | 37.5%          |
| Robert F. Pusateri   | 60,819             | 12.5%                             | 7,602              | 37.5%          |

<sup>(1)</sup> The gas operating cost goal was attained at \$2.99/Mcf, which exceeded the target goal of \$3.56/Mcf. The gas production goal set for the 2012 performance period of 225 Bcf was not attained.

With Board approval, management reduced the capital expenditures and gas production in 2011 and 2012 to respond to declining market conditions, and as a result, CONSOL has been able to manage through these difficult financial times better than its competitors. Consequently, the production goals for 2012 were not attained. However, these production goals were established in mid-2010, and neither the Board nor management could have predicted the unprecedented supply of natural gas without an offsetting demand and the subsequent precipitous drop in natural gas prices.

Although 62.5% of the Performance Options have vested thus far, because the exercise price of the Performance Options is greater than our current stock price, no value is currently realizable on the Performance Options.

**SECTION 5 - OTHER COMPENSATION POLICIES AND INFORMATION*****Retirement Benefit Plans***

CONSOL also maintains retirement benefit plans which are intended to attract and retain key talent including a supplemental executive retirement plan. These retirement plans are more fully described in *Understanding Our Pension Benefits Table* on page 62.

***Employment Agreement***

We originally entered into an employment agreement with our Chief Executive Officer in 1997. The Compensation Committee believed that this agreement was necessary for purposes of maintaining consistency with market and past practice and retaining our Chief Executive Officer. In consideration for the benefits provided in the employment agreement with our Chief Executive Officer, the employment agreement contains a two-year post-termination noncompetition covenant and a confidentiality covenant, which protect CONSOL against the risk of our Chief Executive Officer, who has significant experience with, and knowledge of, CONSOL, leaving and joining a competitor. For a description of the additional terms of the agreement, see *Understanding our Summary Compensation and Grants of Plan-Based Awards Tables* on page 56 and *Understanding Our Change in Control and Employment Termination Tables* on page 73.

***Consulting Agreements with Messrs. Pusateri and Lyons***

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On March 1, 2013, we entered into a retirement and consulting agreement (each a Consulting Agreement ) with each of Messrs. Pusateri and Lyons (collectively, the Consultants ). Messrs. Pusateri and Lyons have each agreed to provide consulting services that are within their respective areas of expertise and commensurate with their respective former positions with the Company to help ensure the transition to the next generation of leaders within the Company. In return, CONSOL has agreed to make monthly payments to Messrs. Pusateri and Lyons in an

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amount equal to \$40,395 and \$47,478, respectively. In the event the Consulting Agreement is terminated by CONSOL for cause (as defined in the Agreement), a Consultant dies, or is disabled to the point that he can no longer provide the consulting services, CONSOL will be obligated to pay for services through the end of the month in which the termination occurred. In the event the Consulting Agreement is terminated by CONSOL other than for cause, CONSOL will pay the applicable monthly payment for the remainder of the term of the Consulting Agreement, which, in each case, ends December 31, 2013.

**Retirement Letter with Mr. Richey**

On March 1, 2013, Mr. Richey retired from his position with the Company. CONSOL entered into a retirement letter with Mr. Richey in which CONSOL agreed to pay Mr. Richey \$772,000 and agreed that Mr. Richey's outstanding equity awards will continue to vest in accordance with their terms. Pursuant to the retirement letter, Mr. Richey agreed to release any claims he had against the Company, including any claims under his letter agreement, dated February 11, 2005, which was terminated in connection with his retirement.

**Change in Control Agreements**

We previously entered into change in control agreements with each of our named executives (which we refer to as CIC Agreements). Under the CIC Agreements, each named executive will receive severance benefits if such person's employment is terminated or constructively terminated after, or in connection with, a change in control (as defined in the respective CIC Agreements) if such named executive enters into a general release of claims reasonably satisfactory to us (i.e., a double trigger agreement). Under these circumstances, these named executives would be entitled to receive a lump sum cash payment equal to a multiple of base pay plus a multiple of incentive pay (as defined in their respective CIC Agreements) as follows:

| <b>Named Executive</b>                 | <b>Multiple of Base Salary<br/>and Incentive Pay</b> |
|--|--|
| Chief Executive Officer                | 3.0  |
| President                              | 2.5  |
| Chief Financial Officer <sup>(1)</sup> | 2.5  |
| EVP Corporate Projects <sup>(1)</sup>  | 2.0  |
| EVP Energy Sales <sup>(1)</sup>        | 2.0  |

<sup>(1)</sup> Messrs. Lyons, our former Chief Financial Officer, Richey, our former EVP-Corporate Projects, and Pusateri, our former EVP-Energy Sales, each retired from CONSOL in the first quarter of 2013 and thus will not receive any payments or benefits under their respective CIC agreements.

Additionally, benefits would be continued for two to three years (as set forth in the CIC Agreement) and equity grants would accelerate and vest in connection with a change in control. The Compensation Committee believes that providing change in control benefits in each of the CIC Agreements and equity award agreements will motivate executives to take actions that are in the best interests of CONSOL and its shareholders and reduce the distraction regarding the impact of such a transaction on the personal situation of an executive. To protect our business interests, the CIC Agreements and equity award agreements also contain confidentiality obligations, a one-year non-competition covenant and a two-year non-solicitation covenant. Additional terms of these agreements are more fully described in *Understanding Our Change in Control and Employment Termination Tables* on page 73.

In connection with the Compensation Committee's objective to provide compensation opportunities that will attract and retain superior executive personnel who will make significant contributions to CONSOL, our CIC Agreements that were entered into several years ago provide for tax gross-ups in the event of a change in control. If it is determined that any payment or distribution by CONSOL or CNX Gas (in the case of our President) to or for the disqualified person's benefit would constitute an excess parachute payment, CONSOL or CNX Gas (in the case of our President) will pay to the disqualified person a gross-up payment, subject to certain limitations, such that the net amount retained by the disqualified person after deduction of any excise tax imposed under Section 4999, and any tax imposed upon the gross-up payment, will be equal to the excise tax on such payments or distributions. In connection with incorporating gross-up provisions in the CIC agreements, the Compensation Committee determined



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that such gross-up payments were consistent with general market practice at the time these agreements were entered into and ensured that each executive received the intended level of severance benefits, unencumbered by the 20% excise tax. It is CONSOL's policy not to provide tax gross-ups in future CIC Agreements.

***Stock Ownership Guidelines for Executives***

The stock ownership guidelines provide that all employees designated as officers for purposes of the policy should own shares of the Corporation's stock, the value of which is a multiple of that employee's base salary. Shares issuable upon the exercise of stock options or settlement of performance share units held by an individual are not counted for purposes of determining whether an individual has satisfied the ownership guideline requirement. In connection with granting Performance Options, the Compensation Committee increased the stock ownership guidelines as follows:

| <b>Named Executive</b>   | <b>Multiple of Base Salary</b> |
|--------------------------|--------------------------------|
| Chief Executive Officer  | 5.5                            |
| President                | 3.5                            |
| Chief Financial Officer  | 3.5                            |
| EVP - Corporate Projects | 2.5                            |
| EVP - Energy Sales       | 2.5                            |

Our stock ownership guidelines were implemented by the Compensation Committee in order to further align our named executives' interests with those of our shareholders and to comply with best practices. CONSOL reviews compliance with the stock ownership guidelines annually. As of January 2013, all of our named executives had satisfied their stock ownership guidelines.

***No Hedging/Pledging Policy***

Our Insider Trading Policy prohibits directors, officers and employees from engaging in any of the following activities with respect to securities of CONSOL (except as otherwise may be approved in writing by the General Counsel): (i) purchases of CONSOL stock on margin; (ii) short sales; (iii) buying or selling options (other than those granted by CONSOL), including buying or selling puts or calls or other hedging transactions with CONSOL securities; or (iv) pledging CONSOL stock (provided, however, that brokerage account agreements may grant security interests in securities held at the broker to secure payment and performance obligations of the brokerage account holder in the ordinary course).

***Stock Retention Guidelines***

In December 2012, the Committee implemented stock retention guidelines for CONSOL stock unit equity awards granted after December 31, 2012 to provide that 50% of the shares relating to such awards must generally be held until the earlier of (i) ten years from the time of award share settlement or (ii) normal retirement.

***Perquisites***

We provide our named executives and other senior officers with perquisites that we believe are reasonable, competitive and consistent with CONSOL's compensation program. Our principal perquisite programs include the personal use of the corporate aircraft in accordance with the terms and conditions of the Aircraft Policy, country club memberships, financial planning assistance, *de minimis* personal usage of company purchased event tickets and a vehicle allowance. These programs are more fully described in the footnotes to the Summary Compensation Table and *Understanding Our Summary Compensation and Grants of Plan-Based Awards Tables* on page 56. In early 2009, management and our Board collectively decided to eliminate tax gross-ups on CONSOL-provided perquisite programs for our named executives.

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### ***Tax, Accounting, and Regulatory Considerations***

We consider the effect of tax, accounting and other regulatory requirements in designing and implementing our compensation programs, and while these factors may impact plan designs, ultimately decisions reflect the pay strategy of the Corporation and the program intent.

With some exceptions, Section 162(m) of the Code limits CONSOL's deduction for compensation in excess of \$1 million paid to certain covered employees (generally our Chief Executive Officer and the three next highest-paid executive officers). Compensation paid to covered employees is not subject to the deduction limitation if it is considered qualified performance-based compensation within the meaning of Section 162(m) of the Code. Awards made under our Short-Term Plan, stock option awards and performance share unit awards are intended to comply with Section 162(m) of the Code. Thus, all key components of our Chief Executive Officer's 2012 compensation and our named executives' 2013 compensation are structured to be deductible.

Although the Compensation Committee strives to provide the named executives with compensation packages that will preserve deductibility of significant components of those packages to the extent reasonably practicable or consistent with our compensation objectives, the Committee believes that shareholder interests are best served by not restricting the Committee's flexibility in structuring, determining and ultimately approving payment with respect to these compensation programs (even if the programs or such decisions may result in certain non-deductible compensation).

### **SECTION 6 - RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION**

We define EBITDA as earnings before deducting net interest expense (interest expense less interest income), income taxes and depreciation, depletion and amortization.

#### *Reconciliations for the 2012 Performance Period of the Short-Term Plan Awards*

Target EBITDA (2012). Our annual EBITDA goal for the 2012 performance period was 50% of \$1,356,577,000 which was calculated as follows: Net Income (\$387,045,000), plus net interest expense (\$208,213,000), plus income taxes (\$97,033,000), plus DD&A (\$664,286,000).

EBITDA (2012). For information on the calculation of our EBITDA for 2012 of \$1,311,574,000, please refer to Part II, Item 6 (page 62) of our 2012 Annual Report accompanying this Proxy Statement.

#### *Reconciliations for the 2010-12 Performance Period of the 2010-12 Long-Term Incentive Program Awards*

Target EBITDA (2010-12). Our three-year EBITDA goal for the 2010-12 performance period was 50% of \$3,922,864,000 which was calculated as follows: Net Income (\$1,487,862,000), plus net interest (\$99,162,000), plus income taxes (\$709,152,000), plus DD&A (\$1,626,688,000).

EBITDA (2010-12) - Adjusted Per LTIP. Pursuant to the LTIP program document for the 2010-12 performance period, certain specified adjustments are permitted to be made to the final EBITDA calculation. The first adjustments add back any charges incurred for loss on debt extinguishment and impairment of long-lived assets. For the 2010-12 performance period, the initially adjusted EBITDA was \$4,310,377,000. For information on the determination of EBITDA adjusted for these items, see Part II, item 6 (page 62) of our 2012 Annual Report accompanying this Proxy Statement. The following formulaic adjustments were then made to the EBITDA calculation: (i) fluctuations in natural gas prices, (ii) expenses associated with reorganizations, and (iii) intangible and tangible impairments pursuant to ASC 360, and with respect to the payout measure, additional adjustments were made for extraordinary/unusual items. These adjustments are made on an annual basis and are consistently applied year-to-year. Accordingly, the initial adjusted EBITDA for the 2010-12 performance period of \$4,310,377,000 was increased by \$993,098,940 to \$5,303,475,940 for purposes of the performance condition and by \$1,182,640,940 to \$5,493,017,940 for purposes of the payout measure.



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**Net Income (2010-12) - Adjusted Per LTIP.** Pursuant to the LTIP program document for the 2010-12 performance period, certain specified adjustments are permitted to be made to the final Net Income calculation. Accordingly, Net Income for the 2010-12 performance period was increased from \$1,367,748,000 to \$1,963,607,364. This increase to Net Income was attributable to the following formulaic adjustments, which are permitted by the terms of the program document: (i) fluctuations in natural gas prices, (ii) expenses associated with reorganizations, and (iii) intangible and tangible impairments pursuant to ASC 360. These adjustments are made on an annual basis and are consistently applied year-to-year.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with CONSOL's management and, based upon such review and discussion, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Proxy Statement. The Compensation Committee's charter is available on our website at [www.consolenergy.com](http://www.consolenergy.com).

Members of the Compensation Committee:

William P. Powell, Chairman

Philip W. Baxter

John T. Mills

Joseph T. Williams

*The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of CONSOL under the Securities Act of 1933 or the Exchange Act, except to the extent that the Corporation specifically incorporates the Report by reference therein.*

### **COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO CONSOL'S RISK MANAGEMENT**

Our compensation program is designed to motivate and reward our employees and executive officers for their performance during the fiscal year and over the long-term and for taking appropriate business risks.

In January 2013, the Compensation Committee reviewed an assessment of the risks, if any, to CONSOL associated with our compensation policies and practices. The Compensation Committee, with management, reviewed and discussed the design features, characteristics, performance metrics and approval mechanisms for all of our various compensation components, to determine whether any of our compensation policies or programs could create risks that would be reasonably likely to have a material adverse effect on the Corporation. The assessment was also reviewed by our Internal Auditors and Human Resources Department. Based on this review, management, the Compensation Committee and the full Board identified the following risk mitigating components, which, in their opinion, would be likely to reduce incentives for excessive risk taking and mitigate any incentives to maximize short-term results at the expense of long-term value:

*Balanced Pay Mix:* The target compensation mix of our executive officers is heavily weighted towards long-term incentive compensation.

*Mix of Performance Metrics:* We do not rely on a single performance metric to determine payouts for performance-based awards. Instead, performance targets are tied to a variety of metrics, including Safety, EBITDA, ROCE, Net Income, our stock price and TSR. Performance-based awards are also based, in part, on the achievement of strategic and operational objectives in addition to the foregoing metrics.

*Calculation and Verification of Performance:* Controls are in place to ensure accuracy of calculations as to actual performance against metrics. In cases where management determines performance scores, the Compensation Committee (and the independent members of the Board with respect to Mr. Harvey) generally reviews and makes judgments regarding these determinations.



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*Cap on Incentive Payouts:* Our incentive programs use financial measures with sliding scales, with amounts interpolated for awards between \$0, target and maximum. Payouts are capped at a percentage of the target award to protect against excessive payouts.

*Performance Period and Vesting Schedules:* The performance period and vesting schedules for long-term incentives overlap and, therefore, reduce the motivation to maximize performance in any one period.

*Stock Ownership and Retention Guidelines:* As it relates to our executives, these policies require our named executives to own equity in the Corporation and retain shares of the Corporation acquired through equity grants for the long-term.

Based on its review of the Corporation's internal controls and the risk mitigating components of the Corporation's compensation programs identified in the management team's risk assessment, together with the assistance of its outside compensation consultant, it was determined that the Corporation's compensation policies and practices do not encourage our executives or our other non-executive employees to take excessive risks that are reasonably likely to have a material adverse effect on the Corporation.

**Table of Contents****SUMMARY COMPENSATION TABLE 2012, 2011 AND 2010**

The following table discloses the compensation for Mr. Harvey, the principal executive officer of CONSOL, William J. Lyons, the former principal financial officer of CONSOL, and the other three most highly compensated executive officers of CONSOL who were serving as executive officers at fiscal year ended December 31, 2012, and whose total annual compensation (excluding items described in the column entitled *Change in Pension Value and Nonqualified Deferred Compensation Earnings*) exceeded \$100,000.

| Name and Principal Position                        | Year | Salary       | Bonus                      | Stock Awards <sup>(1)</sup>  | Option Awards <sup>(2)</sup> | Non-Equity Incentive Compensation <sup>(3)</sup> | Change in Pension Value and Nonqualified Deferred Compensation <sup>(4)</sup> | All Other Compensation <sup>(5)</sup> | Total         |
|--|------|--------------|----------------------------|------------------------------|------------------------------|--|---|---------------------------------------|---------------|
| (a)  | (b)  | (c)          | (d)                        | (e)                          | (f)                          | (g)  | (h)   | (i)                                   | (j)           |
| J. Brett Harvey <sup>(6)</sup><br>Chairman and CEO | 2012 | \$ 1,018,077 | -                          | \$ 10,308,263 <sup>(7)</sup> | -                            | \$ 2,823,392                                     | \$ 3,374,425  | \$ 177,286 <sup>(8)</sup>             | \$ 17,701,443 |
|  | 2011 | \$ 1,100,000 | -                          | \$ 8,924,607                 | \$ 1,597,207                 | \$ 2,754,884                                     | \$ 2,725,902  | \$ 98,937                             | \$ 17,201,537 |
|  | 2010 | \$ 1,086,154 | -                          | \$ 5,802,288                 | \$ 6,943,384                 | \$ 2,750,000                                     | \$ 3,527,334  | \$ 142,045                            | \$ 20,251,205 |
| William J. Lyons<br>EVP and CFO                    | 2012 | \$ 565,000   | \$ 395,500 <sup>(17)</sup> | \$ 1,172,212 <sup>(9)</sup>  | \$ 577,501                   | \$ 225,000 <sup>(17)</sup>                       | \$ 1,553,724  | \$ 46,052 <sup>(10)</sup>             | \$ 4,534,989  |
|  | 2011 | \$ 561,057   | -                          | \$ 1,113,816                 | \$ 546,422                   | \$ 627,379                                       | \$ 913,543  | \$ 44,296                             | \$ 3,806,513  |
|  | 2010 | \$ 536,012   | -                          | \$ 1,044,692                 | \$ 2,081,785                 | \$ 675,000                                       | \$ 1,133,090  | \$ 43,003                             | \$ 5,513,582  |
| Nicholas J. DeLulii<br>President                   | 2012 | \$ 690,000   | -                          | \$ 2,472,223 <sup>(11)</sup> | \$ 791,070                   | \$ 1,225,000                                     | \$ 1,419,596  | \$ 66,010 <sup>(12)</sup>             | \$ 6,663,899  |
|  | 2011 | \$ 681,923   | -                          | \$ 2,255,086                 | \$ 718,742                   | \$ 1,267,247                                     | \$ 1,054,075  | \$ 77,450                             | \$ 6,054,523  |
|  | 2010 | \$ 634,462   | -                          | \$ 1,742,416                 | \$ 3,303,592                 | \$ 1,200,000                                     | \$ 818,576  | \$ 63,941                             | \$ 7,762,987  |
| P. Jerome Richey<br>EVP Corporate<br>Projects      | 2012 | \$ 450,000   | -                          | \$ 613,970 <sup>(13)</sup>   | \$ 302,476                   | \$ 415,000                                       | \$ 510,898  | \$ 39,515 <sup>(14)</sup>             | \$ 2,331,859  |
|  | 2011 | \$ 446,058   | -                          | \$ 564,346                   | \$ 276,860                   | \$ 423,799                                       | \$ 462,345  | \$ 39,915                             | \$ 2,213,323  |
|  | 2010 | \$ 421,926   | -                          | \$ 538,926                   | \$ 1,248,535                 | \$ 446,000                                       | \$ 373,965  | \$ 38,410                             | \$ 3,067,762  |
| Robert F. Pusateri<br>EVP Energy Sales             | 2012 | \$ 480,000   | -                          | \$ 597,319 <sup>(15)</sup>   | \$ 294,278                   | \$ 440,000                                       | \$ 921,346  | \$ 56,977 <sup>(16)</sup>             | \$ 2,789,920  |
|  | 2011 | \$ 443,327   | -                          | \$ 478,061                   | \$ 273,734                   | \$ 480,852                                       | \$ 874,959  | \$ 58,400                             | \$ 2,609,333  |

(1) The values set forth in this column reflect awards of restricted stock units and performance share units, and are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (disregarding the impact of estimated forfeitures related to service-based vesting conditions). For restricted stock units and performance share units, the grant date fair value is computed based upon the closing price of CONSOL's stock on the date of grant, except that for performance share units, there is an adjustment based on estimated probability that the performance conditions required for vesting will be achieved and an adjustment for the valuation of the market condition which is in accordance with FASB ASC Topic 718. The values do not correspond to the actual value that will be recognized by the named executives.

(2) The values set forth in this column reflect stock option awards and are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (disregarding the impact of estimated forfeitures related to service-based vesting conditions). A discussion of the relevant assumptions made in the valuation of these awards is stated in the financial statements included in CONSOL's applicable Annual Reports on Form 10-K (Note 18 in the 2012 Annual Report for the 2012 awards, Note 18 in the 2011 Annual Report on Form 10-K (the 2011 Annual Report) for the 2011 awards and Note 18 in the 2010 Annual Report on Form 10-K (the 2010 Annual Report) for the 2010 awards). The values do not correspond to the actual value that will be recognized by the named executives.

(3) Includes cash incentives earned in the applicable year under the CONSOL Short-Term Plan. The relevant performance measures underlying the cash awards were satisfied in the applicable annual performance period.

