PPG INDUSTRIES INC
Form PRE 14A
February 16, 2007
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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

x Filed by the Registrant

¨ Filed by a Party other than the Registrant

Check the appropriate box:

x 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

PPG Industries, 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PPG Industries, Inc. One PPG Place Pittsburgh, Pennsylvania 15272

March , 2007

Dear Shareholder:

You are cordially invited to attend the 2007 Annual Meeting of Shareholders of PPG Industries, Inc. to be held on Thursday, April 19, 2007, at The Hilton Pittsburgh, 600 Commonwealth Place, Gateway Center, Pittsburgh, Pennsylvania 15222. The meeting will begin at 11:00 A.M. We look forward to greeting personally those shareholders who will be able to be present.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as directors. If you plan to attend the meeting, please detach the Admission Ticket from your proxy card and bring it to the meeting.

Your vote is important. Whether you plan to attend the meeting in person or not, we hope you will vote your shares as soon as possible. Please either sign and return the accompanying card in the postage-paid envelope or instruct us by telephone or via the Internet as to how you would like your shares voted. Instructions are on the proxy card. This will ensure representation of your shares if you are unable to attend.

Sincerely yours,

Charles E. Bunch

Chairman of the Board and Chief Executive Officer

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PPG INDUSTRIES, INC.

One PPG Place, Pittsburgh, Pennsylvania 15272

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 19, 2007

Dear Shareholder:

We will hold the 2007 Annual Meeting of Shareholders of PPG Industries, Inc. on Thursday, April 19, 2007, at 11:00 a.m., Eastern Time, at The Hilton Pittsburgh, 600 Commonwealth Place, Gateway Center, Pittsburgh, Pennsylvania 15222.

The purpose of the Annual Meeting is to consider and vote on the following matters:

1. The election of three directors;

2. The endorsement of Deloitte & Touche LLP as our independent registered public accounting firm for 2007;

3. A Board of Directors proposal to implement a majority vote standard for the election of directors in uncontested elections, retaining a plurality vote standard in contested elections, conditioned on elimination of cumulative voting;

4. A Board of Directors proposal to eliminate cumulative voting in all elections of directors, conditioned on adoption of the majority vote standard;

5. A shareholder proposal related to future severance agreements with senior executives; and

6. Any other business that may properly come before the meeting.

Owners of shares of PPG Common Stock as of the close of business on February 16, 2007 are entitled to vote at the Annual Meeting.

Admission to the Annual Meeting will be by Admission Card only. If you are a shareholder of record or a PPG Industries Employee Savings Plan participant and plan to attend, tear off and bring the top half of your proxy card and a photo ID to present for admission into the meeting.

If your shares are held through a broker, please contact your broker and request that the broker obtain an Admission Card for you or provide you with evidence of your share ownership, which will gain you admission to the Annual Meeting.

James C. Diggs

Senior Vice President, General Counsel & Secretary

Pittsburgh, Pennsylvania

March   , 2006

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PPG INDUSTRIES, INC.

One PPG Place, Pittsburgh, Pennsylvania 15272

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Annual Meeting of Shareholders April 19, 2007

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GENERAL MATTERS

When and where is the Annual Meeting?

The Annual Meeting will be held on Thursday, April 19, 2007, at 11:00 a.m., Eastern Time, at The Hilton Pittsburgh, 600 Commonwealth Place, Gateway Center, Pittsburgh, Pennsylvania 15222.

Why am I receiving this proxy material?

You are receiving these proxy materials in connection with the solicitation by our board of directors of proxies to be voted at the 2007 Annual Meeting of Shareholders.

If your shares were registered directly in your name with our transfer agent, Mellon Investor Services LLC, as of the close of business on February 16, 2007, you are considered a shareholder of record, and we have sent you this Notice of Annual Meeting and 2007 Proxy Statement, 2006 Annual Report and proxy card.

If your shares were held in the name of a bank, brokerage account or other nominee as of the close of business on February 16, 2007, you are considered a beneficial owner of the shares held in street name. Your bank, broker or other nominee has sent you this Notice of Annual Meeting and 2007 Proxy Statement, 2006 Annual Report, and a vote instruction form. You have the right to direct your bank, broker or other nominee on how to vote your shares by completing and returning the vote instruction form or by following the voting instructions provided to vote on the Internet or by telephone.

What am I voting on?

You are voting on five proposals. Details of each proposal are included in the next section entitled Matters to Be Considered at the Annual Meeting .

- Proposal 1: To elect three directors, each for a term of three years: James G. Berges, Erroll B. Davis, Jr. and Victoria F. Haynes;
- Proposal 2: To endorse the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2007;
- Proposal 3: A Board of Directors proposal to amend our Bylaws to implement a majority vote standard for the election of directors in uncontested elections, retaining a plurality vote standard in contested elections, conditioned on elimination of cumulative voting;
- Proposal 4: A Board of Directors proposal to amend our Articles of Incorporation to eliminate cumulative voting in all elections of directors, conditioned on adoption of the majority vote standard; and
- Proposal 5: A shareholder proposal to urge our board to seek shareholder approval of certain future severance agreements with senior executives.

The adoption of each of Proposal 3 and Proposal 4 is conditioned on the approval by shareholders of the other and, therefore, neither proposal will be implemented unless both proposals are approved.

What are the Board s recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

- Proposal 1: **FOR** the election of three directors, each for a term of three years;
- Proposal 2: **FOR** the endorsement of Deloitte & Touche LLP as our independent registered public accounting firm for 2007;

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- Proposal 3: **FOR** the amendment of our Bylaws to implement a majority vote standard for the election of directors in uncontested elections;
- Proposal 4: **FOR** the amendment of our Articles of Incorporation to eliminate cumulative voting in all elections of directors; and
- Proposal 5: **AGAINST** the shareholder proposal to urge our board to seek shareholder approval of certain future severance agreements with senior executives.

What are my choices when voting?

- Proposal 1: You may cast your vote in favor of election of all nominees or withhold authority to vote for all or one or more nominees. Abstentions and broker non-votes will not be taken into account to determine the outcome of the election of directors.

Cumulative voting is currently permitted in the election of directors, meaning that your total number of votes equals the number of your shares of common stock multiplied by three, the number of directors to be elected. You may allocate these cumulative votes equally among the nominees or otherwise as you specify on the enclosed proxy card. If you wish to exercise cumulative voting, you must provide us with written instructions on the enclosed proxy card; you may not exercise cumulative voting by telephone or through the Internet.

Please note that the Board of Directors is submitting for shareholder approval in this Proxy Statement a proposal to approve an amendment to our Articles of Incorporation to eliminate cumulative voting in the election of directors, conditioned on adoption of the majority vote standard also being proposed in this Proxy Statement. These proposals will not affect cumulative voting in this year s election of directors but, if the proposals are approved, would eliminate cumulative voting in the election of directors in future years.

- Proposals 2 through 5: You may cast your vote in favor of or against each proposal, or you may elect to abstain from voting your shares. Abstentions will have the effect of a vote against the approval of these proposals.

How will my shares be voted if I do not specify how they should be voted?

The Board of Directors is asking for your proxy. Giving us your proxy means that you authorize us to vote your shares at the meeting in the manner you direct. If you sign and return the enclosed proxy card, but do not specify how to vote, we will vote your shares as follows:

- Proposal 1: **FOR** the election of all three directors, each for a term of three years. Unless you choose a different allocation and so mark on your proxy card, it is expected that the proxy holders will allocate cumulative votes equally among all nominees for whom authority to vote has not been withheld. However, the proxy holders will have the discretion to allocate cumulative votes differently among those for whom authority to vote has not been withheld, so as to elect all or as many nominees as possible depending on the circumstances at the Annual Meeting.
- Proposal 2: **FOR** the endorsement of Deloitte & Touche LLP as our independent registered public accounting firm for 2007;
- Proposal 3: **FOR** the amendment of our Bylaws to implement a majority vote standard for the election of directors in uncontested elections;

- Proposal 4: **FOR** the amendment of our Articles of Incorporation to eliminate cumulative voting in all elections of directors; and
- Proposal 5: **AGAINST** the shareholder proposal to urge our board to seek shareholder approval of certain future severance agreements with senior executives.

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How do I vote?

You may vote your shares by any one of the following methods:

- By mail: Mark your votes, sign and return the proxy card or vote instruction form in the postage paid envelope provided.
- By Internet: Log onto the website indicated on your proxy card or vote instruction form.
- By telephone: Call the toll-free number shown on your proxy card or vote instruction form and follow the voice prompts.
- You may attend the Annual Meeting in person and use a ballot to cast your vote.

If you vote by the Internet or by telephone, you do not need to send in the proxy card or vote instruction form. The deadline for Internet and telephone voting will be 11:59 PM, Eastern Time, on April 18, 2007. If your shares are held in the name of a bank, broker or other nominee, and you wish to vote your shares at the Annual Meeting, you will need to contact your bank, broker or other nominee to obtain a legal proxy form that you must bring with you to the meeting to exchange for a ballot.

What vote is needed for the proposals to be adopted?

As of the record date, February 16, 2007, there were shares of PPG common stock issued and outstanding.

- Quorum: In order to conduct the Annual Meeting, more than one-half of the outstanding shares must be present or be represented by proxy. This is referred to as a quorum. If you submit a properly executed proxy card or vote by telephone or by Internet, you will be considered part of the quorum. Proxy cards marked as abstaining and broker non-votes on any proposal to be acted on by shareholders will be treated as present at the Annual Meeting for purposes of a quorum.
- Proposals: Other than the election of directors, more than one-half of the shares present either in person or by proxy and entitled to vote at the Annual Meeting must vote for a proposal for it to be adopted, except that adoption of each of Proposal 3 and Proposal 4 is conditioned on the approval by shareholders of the other and, therefore, neither proposal will be implemented unless both proposals are approved. Directors are currently elected by a plurality, and the three nominees who receive the most votes will be elected.

How will shares in the Company s employee benefit plans be voted?

This Proxy Statement is being used to solicit voting instructions from you with respect to shares of PPG Common Stock that you own, but which is held by the trustees of our benefit plans for the benefit of you and other plan participants. Shares held in our benefit plans that are entitled to vote will be voted by the trustees pursuant to your instructions. Shares held in any employee benefit plan that you are entitled to vote, but do not vote, will be voted by the trustees in proportion to the voting instructions received for other shares. You must instruct the trustees to vote your shares by utilizing one of the voting methods described above.

Who will count and certify the votes?

Representatives of Corporate Election Services and the staff of our corporate secretary and investor relations offices will count the votes and certify the election results. The results will be available on the Investor Center page of our website by May , 2007 and also will be published in our report on Form 10-Q for the first quarter of 2007.

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What does it mean if I receive more than one proxy card?

It means you have multiple accounts at the transfer agent or with stock brokers or other nominees. Please complete and provide your voting instructions for all proxy cards and voting instruction cards that you receive.

Will my shares be voted if I do not sign and return my proxy card?

They could be. If your shares are held in street name and you do not instruct your broker or other nominee how to vote your shares, your broker or nominee may either use its discretion to vote your shares on routine matters (such as election of directors and endorsement of auditors) or leave your shares unvoted. For any non-routine matters being considered at the meeting (such as proposals 3, 4 and 5), your broker or other nominee would not be able to vote on such matters. We encourage you to provide instructions to your nominee by completing the instruction card or proxy that it sends to you. This will ensure that your shares are voted at the Annual Meeting as you direct.

How can I change my vote?

You have the right to revoke your proxy at any time before the Annual Meeting. If you are a holder of record, you may contact the PPG Shareholder Services Helpline at and request that another proxy card be sent to you. Alternatively, you may use the Internet or the telephone to re-vote your shares, even if you mailed the proxy card. The latest-dated, properly completed proxy that you submit, whether through the Internet, by telephone or by mail will count as your vote. Please note that if you re-vote your shares by mail, your re-vote will not be effective unless it is received by our corporate secretary at PPG Industries, Inc., One PPG Place, Pittsburgh, Pennsylvania 15272 prior to the Annual Meeting. If your shares are held in street name, you must contact your bank, broker or other nominee and follow their procedures for changing your vote instructions.

How can I attend the annual meeting?

Admission to the Annual Meeting is limited to shareholders who are eligible to vote or their authorized representatives. If you are a holder of record and wish to attend the Annual Meeting, tear off and bring the top half of your proxy card and a photo ID to present for admission into the meeting.

If your shares are held in the name of a bank, broker or other nominee, and you wish to attend the Annual Meeting, you must bring other proof of ownership, such as an account statement, that clearly shows that you held PPG common stock on the record date, or a legal proxy obtained from your bank, broker or other nominee. You must also bring a photo ID. Alternatively, you may obtain a ticket by sending your request and a copy of your proof of ownership to Investor Relations at One PPG Place, 40 East, Pittsburgh, Pennsylvania 15272.

No cameras, recording equipment, electronic devices, large bags, backpacks, briefcases or packages will be permitted in the meeting room or adjacent areas, and other items will be subject to search.

Can I view or receive these materials electronically?

This Proxy Statement and our 2006 Annual Report are available online at www.ppg.com. From the home page, select the Investor Center tab to view or download the materials.

If you hold your shares in street name you must contact your bank, broker or other nominee to consent to electronic delivery. By choosing to access your proxy materials online, you will save the company the cost of printing and mailing these documents to you and help conserve natural resources.

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How do I obtain a copy of materials related to corporate governance?

Our Corporate Governance Guidelines, charters of each standing committee of our Board of Directors, our Global Code of Ethics, and other materials related to our corporate governance are published on the Corporate Governance section of our website at www.ppg.com. In addition, this information is available in print to any shareholder who requests it by contacting our corporate secretary at One PPG Place, Pittsburgh, Pennsylvania 15272.

Who are the proxy solicitors and what are the solicitation expenses?

Our board of directors is asking for your proxy and we will pay all of the costs of asking for shareholder proxies. We have hired D.F. King & Company to help us send out the proxy materials and to ask for proxies. D.F. King & Company s fee for these services is $14,000, plus reimbursement of out-of-pocket expenses. We can ask for proxies through the mail or personally by telephone or the Internet. We may use directors, officers and regular employees of PPG to ask for proxies. These people do not receive additional compensation for these services. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of PPG common stock.

How can I submit a proposal for consideration at the 2008 annual meeting?

To be considered for the 2008 annual meeting, shareholder proposals must be submitted in writing to our corporate secretary at PPG Industries, Inc., One PPG Place, Pittsburgh, Pennsylvania 15272. No proposal can be included in our proxy statement for the 2008 annual meeting unless it is received by our corporate secretary no later than November , 2007. The proposal must also meet the other requirements of the rules of the Securities and Exchange Commission relating to shareholder proposals.

Any shareholder whose proposal is not included in our proxy statement relating to the 2008 annual meeting and who intends to present business for consideration at such annual meeting must give notice to our corporate secretary in accordance with Section 1.4 of our Bylaws (which are available on the Corporate Governance section of our website at www.ppg.com) and such business must otherwise be a proper matter for shareholder action. If, as expected, the 2008 annual meeting of shareholders is held on April 17, 2008, then the notice must be received by our corporate secretary on or before , 2008.