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- (4) Amounts reflect the actuarial increase in the present value of the named executive's benefits under the CONSOL Employee Retirement Plan, the CONSOL Retirement Restoration Plan and the CONSOL Supplemental Retirement Plan. These amounts were determined using the interest rate and mortality assumptions set forth in the financial statements of CONSOL's applicable Annual Reports on Form 10-K (Note 15 in the 2012 Annual Report for the 2012 amount, Note 15 in the 2011 Annual Report for the 2011 amount and Note 15 in the 2010 Annual Report for the 2010 amount).
- (5) On April 6, 2009, CONSOL filed a Form 8-K stating that it would no longer provide tax gross-ups to its officers, as defined under Section 16 of the Exchange Act, in connection with company-maintained perquisite programs. In 2012, none of the named executives used tickets purchased by the Corporation to attend sporting events or other events in excess of the four ticket *de minimis* level.
- (6) Mr. Harvey did not receive any compensation from CONSOL in connection with his service as Chairman of the Board.
- (7) Represents the target amount of Mr. Harvey's LTIP award for 2012. The maximum payout would be \$17,187,500 for the LTIP award and \$4,500,000 for the special performance share unit award. These values do not correspond to the actual values that will be recognized by Mr. Harvey.
- (8) Mr. Harvey's personal benefits for 2012 include: an annual vehicle allowance, country club membership, luncheon and city club dues, and financial planning. The total in column (i) also includes \$15,000 in matching contributions made by CONSOL under its 401(k) plan and \$112,637 for personal



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air travel on the Corporation's airplane. The aggregate incremental cost of Mr. Harvey's personal use of the corporate aircraft is determined on a per flight basis and includes the cost of fuel used, the cost of onboard catering, landing fees, trip related hangar and parking costs, crew expenses (including hotel lodging and meals) and other variable costs specifically incurred. On occasion, Mr. Harvey had one or more guests accompany him on the airplane. Mr. Harvey has also used administrative and other staff for personal matters, for which there has been no additional incremental cost to the Corporation.

- (9) Represents the target amount of Mr. Lyons' LTIP award for 2012. The maximum payout would be \$1,349,168. This value does not correspond to the actual value that will be recognized by Mr. Lyons.
- (10) Mr. Lyons' personal benefits for 2012 include: an annual vehicle allowance, annual physical exam, country club membership, and financial planning. The total in column (i) also includes \$15,000 in matching contributions made by CONSOL under its 401(k) plan.
- (11) Represents the target amount of Mr. DeJuliis' LTIP award for 2012. The maximum payout would be \$3,696,250. This value does not correspond to the actual value that will be recognized by Mr. DeJuliis.
- (12) Mr. DeJuliis' personal benefits for 2012 include: an annual vehicle allowance, annual physical exam, country club membership, luncheon and city club dues and financial planning. On occasion, Mr. DeJuliis had one or more guests accompany him on the airplane. The total in column (i) also includes \$15,000 in matching contributions paid by CONSOL's 401(k) plan.
- (13) Represents the target amount of Mr. Richey's LTIP award for 2012. The maximum payout would be \$706,668. This value does not correspond to the actual value that will be recognized by Mr. Richey.
- (14) Mr. Richey's personal benefits for 2012 include: an annual vehicle allowance, financial planning and ticket usage. The total in column (i) also includes \$15,000 in matching contributions made by CONSOL under its 401(k) plan. On occasion, Mr. Richey had one or more guests accompany him on the plane.
- (15) Represents the target amount of Mr. Pusateri's LTIP award for 2012. The maximum payout would be \$687,500. This value does not correspond to the actual value that will be recognized by Mr. Pusateri.
- (16) Mr. Pusateri's personal benefits for 2012 include: an annual vehicle allowance, annual physical exam, country club membership, luncheon and city club dues and financial planning. The total in column (i) also includes \$15,000 in matching contributions made by CONSOL under its 401(k) plan. On occasion, Mr. Pusateri had one or more guests accompany him on the plane.
- (17) Mr. Lyons received a discretionary bonus in the amount of \$395,500 in December 2012. As a result, the Compensation Committee determined to exercise discretion to reduce his 2012 Short-Term Plan payout by that amount. The discretionary bonus was granted to Mr. Lyons in recognition of his years of service with, and contributions to, the Corporation including his naming to the 2013 All-America Executive Team by *Institutional Investor* magazine and his leadership in the areas of ethics and corporate governance as described in *Compensation Discussion and Analysis*.

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**GRANTS OF PLAN-BASED AWARDS - 2012**

The following table sets forth each grant of an award made to a named executive in the 2012 fiscal year under plans established by CONSOL.

| Name                 | Grant Date | Estimated Possible Payouts<br>Under Non-Equity Incentive |           |           | Estimated Future Payouts<br>Under Equity Incentive |         |         | All<br>Other<br>Stock<br>Awards:<br>Number<br>of<br>Shares<br>of<br>Stock<br>or<br>Units<br>(RSUs) <sup>(3)</sup> | All<br>Other<br>Awards:<br>Number<br>of<br>Underlying<br>Options <sup>(4)</sup> | Exercise<br>or Base<br>Price of<br>Option<br>Awards | Grant<br>Date<br>Fair<br>Value of<br>Stock<br>and<br>Option<br>Awards<br>(Target) <sup>(5)</sup> |
|----------------------|------------|--|-----------|-----------|--|---------|---------|---|---|---|--|
|                      |            | Plan Awards  |           |           | Plan Awards  |         |         |   |   |   |  |
|                      |            | (STIC Awards) <sup>(1)</sup>                             |           |           | (LTIP) <sup>(2)</sup>                              |         |         |   |   |   |  |
|                      |            | Threshold  | Target    | Maximum   | Threshold  | Target  | Maximum |   |   |   |  |
|                      | (\$)       | (\$)   | (\$)      | (#)       | (#)  | (#)     | (#)     | (#)   | (\$/Sh)   | (\$)  |  |
| J. Brett Harvey      | 2/29/12    | -  | -         | -         | 95,966   | 191,932 | 479,830 | -   | -   | -   | \$ 8,058,265   |
|                      | 2/29/12    | -  | -         | -         | 31,407   | 62,814  | 125,628 | -   | -   | -   | \$ 2,249,997   |
|                      | -          | 525,000  | 1,750,000 | 3,500,000 | -  | -       | -       | -   | -   | -   | -  |
| William J. Lyons     | 2/29/12    | -  | -         | -         | -  | -       | -       | 15,066  | -   | -   | \$ 539,666   |
|                      | 2/29/12    | -  | -         | -         | -  | -       | -       | -   | 38,603  | 35.82   | \$ 577,501   |
|                      | 2/29/12    | -  | -         | -         | 7,534  | 15,066  | 37,666  | -   | -   | -   | \$ 632,546   |
| -                    | 138,425    | 395,500  | 791,000   | -         | -  | -       | -       | -   | -   | -   | -  |
| Nicholas J. DeIuliis | 2/29/12    | -  | -         | -         | -  | -       | -       | 20,638  | -   | -   | \$ 739,250   |
|                      | 2/29/12    | -  | -         | -         | -  | -       | -       | -   | 52,879  | 35.82   | \$ 791,070   |
|                      | 2/29/12    | -  | -         | -         | 20,638   | 41,276  | 103,190 | -   | -   | -   | \$ 1,732,973   |
| -                    | 265,650    | 759,000  | 1,518,000 | -         | -  | -       | -       | -   | -   | -   | -  |
| P. Jerome Richey     | 2/29/12    | -  | -         | -         | -  | -       | -       | 7,891   | -   | -   | \$ 282,666   |
|                      | 2/29/12    | -  | -         | -         | -  | -       | -       | -   | 20,219  | 35.82   | \$ 302,476   |
|                      | 2/29/12    | -  | -         | -         | 3,946  | 7,891   | 19,729  | -   | -   | -   | \$ 331,304   |
| -                    | 94,500     | 270,000  | 540,000   | -         | -  | -       | -       | -   | -   | -   | -  |
| Robert F. Pusateri   | 2/29/12    | -  | -         | -         | -  | -       | -       | 7,677   | -   | -   | \$ 275,000   |
|                      | 2/29/12    | -  | -         | -         | -  | -       | -       | -   | 19,671  | 35.82   | \$ 294,278   |
|                      | 2/29/12    | -  | -         | -         | 3,839  | 7,677   | 19,194  | -   | -   | -   | \$ 322,319   |
| -                    | 100,820    | 288,000  | 576,000   | -         | -  | -       | -       | -   | -   | -   | -  |

- (1) Awards were made pursuant to the CONSOL Short-Term Plan under the Executive Annual Incentive Plan.
- (2) These columns report the number of performance share units that may be earned pursuant to the awards granted under the Plan. The amounts reflect threshold (50%), target (100%), and maximum (250%) performance levels (and 200% at maximum in the case of Mr. Harvey's Special Performance Unit Award).
- (3) Each of the restricted stock unit awards were granted under the Plan.
- (4) Options were granted under the Plan.
- (5) The values set forth in this column reflect awards of restricted stock units, performance share units (at target) and/or time-based options, and are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (disregarding the impact of estimated forfeitures related to service-based vesting conditions).

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For restricted stock units and performance share units, the grant date fair value is computed based upon the closing price of CONSOL's stock on the date of grant except that for performance share units, there is an adjustment based on the estimated probability that the performance conditions required for vesting will be achieved and an adjustment for the valuation of the market condition which is in accordance of FASB ASC Topic 718. The values do not correspond to the actual values that will be recognized by the named executives.

For stock options, a discussion of the relevant assumptions made in the valuation of these awards is stated in Note 18 of the financial statements included in CONSOL's 2012 Annual Report. The values do not correspond to the actual values that will be recognized by the named executives.

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**UNDERSTANDING OUR SUMMARY COMPENSATION AND GRANTS OF PLAN-BASED AWARDS TABLES**

***Executive Summary of CONSOL Plans and Agreements with Named Executives***

In addition to their base salaries, our executive officers receive a mix of at-risk compensation, both short- and long-term, for their services. Pursuant to various plans which have been adopted by the Corporation, our executive officers are eligible to receive annual cash incentive awards based on the achievement of certain performance targets, stock options, restricted stock units and/or performance share units. Executive officers are also entitled to use of the Corporation's owned and chartered aircraft, subject to certain terms and conditions set forth below. Each of these elements of compensation and the plans under which they are awarded are discussed below in greater detail.

***Employment Agreement with our Chief Executive Officer***

Mr. Harvey entered into an employment agreement with CONSOL on June 3, 2005. The employment agreement was amended and restated on December 2, 2008. The following is a description of the Employment Agreement, as amended and restated (the "Employment Agreement").

The current term of the Employment Agreement ends on June 3, 2013, unless sooner terminated, and is automatically extended for additional one year terms thereafter, unless not later than ninety (90) days immediately preceding such anniversary, the Corporation or Mr. Harvey gives written notice to the other party that such person does not wish to extend the Employment Agreement. Under the Employment Agreement, Mr. Harvey is entitled to receive an annual base salary of \$1,000,000. The Employment Agreement further provides that Mr. Harvey is eligible to participate in an annual bonus plan on terms established from time to time by the Board. His annual target bonus under that plan will not be less than 100% of his then current base salary. During the term of the Employment Agreement, Mr. Harvey is also eligible to participate in any Corporation long-term incentive plan, and in all employee benefit and fringe benefit plans and arrangements made available by the Corporation to its executives and key management employees upon the terms and subject to the conditions set forth in the applicable plan or arrangement.

The Employment Agreement provides, among other matters, that if our Chief Executive Officer resigns for "good reason" (as defined in the Employment Agreement) or is terminated without "cause" (as defined in the Employment Agreement) and in each such case has delivered a signed release of claims reasonably satisfactory to the Corporation to the Corporation's General Counsel within thirty (30) days of the date of his termination and not revoked such release within the seven-day revocation period provided for in such release, he is entitled to receive, among other severance payments and benefits, an amount equal to two times his then current base salary and two times the target annual bonus amount (subject to his compliance with the confidentiality, non-competition and non-solicitation restrictions set forth in the Employment Agreement). The confidentiality provisions survive the termination of his employment with us indefinitely and the non-competition and non-solicitation provisions survive for a period of two years following the termination of his employment.

Additionally, the Employment Agreement provides our Chief Executive Officer with service credit for eleven additional years of service under the CONSOL Employee Retirement Plan and our retiree medical plan, which benefits represent his years of service at PacifiCorp Energy Inc. and its affiliates; provided, however, that if this credit cannot be provided under the CONSOL Employee Retirement Plan, CONSOL will provide these benefits under a supplemental retirement plan. The amount of unreduced retirement benefits payable to Mr. Harvey (i.e., amount owed to him at normal retirement age) from PacifiCorp Energy Inc. will be deducted from benefits paid by the Corporation to Mr. Harvey under the CONSOL Retirement Restoration Plan or the CONSOL Supplemental Retirement Plan, as applicable. Credited service was negotiated and agreed to with our Chief Executive Officer in 1997, as an inducement for him to leave PacifiCorp Energy Inc. and join our Corporation as its Chief Executive Officer and was re-affirmed in his original employment agreement.

For more information regarding Mr. Harvey's Employment Agreement, see *Understanding our Change in Control and Employment Termination Tables* on page 73.

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### ***Short-Term Incentive Compensation Plan***

To be eligible to receive an annual award under the Short-Term Plan, a named executive must be an active, full-time employee on December 31 of the year in which the award was granted, have worked for at least three months of that same year and be an active employee on the date the annual award is paid out unless the named executive is an early, normal or incapacity retiree in which case the named executive must only be an active, full-time employee on December 31 of the year in which the award was granted. For more information on the Short-Term Plan, see *Compensation Discussion and Analysis* on page 28.

### ***Stock Options Awarded under the Equity Incentive Plan***

#### ***Time-Based Options***

Our Plan permits the granting of options, both incentive stock options and non-qualified stock options, to purchase shares of CONSOL common stock. Our Compensation Committee establishes the exercise price at the time each option is granted. The Plan provides that the option exercise price for each share covered by an option, including incentive and non-qualified options, must equal or exceed the fair market value of a share of CONSOL common stock on the date the option is granted, and that the term of the option may not exceed ten years from the grant date. Accordingly, options are intended to be excepted from coverage under Section 409A of the Code.

#### ***Performance-Based Options***

The terms of the Performance Option award agreements generally provide that, subject to the Corporation's achievement of certain gas production goals and cost goals, which are equally weighted and mutually exclusive, in each of the fiscal years ending December 31, 2010, 2011, 2012 and 2013, up to twenty-five percent (25%) of the Performance Options may vest and become exercisable with respect to each such performance period, as provided in the Performance Option award agreement, on such date as the Compensation Committee certifies that the applicable annual performance goals with respect to such performance period and other material terms of the Performance Option award agreements have been satisfied. With respect to any performance period, vesting may be accelerated if the Compensation Committee determines and certifies, in its sole discretion, that the applicable annual performance goals have been achieved prior to the completion of such performance period. The Performance Option award agreements also provide that in the event that the applicable annual performance goals for a particular performance period are not achieved and satisfied as of the end of such performance period (a "Missed Year"), the non-vested portion of the Performance Option attributable to the Missed Year may nevertheless become fully vested if, as of the end of the most recently completed performance period, the annual performance goals with respect to each completed performance period (including any Missed Years) have been achieved on a cumulative basis, as certified by the Compensation Committee.

### ***Restricted Stock Units***

Restricted stock units are also granted under our Plan. Our Compensation Committee determines the number of restricted stock units to be granted to each participant, the duration of such awards, the conditions under which the restricted stock units may be forfeited to CONSOL, and the other terms and conditions of such awards. Restricted stock units are structured to comply with Section 409A of the Code. Accordingly, distributions shall be made only upon a permissible distribution event, including upon separation from service. The timing and implementation of deferral elections must occur as prescribed by Section 409A of the Code.

### ***Performance Share Units***

The 2012 performance share unit awards represent a contingent right to receive shares of CONSOL common stock to the extent such units are earned and become payable pursuant to the terms of the Plan and related award documents. For more information on the performance share unit awards, see *Compensation Discussion and Analysis* on page 28.

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**Table of Contents*****Aircraft Policy***

We have a policy titled the "Use of Corporate-Owned or -Leased or Chartered Aircraft" (the "Aircraft Policy"). To best utilize the time of directors, executive officers and members of management and to address potential security concerns, we own, lease and charter aircraft for use by our directors, executives, members of management and their spouses in connection with business travel. To comply with applicable laws and prevent any abuse of this aircraft by having it used for personal reasons, we have instituted the Aircraft Policy. The policy sets forth detailed procedures by which a person may use CONSOL-owned or -leased aircraft and chartered aircraft including, without limitation, the requirement that the user complete a request form which details such person's trip and a description of the business activities, accompanying persons and, in the case of CONSOL-owned or -leased aircraft, the prior approval of our Chief Executive Officer on trips for which he is not present. In the case of flights on which our Chief Executive Officer is present, the flight manifest is approved by our Chief Financial Officer and Chief Legal Officer. The Aircraft Policy also informs any user of CONSOL-owned or -leased or chartered aircraft that such use could result in imputed income, as a taxable employee benefit, to the director(s), executive(s) or member(s) of management under federal tax regulations relating to the non-business use of aircraft.

***Time Sharing Agreement***

On May 1, 2007, the Corporation entered into a Time Sharing Agreement (the "Time Sharing Agreement") with Mr. Harvey. The Time Sharing Agreement provides that CONSOL will, from time to time, lease its Gulfstream Aerospace G-II59 aircraft (the "Aircraft") to Mr. Harvey with a flight crew for the operation thereof, as and when required by Mr. Harvey, so long as the Aircraft is not otherwise employed on behalf of the Corporation. Mr. Harvey's use of the Aircraft will constitute a non-exclusive lease and the Time Sharing Agreement will only be applicable in instances in which the Corporation seeks partial reimbursement of Aircraft-related costs. Pursuant to the Time Sharing Agreement, Mr. Harvey has agreed that the rates to be charged for any particular flight (round-trip between Pittsburgh, Pennsylvania and Toronto, Canada) will be \$1,500 per round-trip flight unless otherwise modified by the Chairman of the Compensation Committee in compliance with the Time Sharing Agreement and applicable law. The Corporation has the right to charge Mr. Harvey on a flight-by-flight basis up to an amount which equals the cost of: (i) fuel, oil, lubricants, and other additives; (ii) travel expenses of the crew; (iii) hangar and tie-down costs away from the Aircraft's base of operation; (iv) insurance obtained for the specific flight; (v) landing fees, airport taxes, and similar assessments; (vi) customs, foreign permit, and similar fees directly related to the flight, if applicable; (vii) in-flight food and beverages; (viii) passenger ground transportation; (ix) flight planning and weather contract services; and (x) an additional charge equal to 100% of the expenses listed in (i) above.

CONSOL is also obligated to provide and maintain aircraft third party aviation legal liability insurance under the Time Sharing Agreement, naming Mr. Harvey as an additional insured and to indemnify and agree to hold Mr. Harvey harmless from and against any and all liabilities, claims, demands, suits, judgments, damages, losses, costs and expenses (including reasonable legal expenses and attorneys' fees) arising in connection with the aircraft. The Corporation and Mr. Harvey will both have the right to terminate the Time Sharing Agreement with immediate effect upon written notice to the other party and the Time Sharing Agreement will automatically terminate upon the cessation of Mr. Harvey's employment with us.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END - 2012**

The following table sets forth all unexercised options, and unvested restricted stock units and performance share unit awards that have been awarded to our named executives by CONSOL and were outstanding as of December 31, 2012.

| Name                 | Option Awards   |   |   |                            |                            | Stock Awards  |  |   |  |
|----------------------|---|---|---|----------------------------|----------------------------|---|--|---|--|
|                      | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (g) | Market Value of Shares or Units of Stock That Have Not Vested <sup>(11)</sup> (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(12)</sup> (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(11)</sup> (\$) |
| (a)                  | (b)   | (c)   | (d)   | (e)                        | (f)                        | (g)   | (h)  | (i)   | (j)  |
| J. Brett Harvey      | 120,936 <sup>(1)</sup>                                  | -   | -   | 22.750                     | 5/03/2015                  | -   | -  | -   | -  |
|                      | 42,354 <sup>(3)</sup>                                   | -   | -   | 32.785                     | 2/24/2016                  | -   | -  | -   | -  |
|                      | 131,318 <sup>(4)</sup>                                  | -   | -   | 44.100                     | 5/02/2016                  | -   | -  | -   | -  |
|                      | 41,163 <sup>(5)</sup>                                   | -   | -   | 34.850                     | 2/20/2017                  | -   | -  | -   | -  |
|                      | 136,352 <sup>(6)</sup>                                  | -   | -   | 34.850                     | 2/20/2017                  | -   | -  | -   | -  |
|                      | 89,885 <sup>(7)</sup>                                   | -   | -   | 78.650                     | 2/19/2018                  | -   | -  | -   | -  |
|                      | 211,566 <sup>(8)</sup>                                  | -   | -   | 27.900                     | 2/17/2019                  | -   | -  | -   | -  |
|                      | 88,248 <sup>(9)</sup>                                   | 44,125 <sup>(9)</sup>                                   | -   | 49.910                     | 2/16/2020                  | -   | -  | -   | -  |
|                      | 121,636 <sup>(14)</sup>                                 | 30,409 <sup>(15)</sup>                                  | 91,228 <sup>(16)</sup>  | 45.050                     | 6/15/2020                  | -   | -  | -   | -  |
|                      | 25,316 <sup>(17)</sup>                                  | 50,633 <sup>(17)</sup>                                  | -   | 48.610                     | 2/23/2021                  | -   | -  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 6,962 <sup>(10)</sup>                                       | 223,480  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 101,332 <sup>(13)</sup>                                     | 3,252,757  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | -   | -  | 712,428   | 22,868,923   |
| William J. Lyons     | 22,416 <sup>(1)</sup>                                   | -   | -   | 22.750                     | 5/03/2015                  | -   | -  | -   | -  |
|                      | 32,256 <sup>(4)</sup>                                   | -   | -   | 44.100                     | 5/02/2016                  | -   | -  | -   | -  |
|                      | 28,071 <sup>(6)</sup>                                   | -   | -   | 34.850                     | 2/20/2017                  | -   | -  | -   | -  |
|                      | 13,828 <sup>(7)</sup>                                   | -   | -   | 78.650                     | 2/19/2018                  | -   | -  | -   | -  |
|                      | 29,971 <sup>(8)</sup>                                   | -   | -   | 27.900                     | 2/17/2019                  | -   | -  | -   | -  |
|                      | 14,224 <sup>(9)</sup>                                   | 7,114 <sup>(9)</sup>                                    | -   | 50.500                     | 2/16/2020                  | -   | -  | -   | -  |
|                      | 48,654 <sup>(14)</sup>                                  | 12,163 <sup>(15)</sup>                                  | 36,492 <sup>(16)</sup>  | 45.050                     | 6/15/2020                  | -   | -  | -   | -  |
|                      | 8,660 <sup>(17)</sup>                                   | 17,323 <sup>(17)</sup>                                  | -   | 48.610                     | 2/23/2021                  | -   | -  | -   | -  |
|                      | -   | 38,603 <sup>(19)</sup>                                  | -   | 35.820                     | 3/01/2022                  | -   | -  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 25,737 <sup>(10)</sup>                                      | 826,158  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 12,136 <sup>(13)</sup>                                      | 389,566  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | -   | -  | 49,102  | 1,576,158  |
| Nicholas J. DeIulius | 48,072 <sup>(8)</sup>                                   | -   | -   | 27.900                     | 2/17/2019                  | -   | -  | -   | -  |
|                      | 23,724 <sup>(9)</sup>                                   | 11,865 <sup>(9)</sup>                                   | -   | 50.500                     | 2/16/2020                  | -   | -  | -   | -  |
|                      | 76,022 <sup>(14)</sup>                                  | 19,005 <sup>(15)</sup>                                  | 57,019 <sup>(16)</sup>  | 45.050                     | 6/15/2020                  | -   | -  | -   | -  |
|                      | 11,392 <sup>(17)</sup>                                  | 22,785 <sup>(17)</sup>                                  | -   | 48.610                     | 2/23/2021                  | -   | -  | -   | -  |
|                      | -   | 52,879 <sup>(19)</sup>                                  | -   | 35.820                     | 3/01/2022                  | -   | -  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 35,820 <sup>(10)</sup>                                      | 1,149,822  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | 20,241 <sup>(13)</sup>                                      | 649,736  | -   | -  |
|                      | -   | -   | -   | -                          | -                          | -   | -  | 133,357   | 4,280,760  |