How can I recommend someone as a candidate for director?

A shareholder who wishes to recommend a candidate for director of PPG may write to Mr. David R. Whitwam, chairman of the Nominating and Governance Committee of the Board of Directors, c/o our corporate secretary at One PPG Place, Pittsburgh, Pennsylvania 15272.

To be effective for consideration at the 2008 annual meeting, the recommendation must be received by our corporate secretary no later than January , 2008 and must include information required under our Bylaws, including information about the nominating shareholder and information about the nominee that would be required to be included in a proxy statement under the rules of the SEC. For additional information, please see Corporate Governance Shareholder Recommendations or Nominations for Director below.

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MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

Proposal 1: To elect three directors

Three directors are nominated for election to a class that will serve until the 2010 annual meeting of Shareholders and until their successors have been duly elected and qualified, or their earlier retirement or resignation. It is intended that the shares represented by each proxy will be voted cumulatively as to each class, in the discretion of the proxies, for the nominees for directors set forth below, each of whom is an incumbent, or for any substitute nominee or nominees designated by our board of directors in the event any nominee or nominees become unavailable for election. The principal occupations of, and certain other information regarding, the nominees and our continuing directors, as of February 16, 2007, are set forth below.

THE BOARD RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION

OF THREE DIRECTORS.

Nominees to Serve in a Class Whose Term Expires in 2010

JAMES G. BERGES, Partner, Clayton, Dubilier & Rice. Mr. Berges, 59, has been Director of PPG since 2000. He became a partner in Clayton, Dubilier & Rice, a private equity investment firm, in 2006. Prior to that, he was president of Emerson Electric Co. from 1999 until his retirement in 2005. Emerson Electric Co. is a global manufacturer of products, systems and services for industrial automation, process control, HVAC, electronics and communications, and appliances and tools. He is also a director of MKS Instruments, Inc. and Sally Beauty Holdings.

ERROLL B. DAVIS, JR., Chancellor, University System of Georgia. Mr. Davis, 62, has been a Director of PPG since 1994. Since February 6, 2006, he has been the Chancellor of the University System of Georgia, the governing and management authority of public higher education in Georgia. Prior to that, Mr. Davis was Chairman of the Board and Chief Executive Officer of Alliant Energy, a global energy service provider formed as the result of a merger of WPL Holdings, Inc., IES Industries Inc. and Interstate Power Co., in 1998, until his resignation as CEO in July 2005. Mr. Davis remained Alliant s Chairman until his retirement in January 2006. Prior to the merger that formed Alliant Energy, he was President and Chief Executive Officer of Wisconsin Power and Light Company and WPL Holdings, Inc. Mr. Davis is also a director of BP plc. and Union Pacific Corp.

VICTORIA F. HAYNES, President and Chief Executive Officer of RTI International. Dr. Haynes, 59, has been a Director of PPG since October 2003. She has been the President and Chief Executive Officer of RTI International, which performs scientific research and development in advanced technologies, public policy, environmental protection, and health and medicine, since July 1999. She was Vice President of the Advanced Technology Group and Chief Technical Officer of BF Goodrich Company from 1992 to 1999. Ms. Haynes is also a director of Lubrizol Corporation, Nucor Corporation and Ziptronix, Inc.

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Continuing Directors Term Expires in 2008

HUGH GRANT, Chairman of the Board, President and Chief Executive Officer, Monsanto Company, a global provider of technology-based solutions and agricultural products that improve farm productivity and food quality. Mr. Grant, 48, has been a Director of PPG since 2005. He was named Executive Vice President and Chief Operating Officer of Monsanto Company at the time of an initial public offering in 2000 and remained in that position for the subsequent spin-off of the company in 2002. Mr. Grant was named to his current position in 2003.

MICHELE J. HOOPER, Managing Partner, The Directors Council. Ms. Hooper, 55, has been a Director of PPG since 1995. In 2003, she co-founded, and became the Managing Partner of, the Directors Council, a private company that works with corporate boards to increase their independence, effectiveness and diversity. She was President and Chief Executive Officer of Voyager Expanded Learning, a developer and provider of learning programs and teacher training for public schools, from 1999 until 2000. Prior to that, she was President and Chief Executive Officer of Stadtlander Drug Company, Inc., a provider of disease-specific pharmaceutical care from 1998 until Stadtlander was acquired in 1999. She is also a director of AstraZeneca plc. and Warner Music Group.

ROBERT MEHRABIAN, Chairman of the Board, President and Chief Executive Officer, Teledyne Technologies Inc. Dr. Mehrabian, 65, has been a Director of PPG since 1992. He has been Chairman of the Board, President and Chief Executive Officer of Teledyne Technologies Inc., a provider of sophisticated electronic components, instruments and communication products, systems engineering solutions, aerospace engines and components and on-site gas and power generation systems, since 2000. He was President and Chief Executive Officer of Teledyne Technologies Inc. from its formation (as a spin-off of Allegheny Teledyne Inc.) in 1999 until 2000. He was Executive Vice President of Allegheny Teledyne Inc., a manufacturer of specialty metals, aerospace, electronics, industrial and consumer products, from 1998 until 1999. He is also a director of Mellon Financial Corporation.

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Continuing Directors Term Expires in 2009

CHARLES E. BUNCH, Chairman and Chief Executive Officer, PPG Industries, Inc. Mr. Bunch, 57, has been a Director of PPG since 2002. He was President and Chief Operating Officer of PPG from July 2002 until he was elected President and Chief Executive Officer in March 2005 and Chairman and Chief Executive Officer in July 2005. Before becoming President and Chief Operating Officer, he was Executive Vice President of PPG from 2000 to 2002 and Senior Vice President, Strategic Planning and Corporate Services, of PPG from 1997 to 2000. Mr. Bunch is also a director of the H. J. Heinz Company.

ROBERT RIPP, Chairman of Lightpath Technologies. Mr. Ripp, 65, has been a Director of PPG since March 2003. He has been Director and Chairman of Lightpath Technologies, a manufacturer of optical lens and module assemblies for the telecom sector since 1999. He served as Interim President and Chief Executive Officer of Lightpath from October 2001 to July 2002. He was Chairman and Chief Executive Officer of AMP Incorporated, an electrical products company, from 1998 until AMP was acquired in April 1999. He is also a director of insurance company, ACE Limited.

THOMAS J. USHER, Chairman of the Board of Marathon Oil Corporation and the former Chairman of the Board of United States Steel Corporation. Mr. Usher, 64, has been a Director of PPG Industries since 1996. He was elected non-executive Chairman of Marathon Oil Corporation in 1995. Marathon is a global oil and natural gas production and refining company based in Houston, Texas. Mr. Usher had been Chairman of the Board, Chief Executive Officer and President of United States Steel Corporation, a major producer of metal products, since 2001. He retired from the positions of Chief Executive Officer and President on September 30, 2004. He subsequently retired as Chairman of the Board of Directors on February 1, 2006. He served as Chairman of the Board and Chief Executive Officer of USX Corporation from 1995 until 2001. He is also a director of The PNC Financial Services Group, Inc. and H. J. Heinz Company.

DAVID R. WHITWAM, Retired Chairman of the Board and Chief Executive Officer, Whirlpool Corporation. Mr. Whitwam, 65, has been a Director of PPG since 1991. He was Chairman of the Board and Chief Executive Officer of Whirlpool Corporation, a manufacturer and distributor of household appliances and related products, from 1987 until his retirement in 2004. He is also a director of Convergys Corporation.