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| Name               | Option Awards   |   |   |                            | Stock Awards           |   | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(12)</sup> | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(11)</sup> |         |
|--------------------|---|---|---|----------------------------|------------------------|---|---|---|---------|
|                    | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested <sup>(11)</sup> (\$)                                  | (\$)  |         |
| (a)                | (b)   | (c)   | (d)   | (e)                        | (f)                    | (g)   | (h)   | (i)   | (j)     |
| P. Jerome Richey   | 4,445 <sup>(1)</sup>                                    | -   | -   | 22.750                     | 5/03/2015              | -   | -   | -   | -       |
|                    | 8,204 <sup>(4)</sup>                                    | -   | -   | 44.100                     | 5/02/2016              | -   | -   | -   | -       |
|                    | 9,519 <sup>(6)</sup>                                    | -   | -   | 34.850                     | 2/20/2017              | -   | -   | -   | -       |
|                    | 4,609 <sup>(7)</sup>                                    | -   | -   | 78.650                     | 2/19/2018              | -   | -   | -   | -       |
|                    | 10,144 <sup>(8)</sup>                                   | -   | -   | 27.900                     | 2/17/2019              | -   | -   | -   | -       |
|                    | 7,338 <sup>(9)</sup>                                    | 3,670 <sup>(9)</sup>                                    | -   | 50.500                     | 2/16/2020              | -   | -   | -   | -       |
|                    | 30,408 <sup>(14)</sup>                                  | 7,602 <sup>(15)</sup>                                   | 22,809 <sup>(16)</sup>  | 45.050                     | 6/15/2020              | -   | -   | -   | -       |
|                    | 4,388 <sup>(17)</sup>                                   | 8,777 <sup>(17)</sup>                                   | -   | 48.610                     | 2/23/2021              | -   | -   | -   | -       |
|                    | -   | 20,219 <sup>(19)</sup>                                  | -   | 35.820                     | 3/01/2022              | -   | -   | -   | -       |
|                    | -   | -   | -   | -                          | -                      | -   | 13,326 <sup>(10)</sup>  | 427,765   | -       |
| -                  | -   | -   | -   | -                          | -                      | 6,257 <sup>(13)</sup>                                       | 200,850   | -   | -       |
| -                  | -   | -   | -   | -                          | -                      | -   | -   | 25,531  | 819,529 |
| Robert F. Pusateri | 2,346 <sup>(1)</sup>                                    | -   | -   | 22.750                     | 5/03/2015              | -   | -   | -   | -       |
|                    | 1,778 <sup>(2)</sup>                                    | -   | -   | 26.005                     | 6/09/2015              | -   | -   | -   | -       |
|                    | 3,658 <sup>(4)</sup>                                    | -   | -   | 44.100                     | 5/02/2016              | -   | -   | -   | -       |
|                    | 6,003 <sup>(6)</sup>                                    | -   | -   | 34.850                     | 2/20/2017              | -   | -   | -   | -       |
|                    | 4,321 <sup>(7)</sup>                                    | -   | -   | 78.650                     | 2/19/2018              | -   | -   | -   | -       |
|                    | 7,715 <sup>(8)</sup>                                    | -   | -   | 27.900                     | 2/17/2019              | -   | -   | -   | -       |
|                    | 4,296 <sup>(9)</sup>                                    | 2,151 <sup>(9)</sup>                                    | -   | 50.500                     | 2/16/2020              | -   | -   | -   | -       |
|                    | 30,408 <sup>(14)</sup>                                  | 7,602 <sup>(15)</sup>                                   | 22,809 <sup>(16)</sup>  | 45.050                     | 6/15/2020              | -   | -   | -   | -       |
|                    | 3,229 <sup>(17)</sup>                                   | 6,459 <sup>(17)</sup>                                   | -   | 48.610                     | 2/23/2021              | -   | -   | -   | -       |
|                    | 1,212 <sup>(18)</sup>                                   | 2,426 <sup>(18)</sup>                                   | -   | 45.110                     | 11/08/2021             | -   | -   | -   | -       |
| -                  | 19,671 <sup>(19)</sup>                                  | -   | 35.820  | 3/01/2022                  | -                      | -   | -   | -   |         |
| -                  | -   | -   | -   | -                          | -                      | 12,401 <sup>(10)</sup>                                      | 398,072   | -   | -       |
| -                  | -   | -   | -   | -                          | -                      | 3,662 <sup>(13)</sup>                                       | 117,550   | -   | -       |
| -                  | -   | -   | -   | -                          | -                      | -   | -   | 23,534  | 755,425 |

(1) Options granted May 3, 2005 that vested and became exercisable in four equal annual installments (subject to rounding) beginning on the first anniversary of the grant date, except for 200 shares, which vested and became exercisable in their entirety six months after the grant date.

(2) Options granted June 9, 2005 that vested and became exercisable in four equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.

(3) Options granted February 24, 2006 that vested and became exercisable in four equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.

(4)

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Options granted May 2, 2006 that vested and became exercisable in four equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.

- (5) Options granted on February 20, 2007 that vested and became exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
- (6) Options granted February 20, 2007 that vested and became exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
- (7) Options granted February 19, 2008 that vested and became exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
- (8) Options granted February 17, 2009 that vested and became exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.

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- (9) Options granted February 16, 2010 that vested and became exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
  
- (10) Restricted stock units granted on February 16, 2010, February 23, 2011 and February 29, 2012 vest in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
  
- (11) The market value for restricted stock units and performance share units was determined by multiplying the closing market price for CONSOL common stock on December 31, 2012 (\$32.10) by the number of shares underlying the restricted stock unit and performance share unit awards.
  
- (12) This column shows the aggregate number of unvested performance share units as of December 31, 2012. The performance period for each of the performance share unit awards granted in 2011 is January 1, 2011 through December 31, 2013 and for awards granted in 2012 is January 1, 2012 through December 31, 2014. The performance share unit amounts presented for the 2011 and 2012 performance share unit awards are based on achieving performance goals at the target level for 2011, at the maximum level for 2012 for the executive performance share unit awards and at the target level for the Special Performance Unit Award.
  
- (13) The performance period for these performance share unit awards was January 1, 2010 through December 31, 2012. These awards vested on January 31, 2013. The share amounts are based on actual pay-outs based on performance results for the period.
  
- (14) Represents 50% of the shares underlying the Performance Options that were granted on June 15, 2010, which shares were determined to be vested on February 10, 2011 by the Compensation Committee (and on February 23, 2011 for Mr. Harvey) for the performance period ending December 31, 2010 and on February 16, 2012 by the Compensation Committee (and on February 28, 2012 for Mr. Harvey) for the performance period ending December 31, 2011.
  
- (15) Represents 12.5% of the shares underlying the Performance Options that were granted on June 15, 2010, which shares were determined to be vested on January 28, 2013 by the Compensation Committee for the performance period ending December 31, 2012.
  
- (16) Represents 37.5% of the shares underlying the Performance Options that were granted on June 15, 2010. Subject to the recipient's continuous employment with the Corporation and the Corporation's achievement of certain performance goals in the fiscal year ending December 31, 2013, the remaining 37.5% of the original awards may vest and become exercisable with respect to such performance period on the date that the Compensation Committee certifies that the applicable goals have been achieved. For a description of the vesting terms of these Performance Options, see *Stock Options Awarded under the Equity Incentive Plan - Performance-Based Options* on page 57.
  
- (17) Options granted February 23, 2011 vest and become exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
  
- (18) Options granted November 8, 2011 vest and become exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.
  
- (19) Options granted February 29, 2012 vest and become exercisable in three equal annual installments (subject to rounding) beginning on the first anniversary of the grant date.

**OPTION EXERCISES AND STOCK VESTED TABLE - 2012**

The following table sets forth information concerning each exercise of CONSOL stock options and the vesting of restricted stock units and performance share units of CONSOL during the 2012 fiscal year.

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|  | Name                 | Option Awards                                  |                               | Stock Awards                            |                              |
|--|----------------------|--|-------------------------------|---|------------------------------|
|  |                      | Number of Shares<br>Acquired<br>on<br>Exercise | Value Realized<br>on Exercise | Number of Shares<br>Acquired on Vesting | Value Realized<br>on Vesting |
|  |                      | (#)  | (\$)                          | (#)                                     | (\$)                         |
|  | J. Brett Harvey      | 373,940  | 9,174,952                     | 19,130                                  | \$ 5,528,451                 |
|  | William J. Lyons     | 79,440   | 1,749,860                     | 11,936                                  | \$ 1,247,008                 |
|  | Nicholas J. DeIuliis | -  | -                             | 18,322                                  | \$ 1,971,718                 |
|  | P. Jerome Richey     | -  | -                             | 5,196                                   | \$ 463,918                   |
|  | Robert F. Pusateri   | -  | -                             | 4,090                                   | \$ 355,791                   |

**Table of Contents****PENSION BENEFITS TABLE - 2012**

The following table provides information with respect to each plan that provides for specified retirement payments or benefits, or payments or benefits that will be provided primarily following retirement, including tax-qualified defined benefit plans and supplemental employee retirement plans (which we refer to as the Supplemental Retirement Plan), but excluding defined contribution plans.

| Name                 | CONSOL Plan Name             | Number of Years Credited Service (#) | Present Value of Accumulated Benefit <sup>(1)</sup> (\$) | Payments During Last Fiscal Year (\$) |
|----------------------|------------------------------|--------------------------------------|--|---------------------------------------|
| J. Brett Harvey      | Employee Retirement Plan     | 15                                   | \$ 467,688   | -                                     |
|                      | Retirement Restoration Plan  | 20 <sup>(2)</sup>                    | \$ 6,340,458 <sup>(2)</sup>                              | -                                     |
| William J. Lyons     | Supplemental Retirement Plan | 20 <sup>(2)</sup>                    | 13,028,944 <sup>(2)</sup>                                | -                                     |
|                      | Employee Retirement Plan     | 37                                   | \$ 1,594,119   | -                                     |
|                      | Retirement Restoration Plan  | 31                                   | \$ 3,279,784   | -                                     |
| Nicholas J. DeIuliis | Supplemental Retirement Plan | 20                                   | \$ 3,295,107   | -                                     |
|                      | Employee Retirement Plan     | 22                                   | \$ 417,122   | -                                     |
|                      | Retirement Restoration Plan  | 16                                   | \$ 0   | -                                     |
| P. Jerome Richey     | Supplemental Retirement Plan | 20                                   | \$ 4,255,368   | -                                     |
|                      | Employee Retirement Plan     | 7                                    | \$ 104,570   | -                                     |
|                      | Retirement Restoration Plan  | 1                                    | \$ 7,946   | -                                     |
| Robert F. Pusateri   | Supplemental Retirement Plan | 8                                    | \$ 1,826,575   | -                                     |
|                      | Employee Retirement Plan     | 37                                   | \$ 1,522,409   | -                                     |
|                      | Retirement Restoration Plan  | 31                                   | \$ 1,119,241   | -                                     |
|                      | Supplemental Retirement Plan | 20                                   | \$ 2,372,989   | -                                     |

(1) The accumulated benefits included in this column were computed through December 31, 2012 using the assumptions stated in the financial statements included in the 2012 Annual Report (Note 15).

(2) Mr. Harvey's Employment Agreement provides service credit for eleven additional years of service for purposes of our supplemental retirement plans (up to a maximum of twenty years under the CONSOL Supplemental Retirement Plan), which represent his years of service at PacifiCorp Energy Inc. and its affiliates. Of the amounts shown above, \$3,537,964 and \$1,511,746 represent the benefit resulting from service credit provided to Mr. Harvey for his service at PacifiCorp Energy Inc. under the CONSOL Restoration Plan and CONSOL Supplemental Retirement Plan, respectively. The amount of unreduced retirement benefits payable to Mr. Harvey (i.e., the amount owed to him at normal retirement age) from PacifiCorp Energy Inc. and its affiliates will be deducted from benefits paid by CONSOL to Mr. Harvey under the CONSOL Retirement Restoration Plan and the CONSOL Supplemental Retirement Plan. Amounts shown have been reduced by amounts payable to Mr. Harvey by PacifiCorp Energy Inc. and its affiliates.

**UNDERSTANDING OUR PENSION BENEFITS TABLE**

This section provides information regarding the Corporation's retirement programs, which include the following:

Employee Retirement Plan;

Retirement Restoration Plan; and

Supplemental Retirement Plan.

*Employee Retirement Plan (the Pension Plan )*

The Pension Plan is a defined benefit plan that pays retirement benefits based on years of service and compensation. It is a qualified plan, meaning that it is subject to a variety of IRS rules. These rules contain various requirements on coverage, funding, vesting and the amount of compensation that can be taken into account in calculating benefits. The Pension Plan has a fairly broad application across the employee population and forms a part of the general retirement benefit program available to employees.

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### *Eligibility*

The Pension Plan covers employees of the Corporation and affiliated participating companies that are classified as regular, full-time employees or that complete 1,000 hours of service during a specified twelve-month period. The Pension Plan does not include other categories of individuals, such as leased employees, independent contractors and employees covered by a collective bargaining agreement that does not provide for participation in the Pension Plan.

### *Incapacity Retirement*

Employees who have attained age 40 with at least ten years of service who are deemed disabled and consequently receive a Social Security disability award (proving the disability occurred while employed by the Corporation or a participating affiliated company) are eligible for an incapacity retirement resulting in an unreduced benefit, payable in the form of an annuity, commencing the month following termination. Messrs. Harvey, Lyons, DeJuliis and Pusateri have satisfied the age and service conditions necessary to be eligible for incapacity retirement under the Pension Plan as of December 31, 2012, if they had incurred a qualifying disability on that date.

### *Separation Retirement*

Employees who terminate employment with five or more years of service prior to attaining age 50, or who have attained age 50 but have fewer than ten years of service upon termination, qualify for separation retirement. Payment of the accrued vested benefit is payable at an amount reduced for payments commencing prior to age 65, or the full benefit may be paid at age 65. As of December 31, 2012, Messrs. Richey and DeJuliis were eligible for separation retirement under the Pension Plan; however, Mr. DeJuliis would not be entitled to payment until he attained age 50.

### *Early Retirement*

Employees who have completed ten or more years of service and are age 50 or older upon termination are eligible for early retirement. Under early retirement, an employee may elect to defer payment to age 65 or elect to begin receiving payment the first of any month up to age 65, subject to a reduction for age. Payments commencing prior to age 65 are reduced based on various early reduction schedules depending upon age at the payment commencement date and years of service at the time of termination. As of December 31, 2012, Messrs. Harvey, Lyons and Pusateri were eligible for early retirement under the Pension Plan.

### *Normal Retirement*

Employees who terminate employment and have attained age 65 qualify for normal retirement. Payment of the full benefit commences the month following termination. None of the named executives qualify for normal retirement under the Pension Plan as of December 31, 2012.

### *Form of Payment*

The portion of accrued pension benefits earned under the Pension Plan as of December 31, 2005 may be, upon the election of the participant, paid in the form of a lump-sum payment except in the case of an incapacity retirement as discussed above. Pension benefits earned after January 1, 2006 are payable in the form of a single life annuity, 50% joint and survivor annuity, 75% joint and survivor annuity or 100% joint and survivor annuity.

### *Calculation of Benefits*

Pension benefits are based on an employee's years of service and average monthly pay during the employee's five highest-paid years. Average monthly pay for this purpose excludes compensation in excess of limits imposed by the Code (up to \$250,000). Such covered compensation is reflected in the Salary column of the Summary Compensation Table. Prior to January 1, 2006, pension benefits were calculated based on the average monthly pay during the employee's three highest-paid years and included annual amounts payable under the Corporation's Short-Term Plan, again excluding compensation in excess of limits imposed by the Code.

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***Retirement Restoration Plan (the Restoration Plan )***

The Restoration Plan is an unfunded deferred compensation plan maintained by the Corporation for the benefit of employees whose eligible compensation under the Pension Plan exceeded limits imposed by the federal income tax laws. The Corporation established this plan in order to attract and maintain persons that the Corporation considered to be important to its success by providing retirement benefits that are not restricted by the statutory limitations imposed by the Code.

In December 2006, the Board authorized amendments to the Restoration Plan which froze the plan effective December 31, 2006 for CONSOL employees and December 31, 2005 for CNX Gas employees. After the applicable date, no existing participant accrues benefits and no compensation or service is counted for purposes of the Restoration Plan. A participant's benefit is calculated as of the applicable date with reference to the participant's benefits under the Pension Plan as of that date.

To comply with Section 409A of the federal income tax laws, the Restoration Plan was further amended to provide that all distributions of benefits accrued and vested under the plan as of December 31, 2006, and through December 31, 2005 for CNX Gas employees, will be paid in a lump sum, which will be paid no later than 30 days following the later to occur of the end of the month following the month in which the participant turns age 50 or the end of the month following the month in which the participant incurs a separation of service. The benefit will be calculated and actuarially reduced, as necessary (using assumptions specified in the Pension Plan), based on a participant's benefit being initially expressed as a single life annuity payable commencing on such participant's normal retirement date.

Payment under the plan may not commence prior to age 50, except in the event of an incapacity retirement or under a termination due to a change in control. Payments commencing prior to age 65 are reduced based on various early reduction schedules depending upon age at the payment commencement date and years of service at the time of termination. Benefits under the Restoration Plan are paid in the form of a lump sum. As of December 31, 2012, Messrs. Harvey, Lyons and Pusateri were eligible for early retirement under the Restoration Plan. As of December 31, 2012, Mr. Richey was eligible for separation retirement under the Restoration Plan. In addition, CNX Gas employee participants were also eligible to elect to receive in 2007 lump sum payments of accrued benefits. Mr. DeJuliis made this election and is no longer entitled to any other benefits under the Restoration Plan.

***Supplemental Retirement Plan***

On December 5, 2006, the Board approved and adopted the Supplemental Retirement Plan, effective January 1, 2007. Certain modifications were made to the Supplemental Retirement Plan which became effective December 4, 2007. The CONSOL Supplemental Retirement Plan is designed primarily for the purpose of providing benefits for a select group of management and highly compensated employees of the Corporation and its subsidiaries and is intended to qualify as a top hat plan under the Employee Retirement Income Security Act of 1974, as amended. The CONSOL Supplemental Retirement Plan is an unfunded, unsecured obligation of the Corporation, the benefits of which will be paid from its general assets. CNX Gas employees did not participate in the Supplemental Retirement Plan.

The named executives and other eligible individuals are participants in the Supplemental Retirement Plan. On September 9, 2009, the Board adopted amendments to the Supplemental Retirement Plan to include certain employees of CNX Gas and to give service credit under the plan for service with CNX Gas to all participants in the plan who are or were employees of CNX Gas, including Mr. DeJuliis. The amendments to the plan are consistent with the Corporation's assumption of CNX Gas compensatory arrangements as part of the management reorganization which occurred in January 2009.

We established the Supplemental Retirement Plan in order to attract and maintain persons that we considered to be important to our success by providing benefits that are not restricted by the statutory limitations imposed by the federal income tax laws.

The Compensation Committee has reserved the right to terminate a participant's participation in the Supplemental Retirement Plan at any time. Additionally, if a participant's employment is terminated or if a participant no longer



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meets the Supplemental Retirement Plan's basic eligibility standards, the participant's participation in the Supplemental Retirement Plan (and such person's right to accrue any benefits thereunder) will terminate automatically with no further action required. Final average compensation and years of service will be determined at such time.

The amount of each participant's benefit under the plan as of age 65 (expressed as an annual amount) will be equal to 50% of final average compensation multiplied by the service fraction as calculated on the participant's date of employment termination with the Corporation. Final average compensation means the average of a participant's five highest consecutive annual compensation amounts (annual base salary plus amounts received under the Short-Term Incentive Compensation Plan) while employed by the Corporation or its subsidiaries. The service fraction means a fraction with a numerator equal to a participant's number of years of service and with a denominator of 20. The service fraction can never exceed one.

The benefit described above will be reduced by a participant's age 65 vested benefits (including benefits which have been paid or are payable in the future (converted to an annual amount)) under: (a) the Pension Plan; (b) the Restoration Plan; and (c) any other plan or arrangement providing retirement-type benefits, including arrangements with prior employers, to the extent service with such other employer or under such arrangement is credited under the Supplemental Retirement Plan.

No benefit will be vested under the Supplemental Retirement Plan until a participant has five years of service with the Corporation or its participating subsidiaries while the participant meets the eligibility standards in the plan. For a description of the effect of employment termination or change in control upon a participant's right to benefits under the Supplemental Retirement Plan, see *Understanding Our Change in Control and Employment Termination Tables* on page 73.

Benefits under the Supplemental Retirement Plan will be paid in the form of a life annuity with a guaranteed term of 20 years (which will be the actuarial equivalent of a single life annuity) commencing in the month following the later to occur of: (a) the end of the month following the month in which the participant turns age 50 or (b) the end of the month following the month in which the employment termination of a participant occurs. In the event the benefits commence prior to the participant's normal retirement age, the benefit will be actuarially reduced as necessary (using assumptions specified in the Pension Plan).

**NONQUALIFIED DEFERRED COMPENSATION TABLE - 2012**

The following table sets forth information concerning each defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

| Name                 | Executive Contributions in Last FY | Registrant Contributions in Last FY | Aggregate Earnings in Last FY | Aggregate Withdrawals/Distributions | Aggregate Balance at Last FYE |
|----------------------|------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
|                      | (b)                                | (c)                                 | (d)                           | (e)                                 | (f)                           |
| J. Brett Harvey      | -                                  | -                                   | \$(266,083) <sup>(1)(2)</sup> | -                                   | \$ 732,624                    |
| Williams J. Lyons    | -                                  | -                                   | \$(298,838) <sup>(1)(3)</sup> | -                                   | \$ 815,184                    |
| Nicholas J. DeIuliis | -                                  | -                                   | -                             | -                                   | -                             |
| P. Jerome Richey     | -                                  | -                                   | \$(90,224) <sup>(1)(4)</sup>  | -                                   | \$ 328,381                    |
| Robert F. Pusateri   | -                                  | -                                   | -                             | -                                   | -                             |

(1) Under our Plan, in the event the Corporation declares a cash dividend, the number of deferred restricted stock units is automatically increased in connection with the associated dividend equivalent rights. The amounts shown reflect the expense calculated on the dividend equivalent rights based on our closing stock price on the dividend payment date. The dividend amounts for each of the named executives were as follows: \$ 14,114 (Mr. Harvey); \$15,775 (Mr. Lyons); and \$5,229 (Mr. Richey). The remaining amount consists of stock price appreciation (or depreciation).

- (2) Mr. Harvey elected to defer until retirement 50% (or 21,372 restricted stock units) of a restricted stock unit award granted to him on May 2, 2006.

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- (3) Mr. Lyons elected to defer until retirement 100% (or 10,500 restricted stock units) of a restricted stock unit award granted to him on May 2, 2006 and 50% (or 13,603 restricted stock units) of a restricted stock unit award granted to him on April 27, 2004.
- (4) Mr. Richey elected to defer until retirement 100% (or 3,562 restricted stock units) of a restricted stock unit award granted to him on May 2, 2006, 100% (or 3,185 restricted stock units) of a restricted stock unit award granted to him on February 20, 2007 and 100% (or 1,695 restricted stock units) of a restricted stock unit award granted to him on February 19, 2008.

**UNDERSTANDING OUR DEFERRED COMPENSATION TABLE**

Our Plan permits the granting of restricted stock units with associated dividend equivalent rights. A person may, prior to December 31 of the calendar year that precedes the beginning of the service period, file a deferral election with us pursuant to which the recipient may elect to defer the annual payout of shares under his or her award. The deferral may be 100% or 50% of each annual installment (i) until 5 years from the grant date, (ii) termination of employment, or (iii) upon a change in control. The dividend equivalent rights associated with our restricted stock unit awards automatically increase the number of shares underlying a restricted stock unit award when we declare and pay a regular cash dividend on our common stock.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLES**

Except as otherwise provided, the following narrative and tables set forth the potential payments and the value of other benefits that would vest or otherwise accelerate vesting at, following, or in connection with any termination, including without limitation resignation, incapacity retirement or a constructive termination of a named executive, or a change in control of CONSOL and/or CNX Gas, in the case of Mr. DeJuliis, or a change in the named executive's responsibilities, as such scenarios are contemplated in the contracts, agreements, plans or arrangements described below.

For each currently employed named executive, the payments and benefits detailed in the tables below are in addition to any payments and benefits under our plans and arrangements that are offered or provided generally to all salaried employees on a non-discriminatory basis and any accumulated vested benefits for each named executive, including those set forth in the Pension Benefits 2012 Table and Nonqualified Deferred Compensation 2012 Table, and any stock options vested as of December 31, 2012 (which are set forth in the Outstanding Equity Awards at Fiscal Year-End - 2012 Table). The tables assume that employment termination and/or the change in control occurred on December 31, 2012 and a valuation of our common stock based on its closing market price on December 31, 2012 of \$32.10 per share.

A description of some elements of the plans, arrangements and agreements covered by the following tables and which provide for payments or benefits in connection with a termination of employment or change in control are also described under *Compensation Discussion and Analysis* on page 28 and *Understanding Our Summary Compensation and Grants of Plan-Based Awards Tables* on page 56. The footnotes to the tables describe the assumptions that were used in calculating the amounts described below.

**Table of Contents***J. Brett Harvey\**

| Executive Benefits and<br>Payments Upon Termination         | Incapacity<br>Retirement<br>(with a<br>social<br>security<br>disability) | Termination<br>for Good<br>Reason or<br>Not for<br>Cause<br>(reduction<br>in force) | Termination<br>For Cause | Death     | Disability<br>(without<br>a social<br>security<br>disability) | Change in<br>Control<br>Termination <sup>(1)</sup> |
|---|--|---|--------------------------|-----------|---|--|
| <b>Compensation:</b>  |  |   |                          |           |   |  |
| Base Salary   | -  | \$ 2,000,000  | -                        | -         | -   | \$ 3,000,000                                       |
| Short-Term Incentive <sup>(2)</sup>                         | -  | \$ 1,750,000  | -                        | -         | -   | \$ 7,766,884                                       |
| Severance Pay Plan <sup>(3)</sup>                           | -  | -   | -                        | -         | -   | -  |
| <b>Long-Term Incentive Compensation:<sup>(4)</sup></b>      |  |   |                          |           |   |  |
| Options: Unvested   | -  | -   | -                        | -         | -   | -  |
| Restricted Stock Units: Unvested                            | -  | -   | -                        | -         | -   | -  |
| Performance Share Units: Unvested                           | -  | -   | -                        | -         | -   | -  |
| Performance Options: Unvested                               | -  | -   | -                        | -         | -   | -  |
| <b>Benefits and Perquisites:</b>                            |  |   |                          |           |   |  |
| Outplacement service  | -  | \$ 25,000   | -                        | -         | -   | \$ 25,000  |
| Continuation of life/medical/dental benefits <sup>(5)</sup> | \$ 22,564  | \$ 22,564   | \$ 22,564                | \$ 11,282 | \$ 22,564   | \$ 22,564  |
| 401(k) payment  | -  | -   | -                        | -         | -   | \$ 45,000  |
| Restoration Plan  | -  | -   | -                        | -         | -   | \$ 269,812   |
| Supplemental Retirement Plan <sup>(6)</sup>                 | -  | -   | -                        | -         | -   | \$ 10,037,989                                      |
| 280G Tax Gross-up <sup>(7)</sup>                            | -  | -   | -                        | -         | -   | \$ 14,201,768                                      |
| <b>Total:</b>   | \$ 22,564  | \$ 3,797,564  | \$ 22,564                | \$ 11,282 | \$ 22,564   | \$ 35,369,017                                      |

\* Applicable footnotes follow the last table in this section of the Proxy Statement.

**Table of Contents****William Lyons\***

| <b>Executive Benefits and<br/>Payments Upon Termination</b> | <b>Incapacity<br/>Retirement<br/>(with a<br/>social<br/>security<br/>disability)</b> | <b>Termination<br/>Not for<br/>Cause<br/>(reduction<br/>in force)</b> | <b>Termination<br/>for<br/>Cause</b> | <b>Death</b> | <b>Disability<br/>(without a<br/>social<br/>security<br/>disability)</b> | <b>Change in<br/>Control<br/>Termination<sup>(1)</sup></b> |
|---|--|---|--------------------------------------|--------------|--|--|
| <b>Compensation:</b>  |  |   |                                      |              |  |  |
| Base Salary   | -  | -   | -                                    | -            | -  | \$ 1,412,500   |
| Short-Term Incentive <sup>(2)</sup>                         | -  | -   | -                                    | -            | -  | \$ 1,601,983   |
| Severance Pay Plan <sup>(3)</sup>                           | -  | \$ 271,635  | -                                    | -            | -  | -  |
| <b>Long-Term Incentive Compensation:<sup>(4)</sup></b>      |  |   |                                      |              |  |  |
| Options: Unvested   | -  | -   | -                                    | -            | -  | -  |
| Restricted Stock Units: Unvested                            | -  | -   | -                                    | -            | -  | -  |
| Performance Share Units: Unvested                           | -  | -   | -                                    | -            | -  | -  |
| Performance Options: Unvested                               | -  | -   | -                                    | -            | -  | -  |
| <b>Benefits and Perquisites:</b>                            |  |   |                                      |              |  |  |
| Outplacement service  | -  | -   | -                                    | -            | -  | \$ 25,000  |
| Continuation of life/medical/dental benefits <sup>(5)</sup> | -  | -   | -                                    | -            | -  | -  |
| 401(k) payment  | -  | -   | -                                    | -            | -  | \$ 37,500  |
| Restoration Plan  | -  | -   | -                                    | -            | -  | \$ 667   |
| Supplemental Retirement Plan <sup>(6)</sup>                 | -  | -   | -                                    | -            | -  | \$ 1,155,546   |
| 280G Tax Gross-up <sup>(7)</sup>                            | -  | -   | -                                    | -            | -  | -  |
| <b>Total:</b>   | -  | \$ 271,635  | -                                    | -            | -  | \$ 4,233,196   |

\* Applicable footnotes follow the last table in this section of the Proxy Statement.

**Table of Contents***Nicholas DeIulii\**

| Executive Benefits and<br>Payments Upon Termination         | Incapacity<br>Retirement<br>(with a<br>social<br>security<br>disability) | Termination<br>Not for<br>Cause<br>(reduction<br>in force) | Termination<br>for<br>Cause | Death               | Disability<br>(without a<br>social<br>security<br>disability) | Change in<br>Control<br>Termination <sup>(1)</sup> |
|---|--|--|-----------------------------|---------------------|---|--|
| <b>Compensation:</b>  |  |  |                             |                     |   |  |
| Base Salary   | -  | -  | -                           | -                   | -   | \$ 1,725,000                                       |
| Short-Term Incentive <sup>(2)</sup>                         | -  | -  | -                           | \$ 759,000          | -   | \$ 2,931,039                                       |
| Severance Pay Plan <sup>(3)</sup>                           | -  | \$ 278,654   | -                           | -                   | -   | -  |
| <b>Long-Term Incentive Compensation:<sup>(4)</sup></b>      |  |  |                             |                     |   |  |
| Options: Unvested   | -  | -  | -                           | -                   | -   | -  |
| Restricted Stock Units: Unvested                            | \$ 1,149,822   | \$ 1,149,822   | -                           | \$ 1,149,822        | -   | \$ 1,149,822                                       |
| Performance Share Units: Unvested                           | \$ 2,261,830   | \$ 2,261,830   | -                           | \$ 2,261,830        | \$ 1,059,236  | \$ 2,261,830                                       |
| Performance Options: Unvested                               | -  | -  | -                           | -                   | -   | -  |
| <b>Benefits and Perquisites:</b>                            |  |  |                             |                     |   |  |
| Outplacement service  | -  | -  | -                           | -                   | -   | \$ 25,000  |
| Continuation of life/medical/dental benefits <sup>(5)</sup> | -  | -  | -                           | -                   | -   | \$ 24,753  |
| 401(k) payment  | -  | -  | -                           | -                   | -   | \$ 37,500  |
| Restoration Plan  | -  | -  | -                           | -                   | -   | -  |
| Supplemental Retirement Plan <sup>(6)</sup>                 | -  | -  | -                           | -                   | -   | \$ 10,755,447                                      |
| 280G Tax Gross-up <sup>(7)</sup>                            | -  | -  | -                           | -                   | -   | \$ 6,950,976                                       |
| <b>Total:</b>   | <b>\$ 3,411,652</b>  | <b>\$ 3,690,306</b>  | <b>-</b>                    | <b>\$ 4,170,652</b> | <b>\$ 1,059,236</b>   | <b>\$ 25,861,367</b>                               |

\* Applicable footnotes follow the last table in this section of the Proxy Statement.

**Table of Contents****P. Jerome Richey\***

| <b>Executive Benefits and<br/>Payments Upon Termination</b> | <b>Incapacity<br/>Retirement<br/>(with a<br/>social<br/>security<br/>disability)</b> | <b>Termination<br/>Not for<br/>Cause<br/>(reduction<br/>in force)</b> | <b>Termination<br/>For<br/>Cause</b> | <b>Death</b> | <b>Disability<br/>(without a<br/>social<br/>security<br/>disability)</b> | <b>Change in<br/>Control<br/>Termination<sup>(1)</sup></b> |
|---|--|---|--------------------------------------|--------------|--|--|
| <b>Compensation:</b>  |  |   |                                      |              |  |  |
| Base Salary   | -  | -   | -                                    | -            | -  | \$ 900,000   |
| Short-Term Incentive <sup>(2)</sup>                         | -  | \$ 429,933  | -                                    | \$ 270,000   | -  | \$ 859,866   |
| Severance Pay Plan <sup>(3)</sup>                           | -  | \$ 450,000  | -                                    | -            | -  | -  |
| <b>Long-Term Incentive Compensation:<sup>(4)</sup></b>      |  |   |                                      |              |  |  |
| Options: Unvested   | -  | -   | -                                    | -            | -  | -  |
| Restricted Stock Units: Unvested                            | -  | -   | -                                    | -            | -  | -  |
| Performance Share Units: Unvested                           | -  | -   | -                                    | -            | -  | -  |
| Performance Options: Unvested                               | -  | -   | -                                    | -            | -  | -  |
| <b>Benefits and Perquisites:</b>                            |  |   |                                      |              |  |  |
| Outplacement service  | -  | -   | -                                    | -            | -  | \$ 25,000  |
| Continuation of life/medical/dental benefits <sup>(5)</sup> | -  | -   | -                                    | -            | -  | \$ 19,803  |
| 401(k) payment  | -  | -   | -                                    | -            | -  | \$ 30,000  |
| Restoration Plan  | -  | -   | -                                    | -            | -  | \$ 707   |
| Supplemental Retirement Plan <sup>(6)</sup>                 | -  | -   | -                                    | -            | -  | \$ 531,197   |
| 280G Tax Gross-up <sup>(7)</sup>                            | -  | -   | -                                    | -            | -  | -  |
| <b>Total:</b>   | -  | \$ 879,933  | -                                    | \$ 270,000   | -  | \$ 2,366,573   |

\* Applicable footnotes follow the last table in this section of the Proxy Statement.

**Table of Contents****Robert F. Pusateri**

| <b>Executive Benefits and<br/>Payments Upon Termination</b> | <b>Incapacity<br/>Retirement<br/>(with a<br/>social<br/>security<br/>disability)</b> | <b>Termination<br/>Not for<br/>Cause<br/>(reduction<br/>in force)</b> | <b>Termination<br/>For<br/>Cause</b> | <b>Death</b> | <b>Disability<br/>(without a<br/>social<br/>security<br/>disability)</b> | <b>Change in<br/>Control<br/>Termination<sup>(1)</sup></b> |
|---|--|---|--------------------------------------|--------------|--|--|
| <b>Compensation:</b>  |  |   |                                      |              |  |  |
| Base Salary   | -  | -   | -                                    | -            | -  | \$ 960,000   |
| Short-Term Incentive <sup>(2)</sup>                         | -  | -   | -                                    | -            | -  | \$ 887,235   |
| Severance Pay Plan <sup>(3)</sup>                           | -  | \$ 230,769  | -                                    | -            | -  | -  |
| <b>Long-Term Incentive Compensation:<sup>(4)</sup></b>      |  |   |                                      |              |  |  |
| Options: Unvested   | -  | -   | -                                    | -            | -  | -  |
| Restricted Stock Units: Unvested                            | -  | -   | -                                    | -            | -  | -  |
| Performance Share Units: Unvested                           | -  | -   | -                                    | -            | -  | -  |
| Performance Options: Unvested                               | -  | -   | -                                    | -            | -  | -  |
| <b>Benefits and Perquisites:</b>                            |  |   |                                      |              |  |  |
| Outplacement service  | -  | -   | -                                    | -            | -  | \$ 25,000  |
| Continuation of life/medical/dental benefits <sup>(5)</sup> | -  | -   | -                                    | -            | -  | -  |
| 401(k) payment  | -  | -   | -                                    | -            | -  | \$ 30,000  |
| Restoration Plan  | -  | -   | -                                    | -            | -  | \$ 14  |
| Supplemental Retirement Plan <sup>(6)</sup>                 | -  | -   | -                                    | -            | -  | \$ 2,080,574   |
| 280G Tax Gross-up <sup>(7)</sup>                            | -  | -   | -                                    | -            | -  | -  |
| <b>Total:</b>   | -  | \$ 230,769  | -                                    | -            | -  | \$ 3,982,823   |

- (1) If a change in control occurred and the named executive's employment did not terminate, the named executive would be entitled only to the payments and benefits shown under Long-Term Incentive Compensation. The narrative following these tables contains a description of events that constitute a change in control.
- (2) Using the assumption that a termination occurred at year-end, each named executive, except Messrs. DeLuliis and Richey, would have already earned or forfeited the short-term incentive award due to age and service at December 31, 2012, and we have not, therefore, reflected these amounts in the table. In the event of termination not for cause, Mr. Richey would be entitled to the greater of: (i) his target short-term incentive for 2012, or (ii) the average of the annual short-term incentive awards received for the three years prior (including 2012). In the event of death, Messrs. DeLuliis and Richey would earn the short-term incentive award. In the event of a qualifying termination in connection with a change in control, each named executive, pursuant to his change in control agreement, would be entitled to a pro-rated payment of his short-term incentive compensation based upon the length of service during the year in which the termination occurred. Assuming a target payout for 2012 and a change in control at year-end, each individual would receive, in addition to the amount shown in the table, the amounts set forth in the Grants of Plan-Based Awards Table under the target amounts for non-equity incentive plan awards. In the event of a termination not for cause or a termination for good reason, Mr. Harvey would also be entitled to the pro-rated payment of his short-term incentive compensation for the year in which the termination occurred pursuant to his employment agreement, and assuming a target payout for 2012, he would receive the amount set forth in the Grants of Plan-Based Awards Table under the target amount for non-equity incentive plan awards.
- (3) The Severance Pay Plan for Salaried Employees provides one week of severance for every year of service up to a maximum of 25 weeks in the event that employment is involuntarily terminated because of a reduction in workforce. As of December 31, 2012, Messrs. Harvey, Lyons, DeLuliis, Pusateri and Richey were entitled to 15 weeks, 25 weeks, 21 weeks, 25 weeks and one year, respectively, of severance. Mr. Richey was entitled to one year's severance pursuant to his letter agreement, which was terminated on January 29, 2013.
- (4) If a currently employed named executive is eligible for Early Retirement or Normal Retirement, each as defined by the applicable equity award agreements, that named executive would be entitled to the following amounts for unvested options (including Performance Options), restricted stock units and performance share units, respectively, under any termination scenario except termination for



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cause (in which case, the equity is forfeited): (A) Mr. Harvey (Normal Retirement eligible): \$0; \$223,480; and \$13,480,780; (B) Mr. Lyons (Normal Retirement eligible): \$0; \$826,158; and \$839,319; (C) Mr. Richey (Normal Retirement eligible): \$0; \$427,765; and \$433,607; and (D) Mr. Pusateri (Normal Retirement eligible): \$0; \$398,072; and \$380,000. Mr. DeIuliis is not eligible for Early Retirement or Normal Retirement, and as such, he would not receive the value of such equity awards in the event of a Separation Retirement. The values for long-term incentive compensation represent the value of the unvested CONSOL stock options, restricted stock units, performance share units and/or Performance Options (as applicable), which would accelerate and vest or would continue to vest according to the vesting schedule, depending on the termination event. The value of the CONSOL unvested options (including Performance Options), restricted stock units and performance share units was calculated using a closing market price of \$32.10 for CONSOL (noting that no value is listed for the options when the strike price exceeds \$32.10) and assumes target payout for the performance share units. For the performance share units granted in 2010, which had a performance period ending December 31, 2012, the named executive would already have a right to the award and we have not, therefore, included this amount.

- (5) In the event of a qualifying termination in connection with a change in control, as of December 31, 2012, Messrs. DeIuliis and Richey, pursuant to their change in control agreement, would be entitled to the continuation of medical and dental coverage for a period of 30 months and 24 months respectively, Messrs. Harvey, Lyons and Pusateri are entitled to receive retiree medical benefits under The Comprehensive Medical Expense Benefits Plan for Salaried Employees due to their age and years of service as of December 31, 2012.
- (6) In the event of a termination for cause, no benefit is payable.
- (7) This calculation is an estimate for proxy disclosure purposes only. Payments on an actual change of control may differ based on factors such as transaction price, timing of employment termination and payments, methodology for valuing stock options, changes in compensation, reasonable compensation analyses and the value of the covenant not to compete. Assumptions used in the Proxy Statement include:

Marginal federal, Pennsylvania state and FICA tax rates of 35%, 3.07% and 1.45%, respectively;

Any payments with respect to the 2012 bonus were not contingent on the change in control (and thus, not required to be included in the calculation);

Stock options are assumed to become fully vested and/or exercisable and are valued in accordance with Rev. Proc. 98-34 and Q&A 24(c) of Code Section 280G based on expected life of the option; and

We did not attribute any value to non-competition covenants or take the position that any part of the value of the performance-based equity and long-term incentive plans provided to the applicable named executive was reasonable compensation for services prior to the change of control, which would have reduced the estimated excise tax gross-up payment, if any.

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**UNDERSTANDING OUR CHANGE IN CONTROL AND EMPLOYMENT TERMINATION TABLES**

***Executive Summary Regarding Agreements and/or Programs with Change of Control Termination Provisions***

This section provides information regarding the following Corporation agreements and/or programs which provide for benefits to be paid to named executives in connection with employment termination and/or a change in control of the Corporation or, with respect to Mr. DeLuliis, CNX Gas:

Employment Agreement with our Chief Executive Officer;

Change in Control Agreements;

Stock Option Agreements;

Restricted Stock Unit Agreements;

Performance Share Unit Awards;

Supplemental Retirement Plan; and

Severance Pay Plan for Salaried Employees.

The consulting agreements and severance arrangements with Messrs. Lyons, Pusateri and Richey are described in this Proxy Statement in *Compensation Discussion and Analysis* on page 28.

***Employment Agreement with our Chief Executive Officer***

As previously discussed in the *Compensation Discussion and Analysis* on page 28 and *Understanding our Summary Compensation and Grants of Plan-Based Awards Tables* on page 56, Mr. Harvey has an employment agreement with CONSOL.