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Proposal 2: To endorse Deloitte & Touche LLP as our independent registered public accounting firm for 2007

The Audit Committee of the Board of Directors has appointed Deloitte & Touche LLP as our independent registered public accounting firm for 2007. Deloitte & Touche LLP has been regularly engaged by us to audit our annual financial statements and to perform audit-related and tax services. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting and, while they do not plan to make a statement (although they will have the opportunity if they desire to do so), they will be available to respond to appropriate questions from shareholders.

THE BOARD RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE

ENDORSEMENT OF DELOITTE & TOUCHE LLP AS OUR

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2007.

Service Fees Paid to the Independent Registered Public Accounting Firm

During 2006, we retained Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively referred to as Deloitte & Touche), to provide services in the following categories and amounts:

	2006	**2005**
Audit fees[1]	$ 5,540,101	$ 4,864,186
Audit-related fees[2]	91,375	80,032
Tax fees[3]	746,205	1,049,920
All other fees	0	0
Total All Fees	$ 6,377,681	$ 5,994,138

1 Fees related to the audit of the consolidated financial statements, comfort letters, statutory and regulatory audits, consents, quarterly reviews, consultations concerning financial accounting and reporting standards arising during the audits and $1,005,270 in 2006 for the attestation of internal control over financial reporting as required by Sarbanes-Oxley Section 404. Fees in 2006 increased primarily due to a non-recurring audit of the European coatings business process redesign project and new statutory audit requirements.

2 Fees related to employee benefit plan audits and agreed-upon procedures engagements.

3 Fees related to tax compliance, planning and advice.

The majority of services performed by Deloitte & Touche in 2006 were pre-approved in accordance with the Audit Committee pre-approval policy and procedures at its February 15, 2006 meeting. Additional services were approved during the year as needed, in accordance with this policy. In so doing, the committee determined that the provision of these services is compatible with maintaining the principal accountant s independence.

Audit Committee Pre-approval Policy

The pre-approval policy describes the permitted audit, audit-related, tax and other services that Deloitte & Touche may perform, and lists a range of fees for these services (referred to as the Service List). The services and fee ranges listed in the pre-approval policy are pre-approved by the Audit Committee. If a type of service to be provided by Deloitte & Touche is not included in the Service List, the committee must specifically pre-approve it. Similarly, any individual engagement not specifically included in the Service List that exceeds $50,000 or is related to internal control must be pre-approved by the committee. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to pre-approve up to $150,000 per engagement has been delegated to the Audit Committee Chair to accommodate time sensitive service proposals. Any pre-approval decisions made by the Chair must be communicated to the full committee at the next scheduled meeting.

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Proposal 3: To amend our Bylaws to implement a majority vote standard for the election of directors in uncontested elections, retaining a plurality vote standard in contested elections, conditioned on elimination of cumulative voting

On December 14, 2006, the Board determined that it would be in the best interests of PPG and its shareholders to amend our Bylaws to allow for majority voting in uncontested elections of directors. The Board approved an amendment to our Bylaws to change the standard for the election of directors in uncontested elections from a plurality voting standard to a majority voting standard, subject to approval of the amendment and the elimination of cumulative voting by shareholders.

Under our current plurality vote standard, a director nominee in a director election can be elected or re-elected with as little as a single affirmative vote, even while a substantial majority of the votes cast are withheld from that director nominee. For example, even if 99% of the shares withhold authority to vote for a candidate, a 1% for vote results in the candidate s election or re-election to the Board. The proposed majority vote standard would require that a nominee for director in an uncontested election receive a for vote from a majority of the votes present and voting at a shareholder meeting to be elected to the Board. In the event of a contested election, a plurality voting standard will apply to guard against a failed election contest in which no candidate receives a majority of the for votes.

The Board believes that the proposed majority vote standard for uncontested elections is appropriate at this time. However, the Board believes that cumulative voting is not compatible with a majority voting standard and, therefore, that elimination of cumulative voting is desirable in connection with the adoption of the majority vote standard. Please see Proposal 4, below, for additional information regarding the proposed elimination of cumulative voting.

If approved by shareholders, this amendment to the Bylaws will become effective upon the deletion of the Article Fifth, Section 5.4(b) cumulative voting provision of our Articles of Incorporation. Thus, the Board proposes an amendment to our Bylaws to add a new provision changing the standard for the election of directors in uncontested elections from a plurality voting standard to a majority voting standard, and retaining a plurality standard in contested elections, conditioned on elimination of cumulative voting. The specific language of the proposed amendment to the Bylaws is set forth as Annex A to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE FOR THIS

PROPOSAL TO IMPLEMENT A MAJORITY VOTE STANDARD FOR THE ELECTION OF DIRECTORS IN UNCONTESTED ELECTIONS.

ADOPTION OF THIS PROPOSAL 3 IS CONDITIONED ON THE APPROVAL BY

SHAREHOLDERS OF PROPOSAL 4 BELOW. NEITHER PROPOSAL 3 NOR

PROPOSAL 4 WILL BE IMPLEMENTED UNLESS BOTH PROPOSALS

ARE APPROVED.

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Proposal 4: To amend our Articles of Incorporation to eliminate cumulative voting in elections of directors, conditioned on adoption of the majority vote standard

The Board of Directors has determined that it would be in the best interests of PPG and its shareholders to require that a nominee for director in an uncontested election receive a majority of the votes cast at a shareholders meeting to be elected to the Board (see Proposal 3 above). The Board believes that cumulative voting is incompatible with this majority vote standard and, therefore, recommends that the shareholders eliminate the cumulative voting provision contained in our Articles of Incorporation.

Currently, our Articles of Incorporation provide that when electing directors, shareholders may exercise cumulative voting. Under the current cumulative voting provision, each holder of PPG common stock may cast a number of votes equal to the number of shares of common stock held, multiplied by the number of directors to be elected. A shareholder may give one candidate all of such votes or may distribute such votes among as many candidates as the shareholder chooses.

This proposal would eliminate cumulative voting in order to facilitate adoption of the majority vote standard for the election of directors in the manner described above in Proposal 3. The Board has set the current number of directors at 10. The proposal would not change the present number of directors and the Board would retain the authority to change that number and to fill any vacancies or newly created directorships without shareholder approval.

Background of Proposal

The Board is seeking to eliminate cumulative voting because it believes that a change to a majority vote standard in uncontested elections would be in the best interests of shareholders at this time and it views cumulative voting as incompatible with a majority vote standard for directors.

Currently, directors are elected by a plurality vote. Under a plurality voting standard, a nominee for director receiving the most for votes is elected. Thus, votes not cast and votes cast to withhold authority to vote on the election of directors have no impact. Under a majority voting standard, the number of for votes cast in favor of a director nominee must be greater than the number of against votes received by the director nominee. In the event of a contested election, a plurality voting standard will apply to guard against a failed election contest in which no candidate receives a majority of the for votes.

The Board believes that the proposed majority vote standard for uncontested elections is appropriate at this time. However, the Board believes that cumulative voting is not compatible with a majority voting standard and, therefore, that elimination of cumulative voting is desirable in connection with the adoption of the majority vote standard. Cumulative voting is incompatible with a majority vote standard because cumulative voting enables individual shareholders or groups of shareholders with less than a majority of the outstanding shares to cumulate their votes to elect directors. This raises an additional problem since the support by directors of the special interests of the constituencies that elected them could create partisanship and divisiveness among Board members and impair the Board s ability to operate effectively as a governing body, to the detriment of a majority of our shareholders.

The Board believes that each director should only be elected if such director receives a majority of the votes cast and that each director should represent the interests of all shareholders, rather than the interests of a minority shareholder or special constituency. The elimination of cumulative voting for directors and adoption of a majority vote standard is consistent with our desire to more closely align shareholder interests and Board accountability. Accordingly, the Board, after review and deliberation, determined that, to establish a majority vote standard, eliminating cumulative voting of directors is in the best interests of PPG and its shareholders.