The terms of the Employment Agreement provide that if Mr. Harvey resigns for good reason (as defined below) or is terminated without cause (as defined below), and in each case he delivers a signed release of claims reasonably satisfactory to the Corporation to the Corporation's General Counsel within thirty (30) days of the date of his termination and does not revoke such release within the seven-day revocation period provided for in the release, he is entitled to receive severance payments in the form of:

his then current base salary through the date of termination and any annual bonus awarded in accordance with the Corporation's bonus program but not yet paid;

an amount equal to two times his then current base salary and two times the target annual bonus amount (provided that Mr. Harvey has not breached the confidentiality, non-competition and non-solicitation restrictions set forth in the employment agreement);

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payment of the pro-rata portion of his target bonus in the year of termination if the relevant performance goals are met;

medical benefits or reimbursements for a maximum period of 24 months;

payment of all accrued but unused vacation time;

payment for reasonable outplacement assistance services actually incurred by him in seeking other employment within 12 months of his termination; and

reimbursement for business expenses incurred prior to such termination.

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Except for the payments relating to the pro-rata portion of Mr. Harvey's target bonus and outplacement services, these amounts are to be paid in a single lump sum payment within 10 days after the date of his termination, provided that no amount will be paid until expiration of the seven day statutory revocation period with respect to the release described above. The pro-rata portion of Mr. Harvey's target bonus is to be paid in accordance with the terms of the applicable plan, subject to the attainment of the performance goals applicable to such bonus award and the payment for outplacement services is to be paid no later than the end of the calendar year following the year in which such expense is incurred by Mr. Harvey. If Mr. Harvey's employment is terminated for good reason or without cause, he and his dependents will continue to receive his medical insurance benefits from the Corporation, on terms substantially comparable to terms of the Corporation's medical plan, for up to 24 months following the termination date.

If Mr. Harvey's employment is terminated due to death or permanent disability, which is defined in accordance with the Corporation's long-term disability plan applicable to Mr. Harvey, he (or his estate, if applicable) will be entitled to receive:

his then current base salary through the date of termination;

a pro-rata portion of his target bonus for the year of termination;

payment for all accrued, but unused vacation time; and

reimbursement for business expenses incurred prior to such termination, with such amounts payable in a single lump sum within 10 days following termination.

If Mr. Harvey's employment is terminated for cause or by Mr. Harvey other than for good reason and not due to death or permanent disability, he will be entitled to receive solely his base salary through the termination date, payment for all accrued but unused vacation time through the termination date, and reimbursement of reimbursable expenses incurred prior to termination.

The employment agreement defines cause as:

gross negligence in the performance of Mr. Harvey's duties which results in material financial harm to the Corporation;

Mr. Harvey's conviction of, or plea of guilty or nolo contendere, to any felony or any misdemeanor involving fraud, embezzlement or theft;

Mr. Harvey's intentional failure or refusal to perform his duties and responsibilities with the Corporation, without the same being corrected within 15 days after being given written notice thereof;

the material breach by Mr. Harvey of any of the covenants contained in the employment agreement discussed below;

Mr. Harvey's willful violation of any material provision of the Corporation's code of conduct for executives and management employees; or

Mr. Harvey's engagement in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise.

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Mr. Harvey may be terminated for cause only by majority vote of all the members of the Board (other than Mr. Harvey), which vote must be communicated to Mr. Harvey in writing.

The Employment Agreement defines good reason as any of the following actions taken by the Corporation without Mr. Harvey's written consent:

the material diminution of Mr. Harvey's duties or responsibilities including the assignment of any duties and responsibilities materially inconsistent with his position;

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a material reduction in Mr. Harvey's base salary;

a material reduction in Mr. Harvey's annual target bonus opportunity (excluding any reduction that is generally applicable to all or substantially all executive officers of the Corporation);

a material reduction in the overall level of employee benefits (including long-term incentive opportunities) provided to Mr. Harvey (excluding any reduction that is generally applicable to all or substantially all executive officers of the Corporation);

the breach of his Employment Agreement by the Corporation caused by the failure to obtain a written assumption of his Employment Agreement by any person acquiring all or substantially all of the assets of the Corporation prior to such acquisition;

the relocation of Mr. Harvey's principal work location to a location more than 50 miles from Pittsburgh, Pennsylvania; or

the Corporation giving Mr. Harvey notice of nonextension of the term of his Employment Agreement at either the end of the initial three year term or the end of the first one year extension of the term;

provided, however, that, notwithstanding the foregoing, Mr. Harvey must give written notice to the Corporation of his intention to terminate his employment for good reason within sixty days after the event or omission which constitutes good reason; the event must remain uncorrected by the Corporation for 30 days following the notice; and the termination must occur within 60 days following the expiration of the notice period. Any failure to give such written notice within such period will result in a waiver of his right to terminate for good reason as a result of such act or omission.

All stock option and restricted stock unit and performance share unit awards contain non-competition provisions which prohibit Mr. Harvey from taking the following actions during the term of his employment and for a period of two years after termination of such employment:

directly or indirectly engaging in any business which is in competition with any line of business conducted by the Corporation or an affiliate of the Corporation and which is in any area where the Corporation or its affiliates do business;

performing or soliciting the performance of services for any customer or client of the Corporation or its affiliates;

inducing any employee of the Corporation or its affiliate to do either of the actions described in the preceding bullet points or terminating such employee's employment with the Corporation or its affiliates or offering employment to any person who was employed by the Corporation or its affiliates unless such person has ceased such employment for a period of at least 12 months; or

directly or indirectly assisting others in any of the above referenced actions.

Further, Mr. Harvey's Employment Agreement contains restrictive covenants relating to confidential information, the terms of which are identical to those set forth in the CONSOL equity award agreements. See *Change in Control and Restrictive Covenant Provisions - CONSOL Stock Options, Restricted Stock Units and Performance Share Units* below for a description of these restrictive covenants.

***Change in Control Agreements***

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As of December 31, 2012, Messrs. Harvey, Lyons, Richey and Pusateri each had change in control severance agreements with CONSOL and Mr. DeIuliis has a change in control severance agreement with CONSOL and CNX Gas (which we refer to collectively as the CIC Agreements ). In connection with Messrs. Lyons , Pusateri s and Richey s voluntary retirements with the Corporation, in the first quarter of 2013, the severance payments and benefits described hereunder will not become payable to them under the CIC Agreements.

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The CIC Agreements provide severance benefits to our named executives if they are terminated (i) after, or in connection with, a CONSOL change in control (as described below) (and/or, in the case of Mr. DeIuliis, a CNX Gas change in control (as described below)), by CONSOL (and/or by CNX Gas, in the case of Mr. DeIuliis) for any reason other than cause (as defined below), death or disability (as defined below), that occurs not more than three months prior to or within two years after, a CONSOL change in control (and/or a CNX Gas change in control, in the case of Mr. DeIuliis), or is requested by a third party initiating the CONSOL change in control (and/or the CNX Gas change in control, in the case of Mr. DeIuliis) or (ii) within the two-year period after a CONSOL change in control (and/or a CNX Gas change in control, in the case of Mr. DeIuliis), if he is constructively terminated (as defined below).

Under the two circumstances described above, as of December 31, 2012, the named executives would be entitled to receive:

a lump sum cash payment equal to a multiple of base pay plus a multiple of incentive pay (the multiple, in each case, for Mr. Harvey, 3.0; for Messrs. Lyons and DeIuliis, 2.5; and for Messrs. Richey and Pusateri, 2.0);

a pro-rated payment of his incentive pay for the year in which his termination of employment occurs;

for a specified period (for Mr. Harvey, 36 months; for Messrs. Lyons and DeIuliis, 30 months; and for Messrs. Richey and Pusateri, 24 months), the continuation of medical and dental coverage (or monthly reimbursements in lieu of continuation);

if he would have been eligible for post-retirement medical benefits had he retired from employment during the applicable period, but is not so eligible due to termination, then at the conclusion of the benefit period, the Corporation (or CNX Gas, in the case of Mr. DeIuliis) will provide him with additional continued group medical coverage comparable to that which would have been available under the Corporation's (or CNX Gas's, in the case of Mr. DeIuliis) post-retirement program for so long as such coverage would have been available under such program, or the Corporation (or CNX Gas, in the case of Mr. DeIuliis) will provide monthly reimbursements to him in lieu of such coverage;

a lump sum cash payment equal to the total amount that the executive would have received under the 401(k) plan as a match if he was eligible to participate in the 401(k) plan for a specified period after his termination date (for Mr. Harvey, 36 months; for Messrs. Lyons and DeIuliis, 30 months; and for Messrs. Richey and Pusateri, 24 months) and he contributed the maximum amount to the plan for the match;

a lump sum cash payment equal to the difference between the present value of his accrued pension benefits at his termination date under the qualified defined benefit plan and (if eligible) any plan or plans providing nonqualified retirement benefits and the present value of the accrued pension benefits to which the executive would have been entitled under the pension plans if he had continued participation in those plans for a specified period after his termination date (for Mr. Harvey, 36 months; for Messrs. Lyons and DeIuliis, 30 months; and for Messrs. Richey and Pusateri, 24 months);

a lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services and other expenses associated with seeking other employment; and

any amounts earned, accrued or owing but not yet paid as of his termination date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs.

In addition, upon a CONSOL change in control (and/or a CNX Gas change in control, in the case of Mr. DeIuliis) all equity awards granted to each of the executives will become fully vested and/or exercisable on the date the change in control occurs and all stock options or stock appreciation rights will remain exercisable for the period set forth in the applicable award agreement. If it is determined that any payment or distribution to an executive or for his benefit would constitute an excess parachute payment within the meaning of Section 280G of the federal



income tax laws, he will be entitled to an additional amount, subject to certain limitations, such that the net amount

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retained by him after deduction of any excise tax imposed under Section 4999 of the federal income tax laws, and any tax imposed upon the gross-up payment, will be equal to the excise tax on the payment.

The CIC Agreements contain confidentiality, non-competition and non-solicitation obligations. The named executives have each agreed not to compete with the business for one year, or to solicit employees for two years, following a termination of employment, when such executive is receiving severance benefits under a CIC Agreement.

No payments are made or benefits provided under the CIC Agreements unless the executive executes, and does not revoke, a written release of any and all claims (other than for entitlements under the terms of the agreement or which may not be released under the law).

Cause is a determination by the Board (or the CNX Gas Board, in the case of Mr. DeJuliis) that the executive has:

(a) been convicted of, or has pleaded guilty or nolo contendere to, any felony or any misdemeanor involving fraud, embezzlement or theft; or

(b) wrongfully disclosed material confidential information of the Corporation or any subsidiary (including CNX Gas), has intentionally violated any material express provision of the Corporation's code of conduct for executives and management employees (as then in effect) or has intentionally failed or refused to perform any of his material assigned duties for the Corporation (or CNX Gas, in the case of Mr. DeJuliis), and any such failure or refusal has been demonstrably and materially harmful to the Corporation (or CNX Gas, in the case of Mr. DeJuliis).

Notwithstanding the foregoing, the executive will not be deemed to have been terminated for cause under clause (b) above unless the majority of the members of the Board (or the CNX Gas Board, in the case of Mr. DeJuliis) plus one member of such board, find that, in its good faith opinion, the executive has committed an act constituting cause, and such resolution is delivered in writing to the executive.

A change in control under the CIC Agreements means the occurrence of any of the following events:

(i) the acquisition by any individual, entity or group of beneficial ownership of more than 25% of the combined voting power of the then outstanding voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis); provided, however, that the following acquisitions will not constitute a change in control: (A) any issuance of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis) directly from the Corporation (or CNX Gas, in the case of Mr. DeJuliis) that is approved by the then incumbent Board (or incumbent CNX Gas board, in the case of Mr. DeJuliis), (B) any acquisition by the Corporation (or by CNX Gas or any subsidiary of the Corporation or CNX Gas in the case of Mr. DeJuliis) of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis), (C) any acquisition of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any subsidiary of the Corporation (including CNX Gas), (D) any acquisition of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis) by an underwriter holding securities of the Corporation (or CNX Gas, in the case of Mr. DeJuliis) in connection with a public offering thereof, or (E) any acquisition of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeJuliis) by any person pursuant to a transaction that complies with clauses (A), (B) and (C) of (iii) below; or

(ii) individuals who constitute the Board as of the agreement date (or in the case of Mr. DeJuliis, individuals who constitute the CNX Gas board other than at a time when the Corporation and/or its subsidiaries beneficially own more than 50% of the total voting stock of CNX Gas) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Corporation's shareholders (or CNX Gas shareholders, in the case of Mr. DeJuliis) was approved by a vote of at least two-thirds of the directors then comprising the incumbent Board (or incumbent CNX Gas Board, in the

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case of Mr. DeIuliis) are deemed to have then been a member of the incumbent Board (or incumbent CNX Gas Board, in the case of Mr. DeIuliis), but excluding any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board (or the CNX Gas board, in the case of Mr. DeIuliis);

(iii) consummation of a reorganization, merger or consolidation of the Corporation (or CNX Gas, in the case of Mr. DeIuliis) or a direct or indirect wholly owned subsidiary of the Corporation (or a direct or indirect wholly owned subsidiary of CNX Gas, in the case of Mr. DeIuliis), a sale or other disposition of all or substantially all of the assets of the Corporation (or CNX Gas, in the case of Mr. DeIuliis), or other transaction involving the Corporation (or CNX Gas, in the case of Mr. DeIuliis), unless, in each case, immediately following such transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners of voting stock of the Corporation (or CNX Gas, in the case of Mr. DeIuliis) immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such transaction or any direct or indirect parent corporation thereof, (B) no person other than the Corporation (or, in the case of Mr. DeIuliis, the Corporation and/or any of its subsidiaries) beneficially owns 25% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such transaction or any direct or indirect parent corporation thereof and (C) at least a majority of the members of the Board (or the CNX Gas Board, in the case of Mr. DeIuliis, other than at a time when the Corporation and/or its subsidiaries beneficially own more than 50% of the total voting stock of CNX Gas) of the entity resulting from such transaction or any direct or indirect parent corporation thereof were members of the incumbent Board (or the incumbent CNX Gas Board, in the case of Mr. DeIuliis) at the time of the execution of the initial agreement or of the action of the Board providing for such transaction;

(iv) approval by the shareholders of the Corporation (or CNX Gas, in the case of Mr. DeIuliis) of a complete liquidation or dissolution of the Corporation (or CNX Gas, in the case of Mr. DeIuliis), except pursuant to a transaction that complies with clauses (A), (B) and (C) of (iii) above; or

(v) in the case of Mr. DeIuliis' CIC Agreement, other than a time when CONSOL and/or its subsidiaries beneficially own less than 50% of the total voting stock of CNX Gas, a CONSOL change in control (as described in clauses (i) through (iv) above).

A constructive termination means:

a material adverse change in position;

a material reduction in annual base salary or target bonus or a material reduction in employee benefits;

a material adverse change in circumstances as determined in good faith by the executive, including a material change in the scope of business or other activities for which the executive was responsible for prior to the change in control, which has rendered the executive unable to carry out, has materially hindered his performance of, or has caused him to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position he held immediately prior to the change in control, as determined by him;

the liquidation, dissolution, merger, consolidation or reorganization of the Corporation (or CNX Gas, in the case of Mr. DeIuliis) or transfer of substantially all of the Corporation's (or CNX Gas', in the case of Mr. DeIuliis) business or assets unless the successor assumes all duties and obligations of the Corporation (or CNX Gas, in the case of Mr. DeIuliis) under the applicable CIC Agreement; or

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the relocation of the executive's principal work location to a location that increases his normal commute by 50 miles or more or that requires travel increases by a material amount.

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In the event that a named executive's employment with the Corporation (including any affiliate of the Corporation) is terminated for cause (as defined in our Plan) or the named executive breaches non-competition or proprietary information covenants (see description below), then any stock option (whether vested or unvested) that is granted to the named executive will be canceled and forfeited in its entirety on the date of termination of employment or breach of covenant, as applicable. In addition, any stock option exercised during the six month period prior to such termination of employment or breach of covenant, as applicable, will be rescinded, and the named executive will be required to pay to the Corporation within 10 days an amount in cash equal to the gain realized by the exercise of the stock option.

In the event that the named executive's employment terminates voluntarily, due to disability (as defined in our Plan) or by the Corporation without cause (as defined in our Plan), the non-vested portion of any stock option will be deemed cancelled on the termination date and the vested portion, if any, of the stock option as of the date of such termination will remain exercisable for the lesser of a period of 90 days following termination or until the expiration date of the stock option. Notwithstanding the previous sentence, if such termination occurs by reason of an early retirement or incapacity retirement as defined in the Pension Plan (or any successor plan) and as provided in the agreement, then in that event the non-vested portion of the stock option will continue to vest and become exercisable in the ordinary course and will remain exercisable until the stock option's expiration date. If the named executive's employment is terminated by reason of a normal retirement, as defined in the Pension Plan (or any successor plan), the non-vested portion of the stock option will vest in its entirety on the effective date of the named executive's retirement and the stock option will remain exercisable until its expiration date.

In the event that employment with the Corporation (including any affiliate) is terminated by reason of a reduction in force as specified and implemented by the Corporation, the non-vested portion of a stock option will continue to vest and become exercisable in accordance with the vesting schedule set forth above, will remain exercisable until the expiration date, and the non-competition and certain non-solicitation provisions in the agreement will not apply. In the event that the named executive's employment is terminated by reason of death, the non-vested portion of the stock option will vest in its entirety immediately upon the date of death and will remain exercisable for the lesser of a period of three years following death or the expiration date.

***Nonqualified Performance Stock Options***

In the event that a named executive's employment with the Corporation (including any affiliate) is terminated for cause (as defined in our Plan) or the named executive breaches the confidentiality and/or the non-competition obligations set forth in the Performance Option award agreement, such Performance Option (whether vested or unvested) will be cancelled and forfeited in its entirety on the date the named executive's employment is terminated or the covenants are breached. In addition, any Performance Option exercised during the six-month period prior to such termination of employment or breach of covenant, as applicable, will be rescinded. Within 10 days after receiving notice of a rescission, the named executive must pay to the Corporation an amount in cash equal to the gain realized by such person upon exercise of the Performance Option.

Unless otherwise specifically provided in a separate agreement between the Corporation and the named executive, if a named executive's employment with the Corporation (including any affiliate) is terminated by the named executive voluntarily or by the Corporation without cause, the non-vested portion of such named executive's Performance Option will be cancelled and forfeited on the date the named executive's employment is terminated and the vested portion, if any, of the Performance Option as of the date of such termination will remain exercisable for the lesser of (i) a period of 90 days following such termination of employment or (ii) until the expiration date.

In the event that a named executive's employment with the Corporation (including any affiliate) is terminated by reason of an early retirement or normal retirement (each as defined and provided in the Performance Option award agreement), the non-vested portion of such named executive's Performance Option will vest to the extent earned as determined at the end of each respective performance period; provided, however, that if a named executive's employment is terminated by reason of an early retirement or a normal retirement before the one-year anniversary of the date the Performance Option was granted, the non-vested portion of the named executive's

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Performance Option will be canceled and forfeited in its entirety on the date of such named executive's termination of employment.

In the event that a named executive's employment with the Corporation (including any affiliate) is terminated by reason of death, incapacity retirement (as defined in the Pension Plan, or any successor plan thereto applicable to the named executive) or disability (as defined in our Plan), the non-vested portion of such named executive's Performance Option will vest to the extent earned as determined at the end of each respective performance period and the Performance Option will remain exercisable until the expiration date.

In the event of an employment termination by reason of a reduction in force as specified and implemented by the Corporation, the non-vested portion of a stock option will continue to vest to the extent earned as determined at the end of each respective performance period or as otherwise provided in the Performance Option award agreement, and will remain exercisable until the expiration date. In the event of such an employment termination by reason of a reduction in force, the named executive will not be subject to the non-competition and certain non-solicitation provisions contained in the award agreement.

### ***Restricted Stock Units***

All shares subject to restricted stock unit awards that are issued under our Plan will vest (i.e., will not be subject to forfeiture as the result of employment termination) upon the occurrence of any of the following events and will be delivered on the termination date, or as soon as administratively practical thereafter (but in no event later than the 15th day of the third month following that date):

termination of employment with the Corporation on or after age 65;

termination of employment with the Corporation on or after age 55 under circumstances which also satisfy the criteria for either early retirement or incapacity retirement under the Pension Plan, as in effect at that time; or

termination of employment with the Corporation by reason of death or as part of a reduction in force as specified and implemented by the Corporation.

In no event will any shares vest in the event employment with the Corporation is terminated for cause as defined in our Plan (see below) or if a named executive leaves the Corporation's employment for any reason other than in connection with one of the special vesting events specified above.

In addition, if employment is terminated for cause or the named executive breaches the non-competition or proprietary information covenants (see below), then, in addition to awards being cancelled with respect to any unvested shares, the named executive will also forfeit all of his right, title and interest in and to any shares which have vested under existing awards and which are held by him at that time or are otherwise subject to deferred issuance. In addition, to the extent a named executive has sold any of his vested shares within the six month period ending with the date of the named executive's termination for cause or breach of the non-competition or proprietary information covenants or at any time thereafter, then the named executive will be required to repay to the Corporation, within 10 days after receipt of written demand from the Corporation, the cash proceeds received upon each such sale, provided the demand is made by the Corporation within one year after the date of that sale.

In the event employment is terminated because of a reduction in force, the named executive will not be subject to the non-competition and certain non-solicitation provisions contained in the award agreement.

### ***Performance Share Unit Awards***

If a named executive's employment with CONSOL or any affiliate is terminated:

on or after the date the named executive has reached the age of 55 by reason of an Early Retirement or Incapacity Retirement;



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by reason of a Normal Retirement;

on account of death or Disability (other than an Incapacity Retirement); or

by reason of a reduction in force as specified and implemented by the Corporation prior to the payment date or the change in control payment date, as applicable, the named executive shall be entitled to retain his or her units and receive payment therefore to the extent earned and payable under the award.

However, in the case of a Disability, the named executive shall only be entitled to retain a prorated portion of the units determined at the end of the performance period and based on the number of complete months that the named executive worked in the performance period. If a named executive's employment with CONSOL or any affiliate is terminated for any other reason, including by the named executive voluntarily, or by CONSOL with or without cause (other than in connection with a reduction in force as explained above), prior to the payment date or the change in control payment date, as applicable, the units awarded to the named executive shall be cancelled and forfeited.

In the event employment is terminated because of a reduction in force, the named executive will not be subject to the non-competition and non-solicitation provisions contained in the award agreement.