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Board Recommendation

After review, the Nominating and Governance Committee recommended elimination of the Article Fifth, Section 5.4(b) cumulative voting provision of our Articles of Incorporation in connection with adoption of a majority vote standard, and the Board of Directors agreed and determined that the amendment is advisable and in the best interests of PPG and its shareholders. Accordingly, the Board has proposed the amendment and recommends that shareholders approve the amendment by voting in favor of this Proposal 4.

The Amendment

The proposed amendment would eliminate Article Fifth, Section 5.4(b) of our Articles of Incorporation in its entirety.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE FOR THIS

PROPOSAL TO ELIMINATE CUMULATIVE VOTING.

ADOPTION OF THIS PROPOSAL 4 IS CONDITIONED ON THE APPROVAL BY

SHAREHOLDERS OF PROPOSAL 3 ABOVE. NEITHER PROPOSAL 4 NOR

PROPOSAL 3 WILL BE IMPLEMENTED UNLESS BOTH PROPOSALS

ARE APPROVED.

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Proposal 5: Shareholder proposal to urge our board to seek shareholder approval of certain future severance agreements with senior executives

The International Brotherhood of Electrical Workers Pension Benefit Fund, which we refer to as the Fund , holder of 3,766 shares of PPG common stock, has advised us that it intends to present the shareholder proposal below for action at the Annual Meeting. The shareholder proposal and the supporting statement are presented as received from the Fund in accordance with SEC s rules, and we disclaim any responsibility for their content.

Shareholder Proposal

RESOLVED: that the shareholders of the PPG Industries, Inc. (the Company) urge the Board of Directors to seek shareholder approval of future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executives base salary plus bonus.

Severance agreements include any agreements or arrangements that provide for payments or awards in connection with a senior executive s severance from the Company, including employment agreements; retirement agreements; settlement agreements; change in control agreements; and agreements renewing, modifying or extending such agreements.

Benefits include lump-sum cash payments (including payments in lieu of medical and other benefits); the payment of any gross-up tax liability; the estimated present value of periodic retirement payments; any stock or option awards that are awarded under any severance agreement; any prior stock or option awards as to which the executive s access is accelerated under the severance agreement; fringe benefits; and consulting fees (including reimbursable expenses) to be paid to the executive.

Suppo **2011 2010 (In thousands) (Unaudited)**

$300 million floating rate revolving credit facility, due August 2016
$ $94,000
5.55% senior notes, with semi-annual interest payments in June and December, maturing June 2013
35,000 35,000
4.91% senior notes, with semi-annual interest payments in June and December, with annual principal payments in June, maturing in June 2018
32,317 37,650
8.38% senior notes, with semi-annual interest payments in March and September, with scheduled principal payments beginning March 2013, maturing in March 2019
150,000 150,000
5.05% senior notes, with semi-annual interest payments in January and July, with annual principal payments in July, maturing in July 2020
69,230 76,923
5.31% utility local improvement obligation, with annual principal and interest payments, maturing in March 2021
1,922 2,115
5.55% senior notes, with semi-annual interest payments in June and December, with annual principal payments in June, maturing in June 2023
33,600 36,900
4.73% senior notes, with semi-annual interest payments in June and December, with scheduled principal payments beginning December 2014, maturing in December 2023
75,000
5.82% senior notes, with semi-annual interest payments in March and September, with annual principal payments in March, maturing in March 2024
195,000 210,000
8.92% senior notes, with semi-annual interest payments in March and September, with scheduled principal payments beginning March 2014, maturing in March 2024
50,000 50,000
5.03% senior notes, with semi-annual interest payments in June and December, with scheduled principal payments beginning December 2014, maturing in December 2026
175,000

Total debt
817,069 692,588
Less current portion of long term debt
(30,801) (31,518)

Long-term debt
$786,268 $661,070

Principal payments due in:

	Senior Notes	Credit Facility (In thousands) (Unaudited)	Total
Remainder of 2011	$	$	$
2012	30,801		30,801
2013	87,230		87,230
2014	77,137		77,137
2015	77,137		77,137
Thereafter	544,764		544,764
	$ 817,069	$	$ 817,069

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The senior note purchase agreement contains covenants requiring our operating subsidiary to:

Maintain a ratio of consolidated indebtedness to consolidated EBITDA (as defined in the note purchase agreement) of no more than 4.0 to 1.0 for the four most recent quarters;

not permit debt secured by certain liens and debt of subsidiaries to exceed 10% of consolidated net tangible assets (as defined in the note purchase agreement); and

maintain the ratio of consolidated EBITDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated operating lease expense) at not less than 3.5 to 1.0.

The 8.38% and 8.92% senior notes also provide that in the event that the Partnership s leverage ratio exceeds 3.75 to 1.00 at the end of any fiscal quarter, then in addition to all other interest accruing on these notes, additional interest in the amount of 2.00% per annum shall accrue on the notes for the two succeeding quarters and for as long thereafter as the leverage ratio remains above 3.75 to 1.00.

In the second quarter, the Partnership issued $250 million of senior unsecured notes and is committed to issue another $50 million of unsecured senior notes in October of this year. Proceeds from the senior notes were used to repay all of the outstanding borrowings under the revolving credit facility and the Partnership has used, or will use, the remaining proceeds for acquisitions.

A summary of the four tranches of senior notes are as follows:

Series	Amount	Interest Rate	Issue Date	Maturity
H	$75 million	4.73%	April 20, 2011	December 1, 2023
I	$125 million	5.03%	April 20, 2011	December 1, 2026
J	$50 million	5.03%	June 15, 2011	December 1, 2026
K	$50 million	5.18%	October 3, 2011	December 1, 2026

All tranches have semi-annual interest payments beginning December 1, 2011, and equal annual principal payments beginning December 1, 2014.

The Partnership made principal payments of $31.5 million on its senior notes during the nine months ended September 30, 2011.

On August 10, 2011, the Partnership completed an amendment and restatement of its $300 million revolving credit facility. The amendment extends the term of the credit facility to August 2016. The Partnership incurs a commitment fee on the undrawn portion of the revolving credit facility at rates ranging from 0.18% to 0.40% per annum. Also, the accordion feature in the credit facility, where the Partnership may request its lenders to increase their aggregate commitment, increased to a maximum of $500 million on the same terms. However, the Partnership cannot be certain that its lenders will elect to participate in the accordion feature. To the extent the lenders decline to participate, the Partnership may elect to bring new lenders into the facility, but cannot make any assurance that the additional credit capacity will be available on existing or comparable terms.

At September 30, 2011 the Partnership did not have any outstanding balance on its revolving credit facility, while at December 31, 2010 the Partnership had $94.0 million. The weighted average interest rates for the nine months ended September 30, 2011 and the year ended December 31, 2010 were 1.83% and 1.42%, respectively.

The revolving credit facility contains covenants requiring the Partnership to maintain:

a ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the credit agreement) not to exceed 4.0 to 1.0; and

a ratio of consolidated EBITDDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated lease operating expense) not less than 3.5 to 1.0 for the four most recent quarters.

The Partnership was in compliance with all terms under its long-term debt as of September 30, 2011.

9. Fair Value

The Partnership s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying amount of the Partnership s financial instruments included in accounts receivable and accounts payable approximates their fair value due to their short-term nature. The Partnership s cash and cash equivalents include money market accounts and are considered a Level 1 measurement. The fair market value of the Partnership s long-term debt was estimated to be $862.6 million and $596.1 million at September 30, 2011 and December 31, 2010, respectively, for the senior notes. The carrying

value of the Partnership s senior notes was $817.1 million and $598.6 million at September 30, 2011 and December 31, 2010, respectively. The fair value is estimated by management using comparable term risk-free treasury issues with a market rate component determined by current financial instruments with similar characteristics which is a Level 3 measurement. Since the Partnership s credit facility is variable rate debt, its fair value approximates its carrying amount.