***Equity Incentive Plan Definitions***

The following definitions and provisions are set forth in our Plan:

Cause is defined, unless otherwise defined in the applicable award agreement, as a determination by the Compensation Committee that a person has committed an act of embezzlement, fraud, dishonesty or breach of fiduciary duty to the Corporation, deliberately and repeatedly violated the rules of the Corporation or the valid instructions of the Board or an authorized officer of the Corporation, made any unauthorized disclosure of any of the material secrets or confidential information of the Corporation, or engaged in any conduct that could reasonably be expected to result in material loss, damage or injury to the Corporation.

Disability is defined, unless otherwise defined in the applicable award agreement, as an award recipient's inability, because of physical or mental incapacity or injury (that has continued for a period of at least 12 consecutive calendar months) to perform for the Corporation or an affiliate of the Corporation substantially the same services as he or she performed prior to incurring the incapacity or injury.

***Change in Control and Restrictive Covenant Provisions - CONSOL Stock Options, Restricted Stock Units and Performance Share Units***

All stock options (including the Performance Options) and restricted stock unit and performance share unit awards, whether or not vested, may, in the Board's discretion and authority, vest upon a change in control, which is defined under our Plan as (unless otherwise defined in the applicable award agreement) the earliest to occur of:

any one person (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, and any corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of Corporation stock), or more than one person acting as a group, is or becomes the beneficial owner of shares that, together with the shares held by that person or group, possess more than 50% of the total fair market value or total voting power of the Corporation's shares;

a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or

the sale of all or substantially all of the Corporation's assets.





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However, in the event the accelerated vesting of the awards, either alone or together with any other payments or benefits to which the named executive may otherwise become entitled from the Corporation in connection with the change in control would, in the Corporation's good faith opinion, be deemed to be a parachute payment under Section 280G of the Code (or any successor provision), then, unless any agreement between the named executive and the Corporation provides otherwise, the number of options and restricted stock units which vest on this accelerated basis will be reduced to the extent necessary to assure, in the Corporation's good faith opinion, that no portion of the accelerated award will be considered such a parachute payment.

All stock option and unit awards contain a covenant regarding confidential information and trade secrets, pursuant to which the recipient must agree, at any time during or after his or her employment with the Corporation, not to disclose or use for his or any other person or entity's own benefit or purposes, other than the Corporation and its affiliates, any proprietary confidential information or trade secrets, which are unique to the Corporation and not generally known to the industry or the public. In addition, upon termination with the Corporation for any reason, the award recipient must immediately return all materials relating to the business of the Corporation and its affiliates, excluding personal notes, notebooks and diaries, and may not retain or use for such person's own account at any time any trade names, trademarks or other proprietary business designation used or owned in connection with the business of the Corporation or its affiliates.

### ***Supplemental Retirement Plan***

If a participant's employment with CONSOL or any subsidiary terminates for cause (which is defined to include a violation of any nonsolicitation, noncompetition or nondisclosure provision contained in any agreement entered into by and between a participant and CONSOL or any subsidiary), no benefits will be payable under the Supplemental Retirement Plan. Additionally, each participant will agree by participating in the Supplemental Retirement Plan that within ten (10) days after the date we provide the participant with a notice that there has occurred a termination on account of cause, the participant will pay to us in cash an amount equal to any and all distributions paid to or on behalf of such participant under the plan within the six (6) months prior to the date of the earliest breach. A forfeiture of Supplemental Retirement Plan benefits will also occur for certain cause events even if the event does not occur or is not discovered until after any termination of employment. Benefits under the Supplemental Retirement Plan will immediately vest upon death or disability of a participant or upon a change in control (as described below).

Further, the participant will be entitled to receive the vested benefits in a lump sum payment if the participant's employment is terminated after, or in connection with, a change of control (as defined in the Supplemental Retirement Plan) on account of:

an involuntary termination associated with a change in control within the two year period after the change in control, or

a termination by CONSOL other than for cause or due to the participant's death or disability that (A) occurs not more than three months prior to the date on which a change in control occurs or (B) is required by a third party who initiates a change in control. The benefit will be calculated as if the participant terminated on the date of the change in control, but the participant will be considered only for purposes of applying the appropriate actuarial reduction to have a minimum age of 55 and a minimum of 20 years of credited service. Additional service credit will also be provided for the term of any payments under a participant's CIC Agreement, if any, with the Corporation. See *Understanding our Pension Benefits Table* on page 62 for more information regarding the Supplemental Retirement Plan.

### ***Severance Pay Plan For Salaried Employees***

Eligible employees of CONSOL are entitled to receive benefits under the Severance Pay Plan immediately upon completion of one year of continuous service with CONSOL. Pursuant to the terms of the Severance Pay Plan, upon an involuntary termination that is part of a workforce reduction, the employee is entitled to one week's compensation for each completed full year of continuous service, up to a maximum of 25 weeks compensation,

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subject to the Severance Pay Plan's reemployment provisions described below. Benefits under the Severance Pay Plan do not apply where the employee is terminated for cause or resigns, or where such employee's employment ends in connection with the sale of stock or all or part of the CONSOL asset and the employee is offered employment by the purchaser (or its affiliate) of the stock or all or part of the CONSOL asset.

Calculation of the one week's compensation is made on the basis of straight time pay (excluding any bonus or overtime compensation) for such employee's permanently assigned position. In addition to severance benefits, employees are granted any vacation pay to which they are entitled. Employees with less than one year of service are paid only up to and including the date of termination.

In the event that the terminated employee is re-employed as a full-time employee before the severance pay period has expired, the employee shall reimburse CONSOL for the amount of severance benefits which relate to the unexpired period. If the employee was granted vacation pay, the employee may, at his or her option, remit the vacation pay to CONSOL and schedule a later vacation at a time mutually agreed upon with CONSOL.

Employees will not be entitled to severance under this plan unless and until such employee executes, and does not revoke, a release, deemed satisfactory by the Corporation, waiving any and all claims against the Corporation, its affiliates and subsidiaries and all related parties.

**PROPOSAL NO. 2 - AMENDMENT AND RESTATEMENT OF EXECUTIVE ANNUAL INCENTIVE PLAN**

The Corporation proposes to amend and restate the CONSOL Energy Inc. Executive Annual Incentive Plan (the Annual Incentive Plan). The complete text of the Annual Incentive Plan is attached as *Appendix A* to this Proxy Statement. To the extent the summary description below differs from the Annual Incentive Plan text attached in *Appendix A*, the text of the Annual Incentive Plan governs the terms and provisions of the Annual Incentive Plan. The Annual Incentive Plan is structured to satisfy the requirements of performance-based compensation within the meaning of Section 162(m) of the Code and related Internal Revenue Service regulations, and is being submitted for shareholder approval at the Annual Meeting primarily to continue to satisfy such requirements (e.g., submission of the Annual Incentive Plan every five years for shareholder approval). If approved, the Annual Incentive Plan would be amended principally to expand the list of performance goals under the Annual Incentive Plan, increase the maximum amount that may be awarded and paid under the Annual Incentive Plan to any participant in any given year and to subject any awards granted thereunder to a Corporation-adopted clawback policy.

The purpose of the Annual Incentive Plan is to advance the interests of the Corporation and its shareholders by providing cash incentives to officers and other key employees with significant responsibility for achieving performance goals critical to our success and growth. The Annual Incentive Plan is designed to: (i) promote the attainment of our significant business objectives; (ii) encourage and reward management teamwork; and (iii) assist in the attraction and retention of employees vital to our long-term success.

***Participation in the Plan***

Officers and key employees of the Corporation (and any subsidiary entity or affiliate thereof) will be eligible to participate in the Annual Incentive Plan. Historically less than 15 employees have been eligible to participate in the Annual Incentive Plan. No employee will have the right to participate in the Annual Incentive Plan, and participation in the Annual Incentive Plan in any one performance period does not entitle an individual to participate in future performance periods.

Any awards made under the Annual Incentive Plan will be at the discretion of our Compensation Committee. Therefore, it is not possible at present to determine awards or amounts of awards that will be granted to any person in the future. As to awards that are currently outstanding under the Annual Incentive Plan, the amounts payable thereunder are not determinable at this time since any amounts payable thereunder are wholly dependent upon the achievement of annual performance goals the achievement of which will not be determined until the first quarter of 2014. Because our executive officers are eligible to receive awards under the Annual Incentive Plan, they may be deemed to have a personal interest in the approval of this proposal.

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The Board adopted the Annual Incentive Plan, as amended and restated, subject to shareholder approval. If the Annual Incentive Plan, as amended and restated, is not approved by the Corporation's shareholders, the Annual Incentive Plan in effect immediately prior to the Annual Meeting will remain in effect.

### ***Administration of the Annual Incentive Plan***

The Annual Incentive Plan is administered by our Compensation Committee. Subject to certain conditions, the Compensation Committee may delegate certain powers and authority under the Annual Incentive Plan to the Corporation's officers as it deems necessary or appropriate.

The Compensation Committee will, among other things, have full authority and discretion to determine eligibility, make awards under the Annual Incentive Plan, establish the terms and conditions of such awards (including the performance goal(s) and performance measure(s) to be utilized), and determine whether the performance goals have been achieved. Our Compensation Committee will set the performance period for which a participant's performance will be calculated, which period may consist of the entire calendar year or other fiscal period within a calendar year of less than twelve months.

Subject to the provisions of the Annual Incentive Plan, the Compensation Committee will also have the authority and discretion to determine the extent to which awards under the Annual Incentive Plan will be structured to conform with Section 162(m) of the Code. The Compensation Committee will be authorized to interpret the Annual Incentive Plan, to adopt administrative rules, regulations, and guidelines for the Annual Incentive Plan, and to correct any defect, supply any omission or reconcile any inconsistency or conflict in the Annual Incentive Plan or in any award made under the Annual Incentive Plan.

### ***Incentive Compensation Awards***

The amount of a participant's award may be based on a percentage of such person's salary or such other methods as the Compensation Committee may establish. The maximum amount that may be awarded and paid under the Annual Incentive Plan to a participant for any calendar year may not exceed \$6,000,000.

The Compensation Committee may consider any one or more of the following performance criteria, either individually, alternatively or in any combination, and subject to such modifications or variations as specified by the Compensation Committee, applied either to the Corporation as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured over a period of time including any portion of a year, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, as established by the Compensation Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation, and amortization or some variation thereof); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; capital expenditures; debt; debt reduction; working capital; return on investment; return on sales; return on invested capital; net or gross sales; market share; equity ratios; economic value added; cost of capital; assets or change in assets; expenses; expense reduction levels; productivity; delivery performance; safety record and/or performance; environmental record and/or performance; mine closures; stock price; interest-sensitivity gap levels; return on equity or capital employed; total or relative increases to stockholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating income adjusted for management fees and depreciation, and amortization; operating profit or net operating profit; gross margin, operating margin or profit margin; amount of oil and gas reserves; oil and gas reserve additions; oil and gas reserve replacement ratios; costs of finding oil and gas reserves; daily natural gas and/or oil production; charge-offs; non-performing assets; asset sale targets; asset quality levels; value of assets; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; value creation; achievement of balance sheet or income statement objectives; and completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives.

To the extent consistent with Section 162(m) of the Code and the regulations promulgated thereunder, our Compensation Committee may determine that certain adjustments will apply, in whole or in part, in such manner as

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specified by the Compensation Committee, to include or exclude the effect of events that occur during a performance period, including the following: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains/losses on the sale of assets; foreign exchange gains and/or losses; expenses relating to stock offerings and stock repurchases; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs, including but not limited to reductions in force and early retirement incentives; currency fluctuations; and any extraordinary, unusual, infrequent or non-recurring items, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Corporation's annual report for the applicable period.

Our Compensation Committee, in its sole discretion, may also establish such additional restrictions or conditions (performance-based or non-performance-based) that must be satisfied as a condition precedent to the payment of all or a portion of any awards. The Compensation Committee will also have sole discretion to reduce the amount of any award to a participant if it determines that such reduction is necessary or appropriate based upon certain factors and conditions set forth in the Annual Incentive Plan.

No awards granted under the Annual Incentive Plan or any right thereto will be assignable or transferable by a participant except, in the event of a participant's death, to the participant's designated beneficiary, or in the absence of such designation, by will or by the laws of descent and distribution.

***Payment of Individual Incentive Awards***

No award intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code will be paid prior to the Compensation Committee's written certification that the performance goals and other material terms of an award have been achieved. Participants who have terminated employment with the Corporation prior to the payment of an award for any reason, will forfeit any and all rights to payment under any awards then outstanding and will not be entitled to any cash payment for such period, unless the Compensation Committee determines that the award is not forfeited. In such instance, the award will be prorated to reflect the period of service during the performance period prior to such participant's employment termination, and shall be paid subject to the Compensation Committee's certification that the applicable performance goals and other material terms have been achieved.

***Section 409A***

The benefits provided under the Annual Incentive Plan are intended to be exempt from coverage under Section 409A of the Code. However, to the extent any benefits paid under the Annual Incentive Plan are subject to the provisions of Section 409A of the Code, the award will be administered, interpreted and construed in a manner necessary in order to comply with Section 409A or an exception thereto. In addition, Section 409A may impose upon the participant certain taxes or other charges for which the participant will remain solely responsible. Neither the Compensation Committee, the Board, nor the Corporation, its employees, officers, directors or affiliates will have any liability to any participant (or any other person) due to the failure of the Annual Incentive Plan to satisfy the requirements of Section 409A or any other applicable law.

***Amendment or Termination of the Annual Incentive Plan***

The Compensation Committee reserves the right to amend, modify or terminate the Annual Incentive Plan at any time; provided, however, that no such modification, amendment or termination will, without the consent of the participant, materially adversely affect the rights of such participant to any payment the Compensation Committee has determined to be due and owing to the participant. Notwithstanding, our Compensation Committee will be authorized to modify, amend or terminate any or all of the provisions of an award to the extent necessary to conform the provisions of the award with Section 409A or Section 162(m) of the Code, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination will adversely affect the rights of a participant.

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### ***Duration***

The Annual Incentive Plan is intended to continue in force from year to year.

### ***Clawback***

Notwithstanding any provisions in the Annual Incentive Plan, any Annual Incentive Plan award which is or becomes subject to recovery under any Corporation policy required by law, government regulation, or stock exchange listing requirement, will be subject to such deductions, recoupment and clawback as may be required to be made pursuant to such Corporation policy.

### ***Federal Income Tax Consequences***

A participant generally will not recognize income upon the grant of an award. Upon payment of the award, the participant will recognize ordinary income in an amount equal to the cash received. When the participant recognizes ordinary income upon payment of an award, we expect that the Corporation will generally be entitled to a tax deduction in the same amount.

Although the Annual Incentive Plan is designed so that awards qualify for the performance-based exception under Section 162(m), the Committee reserves the right to grant awards that do not qualify for this exception, and, in some cases, the exception may cease to be available for some or all awards that otherwise so qualify. Thus, it is possible that Section 162(m) of the Code may disallow compensation deductions that would otherwise be available to the Company.

## **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT AND RESTATEMENT OF THE EXECUTIVE ANNUAL INCENTIVE PLAN**

### **ACCOUNTANTS AND AUDIT COMMITTEE**

#### **AUDIT COMMITTEE REPORT**

The Audit Committee has reviewed and discussed with management of CONSOL and Ernst & Young LLP ( E&Y ), the independent registered public accounting firm serving as the independent auditor of the Corporation for the fiscal year ended December 31, 2012, the audited financial statements of the Corporation for the fiscal year ended December 31, 2012 (the Audited Financial Statements ). In addition, we have discussed with E&Y the matters required to be discussed relating to the conduct of the audit under the auditing standards of the Public Company Accounting Oversight Board ( PCAOB ) (AU Section 380 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of the registered public accountant s activities or access to requested information and any significant disagreements with management).

The Audit Committee also has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence and has discussed with that firm its independence from the Corporation and its subsidiaries. The committee also discussed with management of the Corporation and E&Y such other matters and received such assurances from them as we deemed appropriate.

Management is responsible for the Corporation s internal controls and the financial reporting process. E&Y is responsible for performing an independent audit of CONSOL s financial statements and of its internal control over financial reporting in accordance with generally accepted auditing standards and issuing reports thereon. The Audit Committee s responsibility is to monitor and oversee these processes.

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Based on the foregoing review and discussions with management and a review of the report of E&Y with respect to the Audited Financial Statements and the other matters described above, and relying thereon, the Audit Committee has recommended to the Board the inclusion of the Audited Financial Statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the SEC.

Members of the Audit Committee:

Raj K. Gupta, Chairman  
Philip W. Baxter  
John T. Mills

*The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of CONSOL under the Securities Act of 1933 or the Exchange Act, except to the extent that the Corporation specifically incorporates the Report by reference therein.*

**Table of Contents****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

E&Y was the independent registered public accounting firm selected by the Corporation's Audit Committee as the independent auditor for the fiscal years ended December 31, 2012 and December 31, 2011.

The following table presents fees billed for professional audit services rendered by E&Y in connection with its audits of CONSOL's annual financial statements for the years ended December 31, 2012 and December 31, 2011 and fees for other services rendered by E&Y during those periods.

|                    | 2012<br>(E&Y Fees)  | 2011<br>(E&Y Fees)  |
|--------------------|---------------------|---------------------|
| Audit Fees         | \$ 2,399,210        | \$ 2,188,522        |
| Audit-Related Fees | \$ 39,000           | \$ 81,900           |
| Tax Fees           | \$ -                | \$ -                |
| All Other Fees     | \$ 1,995            | \$ 1,995            |
| <b>Total</b>       | <b>\$ 2,440,205</b> | <b>\$ 2,272,417</b> |

As used in the table above, the following terms have the meanings set forth below:

***Audit Fees***

The fees for professional services rendered in connection with the audit of CONSOL's annual financial statements, for Sarbanes-Oxley attestation procedures, for the review of the financial statements included in CONSOL's Quarterly Reports on Form 10-Q and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

***Audit-Related Fees***

The fees for assurance and related services that are reasonably related to the performance of the audit or review of CONSOL's financial statements.

***Tax Fees***

The fees for professional services rendered for tax compliance, tax advice and tax planning.

***All Other Fees***

The fees for products and services provided, other than for the services reported under the headings *Audit Fees*, *Audit-Related Fees* and *Tax Fees*. These fees were for a subscription to E&Y's GAAIT service, an electronic accounting and research tool offered by E&Y.

***Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services***

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent registered public accounting firm. All of the services performed by E&Y in 2012 and 2011 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee. Proposed services may require specific pre-approval by the Audit Committee (e.g., annual financial statement audit services) or alternatively, may be pre-approved without consideration of specific case-by-case services (e.g., audit related and tax services). In either case, the Audit Committee must consider whether such services are consistent with SEC rules on auditor independence.



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**PROPOSAL NO. 3 - RATIFICATION OF ANTICIPATED APPOINTMENT OF INDEPENDENT AUDITOR**

The Audit Committee anticipates appointing Ernst & Young LLP as the independent registered public accounting firm to serve as the independent auditor for CONSOL in respect of the fiscal year ended December 31, 2013. The Audit Committee recommends that the shareholders of CONSOL ratify this anticipated appointment.

If the shareholders of CONSOL do not ratify the anticipated appointment of Ernst & Young LLP, the appointment of an independent registered public accounting firm to serve as the independent auditor for the fiscal year ending December 31, 2013 will be reconsidered by the Audit Committee.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to address the meeting and respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE  
RATIFICATION OF THE ANTICIPATED APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITOR FOR THE  
FISCAL YEAR ENDING DECEMBER 31, 2013.**

**PROPOSAL NO. 4 - APPROVAL OF CONSOL S EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Exchange Act, the Corporation is required to provide its shareholders with the opportunity to cast a non-binding advisory vote on compensation paid to our named executives. At our 2011 annual meeting of shareholders, our shareholders voted to conduct this advisory vote on an annual basis.

As described in detail in the *Compensation Discussion and Analysis*, our executive compensation program is designed to attract, motivate and retain key executives who drive our success and industry leadership. We achieve these objectives through compensation that:

links a significant portion of total compensation to performance which we believe will create long-term shareholder value;

consists primarily of stock-based compensation, which encourages our named executives to act as owners of the Corporation;

is tied to both overall corporate performance as well as individual performance (annual and long-term);

enhances retention in a highly competitive market by subjecting a significant portion of total compensation to multi-year vesting or performance conditions;

discourages unnecessary and excessive risk-taking; and

provides a competitive total pay opportunity.

The Compensation Committee continually reviews the compensation programs for our executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our shareholders' interests and current market practices. Please read *Compensation Discussion and Analysis* beginning on page 28, which describes the Corporation's executive compensation program and the decisions made by the Compensation Committee in 2012 in more detail, including information about the fiscal year 2012 compensation paid to our named executives and how we responded to shareholder concerns.

## Edgar Filing: CONSOL Energy Inc - Form DEF 14A

CONSOL has had a consistent record of delivering solid financial results for our shareholders. For a discussion of the Corporation's significant achievements in 2012, see *Compensation Discussion and Analysis - Executive Summary*. We believe that our executive compensation programs have played a material role in our ability (i) to drive the strong financial results described in *Compensation Discussion and Analysis* and (ii) to attract and retain a highly experienced, successful team to manage the Corporation.

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We are asking our shareholders to indicate their support for the compensation paid to our named executives in 2012 as described in this Proxy Statement (including the Compensation Discussion and Analysis, the compensation tables and other related compensation disclosures required by Regulation S-K Item 402 and contained herein). This proposal is intended to give our shareholders the opportunity to express their views on the compensation paid to our named executives in 2012. This vote is not intended to address any specific item of compensation, but rather the overall compensation paid to our named executives, and the philosophy, policies and practices described in this Proxy Statement.

Accordingly, we ask our shareholders to vote **FOR**, on an advisory basis, the compensation paid to our named executives in 2012, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, and to adopt the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Corporation's named executives, as disclosed pursuant to Item 402 of Regulation S-K, including the *Compensation Discussion and Analysis*, compensation tables and narrative discussion, is hereby APPROVED.

As an advisory vote, your vote will not be binding on the Corporation, the Board or the Compensation Committee. However, our Board and our Compensation Committee, which is responsible for designing and administering the Corporation's executive compensation program, value the opinions of our shareholders and to the extent there is any significant vote against the compensation paid to our named executives in 2012, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE COMPENSATION PAID TO OUR NAMED EXECUTIVES IN 2012, AS DISCLOSED IN THIS PROXY STATEMENT, PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE**

**SECURITIES AND EXCHANGE COMMISSION.**

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER CONSOL ENERGY EQUITY COMPENSATION PLAN**

The following table summarizes the Corporation's equity compensation plan information as of December 31, 2012.

| Plan Category   | Equity Compensation Plan Information   |  |  |
|---|--|--|--|
|   | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
| Equity compensation plans approved by security holders as of 12/31/12 | 8,991,064 <sup>(1)</sup>   | \$ 36.54 <sup>(2)</sup>  | 8,513,119 <sup>(3)</sup>   |
| Equity compensation plans not approved by security holders            | -  | -  | -  |
| <b>Total</b>  | <b>8,991,064</b>   | <b>\$ 36.54</b>  | <b>8,513,119</b>   |

(1) Of this total, 5,111,214 are outstanding stock options, 802,804 are Performance Options, 1,326,953 are restricted stock units, 13,541 are deferred stock units, 1,700,508 are performance share units (earned at maximum level) and 36,044 are phantom stock units, which may only be settled in cash under the Corporation's 1999 Directors Deferred Compensation Plan.

(2) The weighted-average exercise price does not take into account the restricted stock units, deferred stock units, performance share units or phantom stock units.

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- (3) Because the phantom stock units are settled only in cash, such securities do not affect the number of securities remaining available for future issuance under the Plan. For more information regarding the Corporation's 1999 Deferred Compensation Plan, see *Understanding Our Director Compensation Table* on page 16.

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The Plan was approved prior to CONSOL's initial public offering by its then shareholders. In May 2005, the shareholders approved an amendment to the Plan, including an increase in the total number of shares of common stock that can be covered by grants, to 9,100,000 shares. In May 2006, there was a 2-for-1 stock split bringing the total number of shares of common stock that can be covered by grants to 18,200,000 shares and in April 2009, the shareholders approved an amendment to the Plan, including an increase in the total number of shares issuable under the Plan to 23,800,000, and in May 2012, the shareholders approved an amendment to the Plan, including an increase in the total number of shares issuable under the Plan to 31,800,000.

**PROPOSAL NO. 5 - SHAREHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS**

We have been notified of the intention to present the following resolution, reproduced verbatim, at the Annual Meeting by the Comptroller of the State of New York, Thomas P. DiNapoli, as trustee of the New York State Common Retirement Fund (the "Fund") and the administrative head of the New York State and Local Employees' Retirement System and the New York State Police and Fire Retirement System, 633 Third Avenue 31st Floor, New York, New York 10017. The Fund is the beneficial holder of 1,000,440 shares of our common stock. The Board and CONSOL accept no responsibility for the proposed resolution and supporting statement. As required by Securities and Exchange Commission rules, the resolution and supporting statement are printed below. A shareholder submitting a proposal must appear personally or by proxy at the meeting to move the proposal for consideration.

**Resolved**, that the shareholders of **Consol Energy** ("Company") hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
  - a. The identity of the recipient as well as the amount paid to each; and
  - b. The title(s) of the person(s) in the Company responsible decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website.

**Stockholder Supporting Statement**

As long-term shareholders of Consol Energy, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the Internal Revenue Code, such as direct and indirect political contributions to candidates, political parties, or political organizations; independent expenditures; or electioneering communications on behalf of federal, state or local candidates.

Disclosure is consistent with public policy, in the best interest of the company and its shareholders, and critical for compliance with federal ethics laws. Moreover, the Supreme Court's Citizens United decision recognized the importance of political spending disclosure for shareholders when it said, "[Disclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages. Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

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Consol Energy contributed at least \$555,250 in corporate funds since the 2002 election cycle. (CQ: <http://moneyline.cq.com> and National institute on Money in State Politics: <http://www.followthemoney.org>).

However, relying on publicly available data does not provide a complete picture of the Company's political spending. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In some cases, even management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring our Company in line with a growing number of leading companies, including Exelon, Merck and Microsoft that support political disclosure and accountability and present this information on their websites.

The Company's Board and Its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

END OF SHAREHOLDER PROPOSAL

## CONSOL'S STATEMENT IN OPPOSITION TO THE SHAREHOLDER PROPOSAL

The Board of Directors carefully considered this proposal and believes that it is not in the best interests of the Corporation or our shareholders at this time to prepare and publish a report containing the information in the form and manner requested by the proposal. The Board opposes this proposal for the following reasons:

**We believe that it is in the shareholders' best interests for CONSOL to be an effective participant in the legislative and regulatory process.** CONSOL's coal and gas businesses are subject to extensive regulation and, as discussed in our Form 10-K at pages 42 and 45-47, the possibility exists that additional regulations could be adopted relating to greenhouse gases, carbon sequestration, emissions from coal-fired power plants, among others, which could adversely affect our business. We believe it is the best interests of our shareholders to make corporate political contributions to candidates and political organizations when such contributions are consistent with business objectives and are permitted by federal, state and local laws. We do this by contributing prudently to state and local candidates and by contributing to political organizations and trade associations when we believe such contributions advance CONSOL's business objectives and the interests of our shareholders, and we disclose these contributions in accordance with applicable law.

**We have adopted a policy regarding reporting of political expenditures which includes public disclosure and involvement of the Board of Directors.** CONSOL's Board of Directors has adopted a Code of Employee Business Conduct and Ethics, a copy of which is posted on our website that applies to all employees of CONSOL, including its executives and other officers. Section 9 (Political Contributions) provides that no employee shall make a contribution of CONSOL funds, property or services to any political party or committee or to any candidate except for lawful contributions to support or oppose public referenda or similar ballot issues or lawful political contributions unless they have been reviewed by appropriate officials of CONSOL. CONSOL's PAC disbursements are publicly available at [www.fec.gov](http://www.fec.gov) and CONSOL's corporate political contributions are publicly available and easily accessible on the Internet from state campaign finance reporting agencies.

**Political contributions are an insignificant portion of CONSOL's revenues as well as of CONSOL's expenditures and we believe significant public information is available regarding CONSOL's political contributions.** In each of the last three fiscal years, CONSOL's revenues have been in excess of \$4 billion and its total costs in excess of \$3 billion. The amount of CONSOL's political contributions represents an insignificant portion of its total annual revenues as well as of its total annual costs. In making political contributions, CONSOL is committed to complying with all applicable federal, state and local campaign finance and lobbying laws, including laws requiring public disclosure of political contributions and lobbying expenses to state and federal agencies. Thus, we believe that significant public information about our contributions is already publicly available, as demonstrated by the proponent's references to figures on contributions previously made by CONSOL.

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**CONSOL's contribution reporting policy includes a disclosure of aggregate political expenditures through trade associations.** We participate in certain industry trade and similar organizations with purposes that include, but are not limited to, enhancement of the public image of the coal and gas industries, education about these industries and issues which affect them and industry best practices and standards. On some occasions, one or more of these organizations may choose to exercise its right to engage in political activity. Consistent with CONSOL's contribution policy, the aggregate amount of dues to major trade associations used to participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office will be published in our annual Corporate Responsibility Report. Thus, we do not believe additional disclosures requested by the Proposal are in the best interests of our shareholders.

**IF IT IS PROPERLY PRESENTED AT THE ANNUAL MEETING, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THE SHAREHOLDER PROPOSAL.**

**PROPOSAL NO. 6 - SHAREHOLDER PROPOSAL REGARDING CLIMATE CHANGE REPORT**

We have been notified of the intention to present the following resolution, reproduced verbatim, at the Annual Meeting by Mr. Andrew Behar, care of the As You Sow Foundation, 311 California Street, Suite 510, San Francisco, CA 94104. Mr. Behar is the beneficial holder of 85 shares of our common stock. The Board and CONSOL accept no responsibility for the proposed resolution and supporting statement. As required by SEC rules, the resolution and supporting statement are printed below. A shareholder submitting a proposal must appear personally or by proxy at the meeting to move the proposal for consideration.

**WHEREAS:**

CONSOL is a publicly owned producer of coal and natural gas. CONSOL is the nation's largest producer of coal from underground mines, with 4.5 billion tons of proven and recoverable coal reserves, the most among U.S. coal companies. In recognition of the need to combat climate change and minimize global temperature rise, most developed nations signed the Copenhagen Accord finding that deep cuts in greenhouse gas emissions are required and that the increase in global temperature should be below 2 degrees Celsius.

In this year's World Energy Outlook, the International Energy Agency states, "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2 degree Celsius goal" and, "Almost two-thirds of these carbon reserves are related to coal..." A recent HSBC report analyzing certain large mining companies found that, if constraints on carbon emissions were imposed after 2020, they could reduce coal asset valuations by as much as 44 percent.

It is of concern to investors that a portion of CONSOL's coal and gas reserves and/or related infrastructure may become unusable, unmarketable, or otherwise not economically viable as a result of greenhouse gas restrictions.

Company disclosure and analysis of this challenge is very limited. Its February 2012 Form 10-K states that "If comprehensive laws focusing on greenhouse gas emission reductions were to be enacted... [it] could have a material adverse effect on our cash flows and financial condition." The Company also states that technology to address limits for coal, "Commercial scale [carbon capture and sequestration,] is not likely to be available in the near future, and if available, it may make coal fired electric generation units uneconomical."

Given the increasing likelihood of material impact, shareholders need additional disclosure of the company's action plans, and risk scenarios, associated with likely greenhouse gas regulation.

**RESOLVED:**

Shareholders request CONSOL to prepare a report on the company's goals and plans to address global concerns regarding fossil fuels and their contribution to climate change, including analysis of long and short

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term financial and operational risks to the company and society. The report should omit proprietary information, be prepared at reasonable cost, and be made available to shareholders by September 30, 2013.

### **SUPPORTING STATEMENT:**

In analyzing long and short term risks, proponent suggests that CONSOL perform an analysis of various scenarios the company deems likely or reasonably possible, such as restrictions on carbon emissions allocated by geographic regions or fuel types. Such analysis should describe a range of scenarios in which a portion of its reserves or infrastructure are at risk of becoming stranded assets due to carbon regulation, and the impact of those scenarios on any plans to continue to explore or further develop new coal or gas reserves.

END OF SHAREHOLDER PROPOSAL

## **CONSOL S STATEMENT IN OPPOSITION TO THE SHAREHOLDER PROPOSAL**

Our board and management respect our investors' interests in environmental issues, and we recognize the importance of environmental management. We practice the responsible use of our land and other natural resources, and this is reflected in an Environmental Management System ( EMS ) that addresses our goal to operate in an environmentally sound, reliable, and efficient manner. We understand concerns regarding climate change and have disclosed our plans and steps we have taken, within our control, to address this issue with respect to our operations. We also ask our investors to recognize that CONSOL is a coal and natural gas producer, and that the vast majority of greenhouse ( GHG ) emissions are derived from our customers' operations, not our own. Nonetheless, as we describe below, we invest in research and development ( R&D ) projects and have taken and continue to take numerous actions to reduce the GHG emissions from both our operations and our customers' operations.

There are three core principles of our EMS: to avoid impacts, minimize impacts, and mitigate impacts. We have 120 environmental management professionals, including chemists, biologists, hydrologists, engineers, a dedicated corporate responsibility coordinator, compliance advisors and other technical staff. EMS is a systematic approach to environmental management that focuses on compliance and continual improvement through selective planning, review and corrective action.

### ***CONSOL Has Implemented the Proposal and Already Publishes a Corporate Responsibility Report and Provides Extensive Public Disclosures that Disclose Our Plans to Address Concerns Regarding Climate Change and Related Risks***

CONSOL has produced the 2011 Corporate Responsibility Report (the CRR ) which is publicly available on our website at [www.consolenergy.com](http://www.consolenergy.com). The CRR provides detailed information directly responsive to the proposal with regard to CONSOL's goals and plans to address global concerns regarding fossil fuels (specifically related to our coal and natural gas operations) and their contribution to climate change. In addition to emphasizing that air and GHG emissions are material concerns for CONSOL, the *Environment at CONSOL Energy* section of the CRR outlines specific initiatives undertaken by CONSOL to reduce its own carbon footprint as well as to assist our customers with these issues, including:

**Privately owned R&D facility that focuses a significant part of its capacity on reduction of our air emissions.** CONSOL maintains the largest private research and development facility in the U.S. coal and gas industry that is devoted exclusively to coal and energy utilization and improving energy efficiency and reducing pollution. The activities of the R&D facility include coal-fueled power plant emissions reduction, GHG emissions reduction, and ambient air quality.

**Specific projects to minimize climate change-related impacts.** We work with energy companies to develop cost effective solutions to environmental and regulatory challenges. Specific R&D projects include:

- i Working with GHG abatement and energy-efficient projects developer Verdero, a Sindicatum Sustainable Resources company, to install the largest coal mine ventilation air methane (VAM) abatement project in the U.S.



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- i Partnering with Green Holdings on a project to install VAM abatement technology at the Enlow Fork mine. Combined with the VAM abatement project above, the projects are designed to reduce CONSOL's VAM emissions by 524,000 metric tons of carbon dioxide equivalent per year.
  
- i Working with the Commonwealth of Pennsylvania to install a 200KW Capstone microturbine that will be fueled with what is otherwise waste gas stream from CONSOL's Fallowfield natural gas processing plant.
  
- i Partnering with the Virginia Center for Coal and Energy Research at Virginia Tech University to characterize viable carbon dioxide storage options in coal seams.
  
- i Partnering with AES Greenbridge to demonstrate a multi-pollutant control system to reduce emissions from smaller coal-fired power plants.

**Performing a GHG Inventory.** We measure performance in terms of air emissions and reporting on our carbon footprint and we have expressed a commitment to undertake a full emissions inventory of all operations. We seek to align with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol. CONSOL Energy reported for the first time on its carbon footprint in its CRR. We reported on Scope 1 and Scope 2 of our emissions for both coal mining and natural gas production. We committed in our CRR to perform an evaluation of suitable reduction goals after reviewing our complete baseline inventory, and we remain committed to that in preparation of our 2012 CRR, as well as including, to the extent possible, our Scope 3 emissions, which include carbon dioxide emissions from customers using our coal for electricity and steel production.

**Replacing coal-fired thermal dryers with natural gas-fired thermal dryers.**

Moreover, in the CRR Report and in the Form 10-K for the fiscal year ended December 31, 2012 (the Form 10-K), CONSOL already provides information directly responsive to the proposal that addresses the long- and short-term financial and operational risks to the company of concerns regarding CONSOL's operations and potential climate change consequences. Specifically, CONSOL's Form 10-K disclosure specifically addresses the following risks and matters:

Regulation of greenhouse gas emissions as well as uncertainty concerning such regulation could adversely impact the market for coal and natural gas and the regulation of greenhouse gas emissions may increase our operating costs and reduce the value of our coal and gas assets, on pages 42-43 of our Form 10-K.

The characteristics of coal may make it costly for electric power generators and other coal users to comply with various environmental standards regarding the emissions of impurities released when coal is burned which could cause utilities to replace coal-fired power plants with alternative fuels. In addition, various incentives have been proposed to encourage the generation of electricity from renewable energy sources. A reduction in the use of coal for electric power generation could decrease the volume of our coal sales and adversely affect our results of operation, on pages 41-42 of our Form 10-K.

For mining and drilling operations, CONSOL Energy must obtain, maintain, and renew governmental permits and approvals which if we cannot obtain in a timely manner would reduce our production, cash flow and results of operations, on pages 44-45 of the Form 10-K.

Existing and future government laws, regulations and other legal requirements relating to protection of the environment, and others that govern our business may increase our costs of doing business for coal and may restrict our coal operations, on page 45

of the Form 10-K.

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Existing and future government laws, regulations and other legal requirements relating to protection of the environment, and others that govern our business may increase our costs of doing business for natural gas, and may restrict both our gas operations on pages 45-46 of the Form 10-K.

In our discussion of the regulations relating to the Clean Air Act (the CAA ) and related regulations on pages 33-34 of our Form 10-K, we further emphasize that environmental regulations governing emissions from coal-fired electric generating plants could affect demand for coal as a fuel source and affect the volume of our sales.

In the same discussion of the regulations relating to the CAA and related regulations on pages 33-34 of our Form 10-K, we also address the risks associated with the U.S. Environmental Protection Agency s proposed standards for the emission of GHG from new and reconstructed electric generating units at power plants and how those proposed standards could significantly increase the cost of generation of electricity at coal fired facilities and could make competing forms of electricity generation more competitive.

***The Proposal Has Already Been Implemented Through Compliance with Applicable Laws and Regulations***

CONSOL is engaged in a highly regulated business which regulations are described in significant detail on pages 32-38 of the Form 10-K. We are also subject to extensive disclosure requirements pursuant to the rules and regulations of the SEC. The proposal requests that CONSOL provide an analysis of long- and short-term financial and operational risks to the company and society related to global concerns regarding fossil fuels and their contribution to climate change. Among other disclosure requirements, SEC Regulation S-K, Items 101 (Description of Business), 103 (Legal Proceedings), 303 (Management s Discussion and Analysis of Financial Condition and Results of Operations) and 503(c) (Risk Factors) require CONSOL to provide disclosure in its public filings with the SEC that is substantially similar to the information requested in the proposal. In *Commission Guidance Regarding Disclosure Related to Climate Change*, Exchange Act Release No. 61469 (Feb. 2, 2010), the SEC underscored the possible need to include climate change disclosure to the Regulation S-K items referenced above. Accordingly, CONSOL has already addressed and publicly disclosed the matters sought by the proposal regarding financial and operational risks to the Company in its public filings.

***The Proposal is Overreaching, Unlikely to be Implemented at a Reasonable Cost and Requires a Report Addressing Issues Outside Our Experience and Purpose***

Portions of the proposal request the Corporation consider matters far beyond its business and markets a report on the company s goals and plans to address *global concerns* regarding fossil fuels and long and short term *risks to society*. (Emphasis added). CONSOL mines and produces two fossil fuels, coal and natural gas, and has no particular experience enabling it to assess the risks to society, as a whole, of fossil fuels generally and their contribution to climate change as stated in the proposal. Further, the proposal s request for an analysis of long- and short-term financial and operational risks to society of fossil fuels and their contribution to climate change is so vague, CONSOL would not be able to determine with any reasonable certainty what such financial and operational risks are to society, as a whole. In sum, the proposal requests that CONSOL provide a report on matters unrelated to its business and involving societal concerns that are vague and beyond the scope of its business and experience. CONSOL s already extant disclosures have effectively addressed the concerns raised by the proposal.

Finally, while the proposal is couched with the words likely or reasonably possible, we believe that it would require the Corporation to engage in pure speculation on a variety of matters outside of its control. This includes, for example, (i) long and short term risks to society , (ii) future possible restrictions on carbon emissions, (iii) allocating these future possible restrictions to geographic regions or fuel types and (iv) if regulations on carbon emissions were enacted and if such regulations were in geographic areas in which our customers reside, the reaction and conduct of our customers in response to any such regulations on carbon emissions. We do not see any clear path, let alone one involving only reasonable cost, for creating a range of scenarios based on what political bodies such as the United States Congress, state legislatures or foreign governments are likely or reasonably possible to do in the future, nor to predict future administrative actions or the validity of future administrative actions regarding climate change and fossil fuels.

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This range of scenarios is further complicated by the following:

***Impact of Upgraded Coal-Fired Units on Domestic Demand.*** We believe electricity generators are spending substantial sums of money on upgrading coal-fired units which should enable them to operate for the next 20-30 years. These upgraded units may have very low emissions and be able to generate electricity burning coal at low cost. Thus, even though the U.S. coal-fired fleet may decrease due to the impact of various regulations, it is possible that domestic electricity generators will continue as a substantial market for coal for an extended period of time, depending on the strength of the U.S. economy and natural gas prices.

***Developing Countries Impact on Worldwide Demand.*** Coal has been the fastest growing worldwide fuel for electricity generation and some forecasts expect this trend to continue for at least the next decade as developing countries use coal as a low-cost fuel to produce electricity for their citizens. CONSOL believes that it is uniquely positioned with low cost, high BTU coal, a river based transportation system and an export terminal to provide to global markets as well as U.S. markets.

***Future Improved Commercial Technologies Impact on Demand.*** Apart from efforts by CONSOL's R&D department, we believe that substantial sums are being spent globally to improve the efficiency of coal-fired electricity generation plants and to commercialize technology that could capture CO<sub>2</sub> and safely store it deep underground. If these efforts succeed, coal-fired power plants in the future might become the lower cost, environmentally friendly method for producing electricity and electricity generators would continue as a substantial market for coal for an extended period of time.

Thus, it is not a certainty that there will be a long-term substantial diminution in the demand for coal and the future may hold more promise for coal than risk. The requested report would require a lot of guessing and speculation about the future and would not be a good use of CONSOL's resources.

In conclusion, we do not believe it to be in the shareholders' best interests to expend corporate funds and time engaging in such varied speculative scenarios.

**IF IT IS PROPERLY PRESENTED AT THE ANNUAL MEETING, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THE SHAREHOLDER PROPOSAL AND WILL SO VOTE PROXIES RECEIVED THAT DO NOT OTHERWISE SPECIFY.**

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**ADDITIONAL MATTERS**

***Shareholder Proposals for Inclusion in Next Year's Proxy Statement or Presentation at Next Year's Annual Meeting***

Any proposal submitted by a shareholder for inclusion in the next Annual Meeting Proxy Statement must (a) conform to the requirements of Rule 14a-8 promulgated under the Exchange Act and (b) be received by the Secretary of CONSOL at our principal executive offices no later than November 29, 2013. Any such proposal should be addressed to the Secretary, CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317. There is more information below regarding the content of proposals.

CONSOL's Amended and Restated Bylaws require that all shareholder proposals to be submitted at the Annual Meeting, but not included in the Corporation's Proxy Statement, be received by the Secretary of CONSOL as written notice no later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day prior to the first anniversary of the preceding year's Annual Meeting, together with certain information specified in the Amended and Restated Bylaws. If the date of the Annual Meeting is more than 30 days before or more than 60 days after the anniversary date, notice by the shareholder must be delivered not earlier than the close of business on the 120<sup>th</sup> day prior to the Annual Meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to the Annual Meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of the meeting is first made by CONSOL.

***General Information Regarding the Requirements for Shareholder Nominations of Directors***

Shareholders who intend to nominate a person for election as a Director must submit a notice disclosing certain information regarding the nominee, including the principal occupations or employment of such person during the past five years and evidence of the nominating shareholder's ownership of CONSOL stock including, among other things:

the name and address of the shareholder as it appears on CONSOL's books, and of such beneficial owner;

the class and number of shares of CONSOL and of any derivative instruments thereof which are owned beneficially and of record by the shareholder;

any other information relating to the shareholder or beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for, as applicable, the proposal and/or for the election of directors in a contested election;

a representation that such owner intends to appear in person or by proxy at the meeting to propose such nomination; and

a representation whether the shareholder or beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of CONSOL's outstanding capital stock required to elect the nominee and/or (b) otherwise solicit proxies from shareholders in support of such nomination.