10. Related Party Transactions

Reimbursements to Affiliates of our General Partner

The Partnership s general partner does not receive any management fee or other compensation for its management of Natural Resource Partners L.P. However, in accordance with the partnership agreement, the general partner and its affiliates are reimbursed for expenses incurred on the Partnership s behalf. All direct general and administrative expenses are charged to the Partnership as incurred. The Partnership also reimburses indirect general and administrative costs, including certain legal, accounting, treasury, information technology, insurance, administration of employee benefits and other corporate services incurred by our general partner and its affiliates.

The reimbursements to affiliates of the Partnership s general partner for services performed by Western Pocahontas Properties and Quintana Minerals Corporation are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Reimbursement for services	$ 2,050	$ 1,823	$ 6,203	$ 5,403

The Partnership leases substantially all of two floors of an office building in Huntington, West Virginia from Western Pocahontas Properties and pays $0.5 million in lease payments each year through December 31, 2018.

Cline Affiliates

Various companies controlled by Chris Cline lease coal reserves from the Partnership, and the Partnership provides coal transportation services to them for a fee. At September 30, 2011, Mr. Cline, both individually and through another affiliate, Adena Minerals, LLC, owns a 31% interest in the Partnership s general partner, as well as 16,686,672 common units. Revenues from the Cline affiliates are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal royalty revenues	$ 16,244	$ 9,873	$ 30,673	$ 22,655
Coal processing fees	885	344	2,078	785
Transportation fees	4,765	4,271	12,609	10,671
Minimums recognized as revenue		3,100		9,300
Override revenue	704	718	1,384	1,437
	$ 22,598	$ 18,306	$ 46,744	$ 44,848

At September 30, 2011, the Partnership had accounts receivable totaling $10.7 million from Cline affiliates, and had received $43.0 million in minimum royalty payments that have not been recouped by Cline affiliates, of which $14.8 million was received in the current year.

The Partnership recognized an asset impairment of $90.9 million during the third quarter of 2011 related to several of the Partnership s assets at the Gatling WV location. These assets are leased by one of the Cline affiliates.

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Quintana Capital Group GP, Ltd.

Corbin J. Robertson, Jr. is a principal in Quintana Capital Group GP, Ltd., which controls several private equity funds focused on investments in the energy business. In connection with the formation of Quintana Capital, the Partnership adopted a formal conflicts policy that establishes the opportunities that will be pursued by the Partnership and those that will be pursued by Quintana Capital. The governance documents of Quintana Capital s affiliated investment funds reflect the guidelines set forth in NRP s conflicts policy.

A fund controlled by Quintana Capital owns a significant membership interest in Taggart Global USA, LLC, including the right to nominate two members of Taggart s 5-person board of directors. The Partnership owns and leases preparation plants to Taggart Global, which designs, builds and operates the plants. The lease payments are based on the sales price for the coal that is processed through the facilities. The Partnership currently leases four facilities to Taggart. Revenues from Taggart are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal processing revenues	$ 2,962	$ 1,666	$ 7,587	$ 4,014

At September 30, 2011, the Partnership had accounts receivable totaling $1.5 million from Taggart.

A fund controlled by Quintana Capital owns Kopper-Glo, a small coal mining company that is one of the Partnership s lessees with operations in Tennessee. Revenues from Kopper-Glo are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal royalty revenues	$ 440	$ 363	$ 1,192	$ 1,195

The Partnership also had accounts receivable totaling $0.1 million from Kopper-Glo at September 30, 2011.

11. Commitments and Contingencies

Legal

The Partnership is involved, from time to time, in various legal proceedings arising in the ordinary course of business. While the ultimate results of these proceedings cannot be predicted with certainty, Partnership management believes these claims will not have a material effect on the Partnership s financial position, liquidity or operations.

Environmental Compliance

The operations conducted on the Partnership s properties by its lessees are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. As owner of surface interests in some properties, the Partnership may be liable for certain environmental conditions occurring at the surface properties. The terms of substantially all of the Partnership s leases require the lessee to comply with all applicable laws and regulations, including environmental laws and regulations. Lessees post reclamation bonds assuring that reclamation will be completed as required by the relevant permit, and substantially all of the leases require the lessee to indemnify the Partnership against, among other things, environmental liabilities. Some of these indemnifications survive the termination of the lease. The Partnership has neither incurred, nor is aware of, any material environmental charges imposed on it related to its properties as of September 30, 2011. The Partnership is not associated with any environmental contamination that may require remediation costs.

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Acquisition

In conjunction with a definitive agreement, as of September 30, 2011, the Partnership may be obligated to purchase in excess of 100 million additional tons of coal reserves from Colt, LLC for an aggregate purchase price of $80.0 million over the next year as certain milestones are completed relating to construction of a new mine.

12. Major Lessees

Revenues from lessees that exceeded ten percent of total revenues for the periods as presented below:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
	(Dollars in thousands) (Unaudited)							
	Revenues	Percent	Revenues	Percent	Revenues	Percent	Revenues	Percent
Alpha Natural Resources	$ 27,718	27%	$ 20,629	26%	$ 82,010	29%	$ 59,570	27%
The Cline Group	$ 22,598	22%	$ 18,306	23%	$ 46,744	17%	$ 44,858	20%

In the first nine months of 2011, the Partnership derived over 46% of its total revenue from the two companies listed above. As a result, the Partnership has a significant concentration of revenues with those lessees, although in most cases, with the exception of the Williamson mine operated by an affiliate of the Cline group, the exposure is spread out over a number of different mining operations and leases. Cline s Williamson mine alone was responsible for approximately 11% of our total revenues for the first nine months of 2011. As a result of the merger of Alpha Natural Resources and Massey Energy Company, all prior period revenues from Massey have been combined with those of Alpha for presentation purposes in this 10-Q.

13. Incentive Plans

GP Natural Resource Partners LLC adopted the Natural Resource Partners Long-Term Incentive Plan (the Long-Term Incentive Plan) for directors of GP Natural Resource Partners LLC and employees of its affiliates who perform services for the Partnership. The Compensation, Nominating and Governance (CNG) Committee of GP Natural Resource Partners LLC s board of directors administers the Long-Term Incentive Plan. Subject to the rules of the exchange upon which the common units are listed at the time, the board of directors and the compensation committee of the board of directors have the right to alter or amend the Long-Term Incentive Plan or any part of the Long-Term Incentive Plan from time to time. Except upon the occurrence of unusual or nonrecurring events, no change in any outstanding grant may be made that would materially reduce the benefit intended to be made available to a participant without the consent of the participant.

Under the plan a grantee will receive the market value of a common unit in cash upon vesting. Market value is defined as the average closing price over the last 20 trading days prior to the vesting date. The CNG Committee may make grants under the Long-Term Incentive Plan to employees and directors containing such terms as it determines, including the vesting period. Outstanding grants vest upon a change in control of the Partnership, the general partner, or GP Natural Resource Partners LLC. If a grantee s employment or membership on the board of directors terminates for any reason, outstanding grants will be automatically forfeited unless and to the extent the CNG Committee provides otherwise.