In addition, the notice must be accompanied by a statement of the nominee indicating his or her willingness to serve if elected, and a questionnaire, representation and agreement as described in the Corporation's Amended and Restated Bylaws.

***Householding of Proxy Materials***

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address and the same last name by delivering a single proxy statement addressed to those shareholders. This process, which is commonly



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referred to as householding, potentially provides extra convenience for shareholders and cost savings for companies. The Corporation and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once shareholders have received notice from their broker or the Corporation that materials will be sent in the householding manner to the shareholder's address, householding will continue until otherwise notified or until the shareholder revokes such consent. If, at any time, shareholders no longer wish to participate in householding and would prefer to receive a separate proxy statement, they should notify their broker if shares are held in a brokerage account or the Corporation if holding registered shares. The Corporation will deliver promptly upon written or oral request a separate copy of the annual report or proxy statement, as applicable, to a shareholder at a shared address to which a single copy of the documents was delivered. Any such notice should be addressed to the Investor Relations department of CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317, or notice may be given by calling CONSOL at (724) 485-8800:

to receive a separate copy of an annual report or proxy statement for this meeting;

to receive separate copies of those materials for future meetings; or

if the shareholder shares an address and wishes to request delivery of a single copy of annual reports or proxy statements if now receiving multiple copies of annual reports or proxy statements.

***Other***

The Board knows of no other proposals that may properly be presented for consideration at the Annual Meeting but, if other matters do properly come before the Annual Meeting, the persons named in the proxy will vote your shares according to their best judgment.

By the Order of the Board of

Directors of CONSOL Energy Inc.

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**APPENDIX A**

**CONSOL ENERGY INC.**

**EXECUTIVE ANNUAL INCENTIVE PLAN**

**(As Amended and Restated)**

**1. PURPOSE OF THE PLAN**

The purpose of the CONSOL Energy Inc. Executive Annual Incentive Plan (the Plan ) is to advance the interests of the Company and its shareholders by providing incentives to officers and certain other key employees with significant responsibility for achieving performance goals critical to the success and growth of the Company. The Plan is designed to: (i) promote the attainment of the Company's significant business objectives; (ii) encourage and reward management teamwork across the entire Company; and (iii) assist in the attraction and retention of employees vital to the Company's long-term success.

**2. DEFINITIONS**

For the purpose of the Plan, the following definitions shall apply:

- (a) **Board** means the Board of Directors of the Company.
- (b) **Code** means the Internal Revenue Code of 1986, as amended, including any successor law thereto.
- (c) **Committee** means the Compensation Committee of the Board, or such other committee as is appointed or designated by the Board to administer the Plan, in each case which shall be comprised solely of two or more outside directors (as defined under Section 162(m) of the Code and the regulations promulgated thereunder).
- (d) **Company** means CONSOL Energy Inc. and any subsidiary entity or affiliate thereof, including subsidiaries or affiliates which become such after adoption of the Plan.
- (e) **Forfeit, Forfeiture, Forfeited** means the loss by a Participant of any and all rights to an award granted under the Plan, including the loss of any payment of compensation by the Company under the Plan or any award granted thereunder.
- (f) **Participant** means any person: (1) who satisfies the eligibility requirements set forth in Paragraph 4; (2) to whom an award has been made by the Committee; and (3) whose award remains outstanding under the Plan.
- (g) **Performance Goal** means, in relation to any Performance Period, the level of performance that must be achieved with respect to a Performance Measure.
- (h) **Performance Measures** means any one or more of the following performance criteria, either individually, alternatively or in any combination, and subject to such modifications or variations as specified by the Committee, applied to either the Company as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured over a period of time including any portion of a year, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation, and amortization or some variation thereof); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; capital expenditures; debt; debt reduction; working capital; return on investment; return on sales; return on invested capital; net or gross sales; market share;



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equity ratios; economic value added; cost of capital; assets or change in assets; expenses; expense reduction levels; productivity; delivery performance; safety record and/or performance; environmental record and/or performance; mine closures; stock price; interest-sensitivity gap levels; return on equity or capital employed; total or relative increases to stockholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating income adjusted for management fees and depreciation, and amortization; operating profit or net operating profit; gross margin, operating margin or profit margin; amount of oil and gas reserves; oil and gas reserve additions; oil and gas reserve replacement ratios; costs of finding oil and gas reserves; daily natural gas and/or oil production; charge-offs; non-performing assets; asset sale targets; asset quality levels; value of assets; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; value creation; achievement of balance sheet or income statement objectives; and completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives.

To the extent consistent with Section 162(m) of the Code and the regulations promulgated thereunder, the Committee may determine that certain adjustments shall apply, in whole or in part, in such manner as specified by the Committee, to include or exclude the effect of events that occur during a Performance Period, including the following: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains/losses on the sale of assets; foreign exchange gains and/or losses; expenses relating to stock offerings and stock repurchases; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs, including, but not limited to, reductions in force and early retirement incentives; currency fluctuations; and any extraordinary, unusual, infrequent or non-recurring items, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company's annual report for the applicable period.

- (i) Performance Period means, in relation to any award, the calendar year or other fiscal period within the calendar year of less than 12 months for which a Participant's performance is being calculated, with each such period constituting a separate Performance Period.
- (j) Section 409A shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.
- (k) Retirement means retirement of an employee as determined and authorized by the Committee.
- (l) Total and Permanent Disability means: (1) if the Participant is insured under a long-term disability insurance policy or plan which is paid for by the Company, the Participant is totally disabled under the terms of that policy or plan; or (2) if no such policy or plan exists, the Participant shall be considered to be totally disabled as determined by the Committee.

**3. ADMINISTRATION OF THE PLAN**

(a) The management of the Plan shall be vested in the Committee; provided, however, that all acts and authority of the Committee pursuant to this Plan shall be subject to the provisions of the Committee's Charter, as amended from time to time, and such other authority as may be delegated to the Committee by the Board. The Committee may, with respect to Participants whom the Committee determines are not likely to be subject to Section 162(m) of the Code, delegate such of its powers and authority under the Plan to the Company's officers as it deems necessary or appropriate. In the event of such delegation, all references to the Committee in this Plan shall be deemed references to such officers as it relates to those aspects of the Plan that have been delegated.

(b) Subject to the terms of the Plan, the Committee shall, among other things, have full authority and discretion to determine eligibility for participation in the Plan, make awards under the Plan, establish the terms

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and conditions of such awards (including the Performance Goal(s) and Performance Measure(s) to be utilized) and determine whether the Performance Goals applicable to any Performance Measures for any awards have been achieved. The Committee's determinations under the Plan need not be uniform among all Participants, or classes or categories of Participants, and may be applied to such Participants, or classes or categories of Participants, as the Committee, in its sole and absolute discretion, considers necessary, appropriate or desirable. The Committee is authorized to interpret the Plan, to adopt administrative rules, regulations, and guidelines for the Plan, and may correct any defect, supply any omission or reconcile any inconsistency or conflict in the Plan or in any award. All determinations by the Committee shall be final, conclusive and binding on the Company, the Participant and any and all interested parties.

(c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which awards under the Plan will be structured to conform to the requirements applicable to performance-based compensation as described in Section 162(m) of the Code, and to take such action, establish such procedures, and impose such restrictions at the time such awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements. Notwithstanding any provision of the Plan to the contrary, if an award under this Plan is intended to qualify as performance-based compensation under Section 162(m) of the Code and the regulations issued thereunder and a provision of this Plan would prevent such award from so qualifying, such provision shall be administered, interpreted and construed to carry out such intention (or disregarded to the extent such provision cannot be so administered, interpreted or construed).

(d) The benefits provided under the Plan are intended to be excepted from coverage under Section 409A and the regulations promulgated thereunder and shall be construed accordingly. Notwithstanding any provision of the Plan to the contrary, if any benefit provided under this Plan is subject to the provisions of Section 409A and the regulations issued thereunder (and not excepted therefrom), the provisions of the Plan shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

**4. PARTICIPATION IN THE PLAN**

Officers and key employees of the Company, as determined by the Committee, shall be eligible to participate in the Plan. No employee shall have the right to participate in the Plan, and participation in the Plan in any one Performance Period does not entitle an individual to participate in future Performance Periods.

**5. INCENTIVE COMPENSATION AWARDS**

(a) The Committee may, in its discretion, from time to time make awards to persons eligible for participation in the Plan pursuant to which the Participant will earn cash compensation. The amount of a Participant's award may be based on a percentage of such Participant's salary or such other methods as may be established by the Committee. Each award shall be communicated to the Participant, and shall specify, among other things, the terms and conditions of the award and the Performance Goals to be achieved. The maximum amount that may be paid under the Plan to a Participant for any calendar year shall not exceed USD \$6,000,000.

(b) With respect to awards that are intended to be performance-based compensation under Section 162(m) of the Code, each award shall be conditioned upon the achievement of one or more Performance Goal(s) with respect to the Performance Measure(s) established by the Committee. No later than ninety (90) days after the beginning of the applicable Performance Period, the Committee shall establish in writing the Performance Goals, Performance Measures and the method(s) for computing the amount of compensation which will be payable under the Plan to each Participant if the Performance Goals established by the Committee are attained; provided however, that for a Performance Period of less than one year, the Committee shall take any such actions prior to the lapse of 25% of the Performance Period. In addition to establishing minimum Performance Goals below which no compensation shall be payable pursuant to an award, the Committee, in its

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discretion, may create a performance schedule under which an amount less than or more than the target award may be paid so long as the Performance Goals have been achieved.

(c) The Committee, in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as a condition precedent to the payment of all or a portion of any awards. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a Participant of a specified annual performance rating, the continued employment by the Participant and/or the achievement of specified performance goals by the Company, business unit or Participant. Furthermore and notwithstanding any provision of this Plan to the contrary, the Committee, in its sole discretion, may reduce the amount of any award to a Participant if it concludes that such reduction is necessary or appropriate based upon: (i) an evaluation of such Participant's performance; (ii) comparisons with compensation received by other similarly situated individuals working within the Company's industry; (iii) the Company's financial results and conditions; or (iv) such other factors or conditions that the Committee deems relevant. Notwithstanding any provision of this Plan to the contrary, the Committee shall not use its discretionary authority to increase any award that is intended to be performance-based compensation under Section 162(m) of the Code.

**6. PAYMENT OF INDIVIDUAL INCENTIVE AWARDS**

(a) After the end of the Performance Period, the Committee shall certify in writing the extent to which the applicable Performance Goals and any other material terms have been achieved. Subject to the provisions of the Plan, earned Awards shall be paid in the first calendar year immediately following the end of the Performance Period on or before March 15<sup>th</sup> of such calendar year (Payment Date). For purposes of this provision, and for so long as the Code permits, the approved minutes of the Committee meeting in which the certification is made may be treated as written certification.

(b) Unless otherwise determined by the Committee, Participants who have terminated employment with the Company prior to the actual payment of an award for any reason (including but not limited to death, Retirement or Total and Permanent Disability), shall Forfeit any and all rights to payment under any awards then outstanding under the terms of the Plan and shall not be entitled to any cash payment for such period. If a Participant's employment with the Company should terminate during a Performance Period and the Committee determines that the award is not Forfeited, the Participant's award shall be prorated to reflect the period of service during the Performance Period prior to his/her termination, death, Retirement or Total and Permanent Disability, and shall be paid either to the Participant or, as appropriate, the Participant's estate, subject to the Committee's certification that the applicable Performance Goals and other material terms have been met.

**7. AMENDMENT OR TERMINATION OF THE PLAN**

(a) While the Company intends that the Plan shall continue in force from year to year, the Committee reserves the right to amend, modify or terminate the Plan at any time; provided, however, that no such modification, amendment or termination shall without the consent of the Participant, materially adversely affect the rights of such Participant to any payment that has been determined by the Committee to be due and owing to the Participant under the Plan but not yet paid. Any and all actions permitted under this Paragraph 7 may be authorized and performed by the Committee in its sole and absolute discretion.

(b) Notwithstanding the foregoing or any provision of the Plan to the contrary, the Committee may at any time (without the consent of the Participant) modify, amend or terminate any or all of the provisions of this Plan to the extent necessary to conform the provisions of the Plan with Section 409A or Section 162(m) of the Code, the regulations promulgated thereunder or an exception thereto regardless of whether such modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under the Plan. Notwithstanding, (i) Section 409A may impose upon the Participant certain taxes or other charges for which the Participant is and shall remain solely responsible, and nothing contained in this Plan shall be construed to obligate the Company for such taxes or other charges, and (ii) in no event shall the Committee or Board (or any member thereof), or the Company (or its employees, officers, directors or affiliates) have any liability to any

## **Table of Contents**

Participant (or any other person) due to the failure of the Plan to satisfy the requirements of Section 409A or any other applicable law.

### **8. RIGHTS NOT TRANSFERABLE**

A Participant's rights under the Plan may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to the Participant's designated beneficiary, or in the absence of such a designation, by will or by the laws of descent and distribution.

### **9. FUNDING/PAYMENT**

The Plan is not funded and all awards payable hereunder shall be paid from the general assets of the Company. No provision contained in this Plan and no action taken pursuant to the provisions of this Plan shall create a trust of any kind or require the Company to maintain or set aside any specific funds to pay benefits hereunder. To the extent a Participant acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. If any earned Award is not paid by the Payment Date due to administrative impracticability, such earned Award will be paid, without earnings, as soon as administratively practicable thereafter.

### **10. WITHHOLDINGS**

The Company shall have the right to withhold from any awards payable under the Plan or other wages payable to a Participant such amounts sufficient to satisfy federal, state and local tax withholding obligations arising from or in connection with the Participant's participation in the Plan and such other deductions as may be authorized by the Participant or as required by applicable law.

### **11. NO EMPLOYMENT OR SERVICE RIGHTS**

Nothing contained in the Plan shall confer upon any Participant any right with respect to continued employment with the Company (or any of its affiliates) nor shall the Plan interfere in any way with the right of the Company (or any of its affiliates) to at any time reassign the Participant to a different job, change the compensation of the Participant or terminate the Participant's employment for any reason.

### **12. OTHER COMPENSATION PLANS**

Nothing contained in this Plan shall prevent the Corporation from adopting other or additional compensation arrangements for employees of the Corporation, including arrangements that are not intended to comply with Section 162(m) of the Code.

### **13. GOVERNING LAW**

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its conflict of law provisions.

The Plan, as amended and restated, shall become effective subject to approval and adoption of the Plan, as amended and restated, by the Company's stockholders at the Company's annual meeting of stockholders to be held on May 8, 2013. If this amendment and restatement of the Plan is not so approved at such meeting, then the Plan as in effect immediately prior to May 8, 2013 shall remain in effect.

### **14. CLAWBACK**

Notwithstanding any other provisions in this Plan, any award granted hereunder which is or becomes subject to recovery under any Company policy adopted hereafter and required by law, regulation or stock exchange listing requirement, shall be subject to such deductions, recoupment, and clawback as may be required to be made pursuant to such Company policy.



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**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on May 8, 2013.**

**Vote by Internet**

Go to [www.envisionreports.com/CNX](http://www.envisionreports.com/CNX)  
Or scan the QR code with your smartphone  
Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**X**

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

**Proposals**

**A**

**1. The Board recommends a vote **FOR** all nominees.**

Election of Directors: 01 - J. Brett Harvey      02 - Philip W. Baxter      03 - James E. Altmeyer, Sr.      04 - William E. Davis      05 - Raj K. Gupta  
06 - David C. Hardesty, Jr.      07 - John T. Mills      08 - William P. Powell      09 - Joseph T. Williams

**+**

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.. Mark here to vote **FOR** all nominees      .. Mark here to **WITHHOLD** vote from all nominees

01   02   03   04   05   06   07   08   09

.. **For All EXCEPT** - To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

..   ..   ..   ..   ..   ..   ..   ..   ..

- |   |  |
|---|--|
| <p><b>2. The Board recommends a vote <u>FOR</u> Proposal 2.</b></p> <p style="text-align: center;"><b>For   Against   Abstain</b></p> <p>Approval of the Amended and Restated CONSOL Energy Inc. Executive Annual Incentive Plan.</p> <p style="text-align: center;">..   ..   ..</p> | <p><b>5. The Board recommends a vote <u>AGAINST</u> Proposal 5.</b></p> <p style="text-align: center;"><b>For   Against   Abstain</b></p> <p>A Shareholder Proposal Regarding Political Contributions.</p> <p style="text-align: center;">..   ..   ..</p> |
| <p><b>3. The Board recommends a vote <u>FOR</u> Proposal 3.</b></p> <p style="text-align: center;"><b>For   Against   Abstain</b></p> <p>Ratification of Anticipated Selection of Independent Auditor: Ernst &amp; Young LLP.</p> <p style="text-align: center;">..   ..   ..</p>     | <p><b>6. The Board recommends a vote <u>AGAINST</u> Proposal 6.</b></p> <p style="text-align: center;"><b>For   Against   Abstain</b></p> <p>A Shareholder Proposal Regarding a Climate Change Report.</p> <p style="text-align: center;">..   ..   ..</p> |
| <p><b>4. The Board recommends a vote <u>FOR</u> Proposal 4.</b></p> <p style="text-align: center;"><b>For   Against   Abstain</b></p> <p>Approval of Compensation Paid to CONSOL Energy Inc. s Named Executives.</p> <p style="text-align: center;">..   ..   ..</p>                  |  |

PLEASE DATE, SIGN AND RETURN THE PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.

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**YOUR VOTE IS IMPORTANT**

Please sign and date this proxy card and return it promptly in the enclosed postage-paid envelope so your shares may be represented at the Annual Meeting. If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

**PROXY FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2013**

**PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints J. Brett Harvey, Stephen W. Johnson and Stephanie L. Gill, and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares, on all matters designated on the reverse side or otherwise properly presented at the Annual Meeting of Shareholders of CONSOL Energy Inc., as the undersigned may be entitled to vote at the Annual Meeting of Shareholders of CONSOL Energy Inc. to be held on May 8, 2013 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, and any postponement or adjournment thereof, with all powers that the undersigned would possess if personally present.

This Proxy when properly executed will be voted in the manner directed herein. **If no direction is made, this Proxy will be voted FOR the election of nominees in proposal 1, FOR approval of the Amended and Restated CONSOL Energy Inc. Executive Annual Incentive Plan in proposal 2, FOR ratification of Ernst & Young LLP in proposal 3, FOR the approval of compensation paid to CONSOL Energy Inc. s named executives in proposal 4, AGAINST the shareholder proposal regarding political contributions in proposal 5, and AGAINST the shareholder proposal regarding a climate change report in proposal 6, and the proxies are authorized, in accordance with their judgment, to vote upon such other matters as may properly come before the meeting and any postponement or adjournment thereof.**

**B Non-Voting Items**

**Change of Address** Please print new address below.

**Meeting Attendance**  
Mark box to the right if ..  
you plan to attend the  
Annual Meeting.

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

**NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, trustee, administrator or guardian, please give full title as such.**



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Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

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Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. **X**

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q



**Proposals**

1. **The Board recommends a vote FOR all nominees.**  
 Election of Directors: 01 - J. Brett Harvey    02 - Philip W. Baxter    03 - James E. Altmeyer, Sr.    04 - William E. Davis    05 - Raj K. Gupta    06 - David C. Hardesty, Jr.    07 - John T. Mills    08 - William P. Powell    09 - Joseph T. Williams    **+**

.. **Mark here to vote FOR all nominees**    .. **Mark here to WITHHOLD vote from all nominees**

|  |    |    |    |    |    |    |    |    |    |
|--|----|----|----|----|----|----|----|----|----|
|  | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 |
| .. <b>For All <u>EXCEPT</u></b> - To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

2. **The Board recommends a vote FOR Proposal 2.**

|  |            |                |                |
|--|------------|----------------|----------------|
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| Approval of the Amended and Restated CONSOL Energy Inc. Executive Annual Incentive Plan. | ..         | ..             | ..             |

5. **The Board recommends a vote AGAINST Proposal 5.**

|   |            |                |                |
|---|------------|----------------|----------------|
|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| A Shareholder Proposal Regarding Political Contributions. | ..         | ..             | ..             |

3. **The Board recommends a vote FOR Proposal 3.**

|  |            |                |                |
|--|------------|----------------|----------------|
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| Ratification of Anticipated Selection of Independent Auditor: Ernst & Young LLP. | ..         | ..             | ..             |

6. **The Board recommends a vote AGAINST Proposal 6.**

|   |            |                |                |
|---|------------|----------------|----------------|
|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| A Shareholder Proposal Regarding a Climate Change Report. | ..         | ..             | ..             |

4. **The Board recommends a vote FOR Proposal 4.**

|  |            |                |                |
|--|------------|----------------|----------------|
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|--|------------|----------------|----------------|

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Approval of Compensation Paid to CONSOL  
Energy Inc. s Named Executives.

.. ..

PLEASE DATE, SIGN AND RETURN THE PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.

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**YOUR VOTE IS IMPORTANT**

Please sign and date this proxy card and return it promptly in the enclosed  
postage-paid envelope so your shares may be represented at the Annual Meeting.

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q



**PROXY FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2013**

**PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints J. Brett Harvey, Stephen W. Johnson and Stephanie L. Gill, and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares, on all matters designated on the reverse side or otherwise properly presented at the Annual Meeting of Shareholders of CONSOL Energy Inc., as the undersigned may be entitled to vote at the Annual Meeting of Shareholders of CONSOL Energy Inc. to be held on May 8, 2013 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, and any postponement or adjournment thereof, with all powers that the undersigned would possess if personally present.

This Proxy when properly executed will be voted in the manner directed herein. **If no direction is made, this Proxy will be voted FOR the election of nominees in proposal 1, FOR approval of the Amended and Restated CONSOL Energy Inc. Executive Annual Incentive Plan in proposal 2, FOR ratification of Ernst & Young LLP in proposal 3, FOR the approval of compensation paid to CONSOL Energy Inc. s named executives in proposal 4, AGAINST the shareholder proposal regarding political contributions in proposal 5, and AGAINST the shareholder proposal regarding a climate change report in proposal 6, and the proxies are authorized, in accordance with their judgment, to vote upon such other matters as may properly come before the meeting and any postponement or adjournment thereof.**

**B Authorized Signatures** This section must be completed for your vote to be counted. Date and Sign Below

**NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, trustee, administrator or guardian, please give full title as such.**

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

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