A summary of activity in the outstanding grants during 2011 is as follows:

Outstanding grants at January 1, 2011	753,868
Grants during the year	279,078
Grants vested and paid during the year	(162,186)
Forfeitures during the year	
Outstanding grants at September 30, 2011	870,760

Grants typically vest at the end of a four-year period and are paid in cash upon vesting. The liability fluctuates with the market value of the Partnership units and because of changes in estimated fair value determined each quarter using the Black-Scholes option valuation model. Risk free interest rates and volatility are reset at each calculation based on current rates corresponding to the remaining vesting term for each outstanding grant and ranged from 0.17% to 0.41%

and 34.29% to 49.10%, respectively at September 30, 2011. The Partnership s annual distribution rate of 6.58% and historical forfeiture rate of 2.85% were used in the calculation at September 30, 2011. The Partnership recorded expenses related to its plan to be reimbursed to its general partner of $0.6 million and $3.1 million and $6.1 million and $5.4 million for the three and nine month periods ended September 30, 2011 and 2010, respectively. In connection with the Long-Term Incentive Plan, payments are typically made during the first three months of the year. Payments of $5.7 million and $3.2 million were made during the nine month periods ended September 30, 2011 and 2010, respectively.

In connection with the phantom unit awards granted since February 2008, the CNG Committee also granted tandem Distribution Equivalent Rights, or DERs, which entitle the holders to receive distributions equal to the distributions paid on the Partnership s common units. The DERs are payable in cash upon vesting but may be subject to forfeiture if the grantee ceases employment prior to vesting.

The unaccrued cost, associated with the unvested outstanding grants and related DERs at September 30, 2011, was $13.6 million.

14. Equity Transactions, including Distributions

On August 12, 2011, the Partnership paid a quarterly distribution $0.54 per unit to all holders of common units.

On September 20, 2010, the Partnership eliminated all of the incentive distribution rights (IDRs) held by its general partner and affiliates of the general partner. As consideration for the elimination of the IDRs, the Partnership issued 32 million common units to the holders of the IDRs. There are now 106,027,836 common units outstanding and the general partner retained its 2% interest in the Partnership.

15. Subsequent Events

The following represents material events that have occurred subsequent to September 30, 2011 through the time of the Partnership s filing with the Securities and Exchange Commission:

Issuance of Senior Notes

On October 3, 2011, the Partnership issued $50 million of senior notes, bearing an interest rate of 5.18% and maturing in December 2026.

Distributions

On October 21, 2011, the Partnership declared a distribution of $0.55 per unit to be paid on November 14, 2011 to unitholders of record on November 4, 2011.

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

The following discussion of the financial condition and results of operations should be read in conjunction with the historical financial statements and notes thereto included elsewhere in this filing and the financial statements and footnotes included in the Natural Resource Partners L.P. Form 10-K, as filed on February 28, 2011.

Executive Overview

Our Business

We engage principally in the business of owning, managing and leasing mineral properties in the United States. We own coal reserves in the three major U.S. coal-producing regions: Appalachia, the Illinois Basin and the Western United States, as well as lignite reserves in the Gulf Coast region. As of December 31, 2010, we owned or controlled approximately 2.3 billion tons of proven and probable coal reserves, and we also owned approximately 228 million tons of aggregate reserves in a number of states across the country. We do not operate any mines, but lease our reserves to experienced mine operators under long-term leases that grant the operators the right to mine and sell our reserves in exchange for royalty payments.

Our revenue and profitability are dependent on our lessees ability to mine and market our reserves. Most of our coal is produced by large companies, many of which are publicly traded, with experienced and professional sales departments. A significant portion of our coal is sold by our lessees under coal supply contracts that have terms of one year or more. In contrast, our aggregate properties are typically mined by regional operators with significant experience and knowledge of the local markets. The aggregates are sold at current market prices, which historically have increased along with the producer price index for sand and gravel. Over the long term, both our coal and aggregate royalty revenues are affected by changes in the market for and the market price of the commodities.

In our royalty business, our lessees generally make payments to us based on the greater of a percentage of the gross sales price or a fixed royalty per ton of coal or aggregates they sell, subject to minimum monthly, quarterly or annual payments. These minimum royalties are generally recoupable over a specified period of time, which varies by lease, if sufficient royalties are generated from production in those future periods. We do not recognize these minimum royalties as revenue until the applicable recoupment period has expired or they are recouped through production. Until recognized as revenue, these minimum royalties are recorded as deferred revenue, a liability on our balance sheet.

In addition to coal and aggregate royalty revenues, we generated approximately 24% of our first nine months 2011 revenues from other sources, as compared to 25% in the first nine months of 2010. Other sources of revenue include: coal processing and transportation fees; overriding royalties; oil and gas royalties; wheelage payments; rentals; property tax revenue; and timber sales.

Our Current Liquidity Position

In August 2011, we amended and restated our credit facility, extending the maturity to August 2016. As of September 30, 2011, we had the full $300 million in available capacity under our credit facility and approximately $150 million in cash. Following the end of the quarter, we issued the final tranche of $50 million of senior notes from our $300 million senior notes transaction earlier in the year. A portion of the proceeds from the October issuance of senior notes as well as approximately $40.9 million from our June issuance of senior notes are designated for specific future acquisitions, including the completion of the Hillsboro acquisition, which is now expected to occur in the first half of 2012. We believe that the combination of our capacity under our credit facility and our cash on hand gives us enough liquidity to meet our current capital needs.

In addition, other than a $35 million senior note that matures in 2013, we amortize our long-term debt. Although our annual principal payments will increase significantly beginning in 2013, we have no need to access the capital markets to pay off or refinance any of our senior note obligations other than the one note, and our outstanding principal will be reduced as the minerals are depleted.

Current Results

For the nine months ended September 30, 2011, our lessees produced 41.7 million tons of coal and aggregates, generating $216.7 million in royalty revenues from our properties, and our total revenues were $280.0 million. During the first nine months, we benefitted from our substantial exposure to metallurgical coal, from which we derived approximately 45% of our coal royalty revenues and 35% of the related production. Although the market softened slightly during the third quarter, the prices received by our lessees for metallurgical coal remained at high levels,

resulting in significantly improved results, especially from our Central Appalachian properties. Looking forward, Cliffs Natural Resources announced on October 11 that its Pinnacle Mine in West

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Virginia, a significant producer of metallurgical coal, had resumed operation, which was earlier than expected. In addition, Cliff s Oak Grove Mine in Alabama continued to repair extensive damage to its preparation plant and mine infrastructure following the tornados earlier in the year, and anticipates having the plant back in operation in January 2012.

We have continued to diversify our holdings by expanding our presence in the Illinois Basin and through additional aggregates and other mineral acquisitions, including oil and gas royalties. Our expansion into Illinois is primarily through the acquisition of reserves by us and the development of greenfield mines by Cline. These projects take several years to reach full production, and it is difficult for us to forecast the timing of completion of the projects. To protect against this risk, we are receiving significant minimum royalties with respect to each of the projects. Although minimums provide cash to us that can be distributed to our limited partners, the minimums are generally not revenue to us until recouped through production or at the end of the recoupment period. Thus, to the extent that the development takes longer than anticipated to begin production, it will impact the revenues that we receive in the future.

Issues at Gatling Mines in West Virginia and Ohio

Operations at the Gatling, West Virginia mine were idled in April 2010 and had not been restarted as of the end of the third quarter 2011. In October 2011, Gatling LLC, the Cline affiliate that owns the mine, informed us that it was no longer projecting production from the mine for the foreseeable future and is considering selling the mine. NRP and Gatling have amended the lease with respect to this property to provide that the existing minimum royalty balance of $24.1 million is non-recoupable, that Gatling will pay $3.4 million in non-recoupable minimum royalties over the next two quarters, that the minimums will be reduced after the first quarter of 2012, and that Gatling will continue to maintain and ventilate the mine. This property has not been in production since April 2010 and NRP s 2011guidance has never included any production or revenues for the property.

Considering all information available at this time, we have determined that our investment in the Gatling, West Virginia property will not be fully recovered by future cash flows. The net book value of the assets relating to this operation was $126.4 million as of September 30, 2011, and as of the date of this report, we had received $24.1 million in unrecouped minimum royalties. Due to the circumstances noted above, we recognized an impairment charge of $90.9 million during the third quarter of 2011 with respect to the Gatling, West Virginia assets. NRP does not believe that the non-cash impairment will materially impact its future revenues or distributable cash flow.

In addition to the impairment of the assets associated with the Gatling West Virginia mine, another Cline affiliate, Gatling Ohio, LLC, has recently encountered adverse geologic conditions at its mine across the Ohio River in Meigs County, Ohio. This represents less than 1% of our current and future revenues. Historically, two continuous miner units have operated in the mine, but one of those two units has recently shut down due to the incursion of significant sandstone into the coal seam. The productivity of the other mining unit has also declined, and Gatling Ohio has informed us that it may be uneconomic for it to continue to operate the mine unless conditions improve in the near future. Gatling Ohio is currently conducting drilling operations to test the geology and determine the next steps for the operation. The net book value of the assets relating to this operation was $93.6 million as of September 30, 2011. As of the date of this report, we have received $9.6 million in unrecouped minimum royalties. Considering all available information at this time, we have completed an undiscounted cash flow analysis of the assets relating to this operation and determined the undiscounted cash flows exceed those assets carrying values. However, if the mine ceases to be operational in future periods or new information becomes available in future periods, the estimated cash flows may change and we may determine that some of the assets associated with the mine have suffered impairment. This decision and an associated impairment charge could have a material adverse impact on our earnings in the period in which any impairment is recognized, but it would not materially impact our cash flows from operations or our distributable cash flow.

Political, Legal and Regulatory Environment

The political, legal and regulatory environment continues to be difficult for the coal industry. The Environmental Protection Agency, or EPA, has used its authority to create significant delays in the issuance of new permits and the modification of existing permits. The continued uncertainty regarding the permitting of coal mines in Appalachia has led to substantial delays and increased costs for coal operators.

In addition to the increased oversight of the EPA, the Mine Safety and Health Administration, or MSHA, has increased its involvement in the approval of plans and enforcement of safety issues in connection with mining. The 2010 mine disaster at Massey s Upper Big Branch Mine has led to even more scrutiny by MSHA of our lessees operations, as well as additional mine safety legislation being considered by Congress. MSHA s involvement has increased the cost of mining due to more frequent citations and much higher fines imposed on our lessees as well as the overall cost of regulatory compliance. Combined with the difficult economic environment and the higher costs of mining in general, MSHA s recent increased participation in the mine development process could significantly delay the opening of new mines.

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The EPA is also using the existing Clean Air Act to regulate greenhouse gases. In April 2007, the U.S. Supreme Court rendered its decision in *Massachusetts v. EPA*, finding that the EPA has authority under the Clean Air Act to regulate carbon dioxide emissions from automobiles and can decide against regulation only if the EPA determines that carbon dioxide does not significantly contribute to climate change and does not endanger public health or the environment. In response to *Massachusetts v. EPA*, the EPA published a final rule that requires the reporting of greenhouse gas emissions from all sectors of the American economy, although reporting of emissions from underground coal mines and coal suppliers as originally proposed has been deferred pending further review. In December 2009, EPA determined that six greenhouse gases, including carbon dioxide and methane, endanger the public health and welfare of current and future generations. In the same rulemaking, EPA found that emission of greenhouse gases from new motor vehicles and their engines contribute to greenhouse gas pollution. Although *Massachusetts v. EPA* did not involve the EPA s authority to regulate greenhouse gas emissions from stationary sources, such as coal-fueled power plants, the decision is likely to impact regulation of stationary sources. Several petitioners have challenged the EPA s findings in the Washington D.C. Circuit Court of Appeals, and that litigation is ongoing.

Distributable Cash Flow

Under our partnership agreement, we are required to distribute all of our available cash each quarter. Because distributable cash flow is a significant liquidity metric that is an indicator of our ability to generate cash flows at a level that can sustain or support an increase in quarterly cash distributions paid to our partners, we view it as the most important measure of our success as a company. Distributable cash flow is also the quantitative standard used in the investment community with respect to publicly traded partnerships.

Our distributable cash flow represents cash flow from operations less actual principal payments and cash reserves set aside for scheduled principal payments on our senior notes. Although distributable cash flow is a non-GAAP financial measure, we believe it is a useful adjunct to net cash provided by operating activities under GAAP. Distributable cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities. Distributable cash flow may not be calculated the same for NRP as for other companies. A reconciliation of distributable cash flow to net cash provided by operating activities is set forth below.

Reconciliation of GAAP Net cash provided by operating activities
to Non-GAAP Distributable cash flow

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Net cash provided by operating activities	$ 79,642	$ 62,107	$ 218,322	$ 175,660
Less scheduled principal payments	(7,692)	(7,692)	(31,518)	(32,234)
Less reserves for future principal payments	(7,700)	(7,880)	(23,459)	(23,819)
Add reserves used for scheduled principal payments	7,692	7,692	31,518	32,234
Distributable cash flow	$ 71,942	$ 54,227	$ 194,863	$ 151,841

Recent Acquisitions

We are a growth-oriented company and have closed a number of acquisitions over the last several years. Our most recent acquisitions are briefly described below.

Royal. In July 2011, we acquired approximately 44,000 acres of coal reserves and coal bed methane located in Pennsylvania and Illinois from Royal Oil and Gas Corporation for $8.0 million.

NBR Sand. In June 2011, we acquired an overriding royalty interest in approximately 711 acres of frac sand reserves near Tyler, TX for $16.5 million.

East Tennessee Materials. In March 2011, we acquired approximately 500 acres of mineral and surface rights related to limestone reserves in Cleveland, Tennessee near Chattanooga for $4.7 million.

CALX Resources. In February 2011, we acquired approximately 500 acres of mineral and surface rights related to limestone reserves on the Tennessee River near Paducah, Kentucky for $16.0 million, of which $15.5 million was paid as of the date of this filing and the remaining $0.5 million will be paid as certain milestones are completed.

BRP LLC. In June 2010, we and International Paper Company created a venture, BRP LLC, to own and manage mineral assets previously owned by International Paper. Some of these assets are currently subject to leases, and certain other assets have not yet been developed but are available for future development by the venture. In exchange for a $42.5 million contribution we became the managing and controlling member with the right to designate two of the three managers of BRP. Identified tangible assets in the transaction include oil and gas, coal and aggregate reserves, as well the rights to coal bed methane, geothermal, CO_2 sequestration, water rights, precious metals, industrial minerals and base metals. Certain properties, including oil and gas, coal and aggregates, as well as land

leased for cell towers, are currently under lease and generating revenues.

Rockmart Slate. In June 2010, we acquired approximately 100 acres of mineral and surface rights related to slate reserves in Rockmart, Georgia from a local operator for a purchase price of $6.7 million.

Sierra Silica. In April 2010, we acquired the rights to silica reserves on a 1,000 acre property in Northern California from Sierra Silica Resources LLC for $17.0 million.

North American Limestone. In April 2010, we signed an agreement to build and own for the construction of a fine grind processing facility for high calcium carbonate limestone located in Putnam County, Indiana. We lease the facility to a local operator. The total cost of the facility was $6.5 million.

Northgate-Thayer. In March 2010, we acquired approximately 100 acres of mineral and surface rights related to dolomite limestone reserves in White County, Indiana from a local operator for a purchase price of $7.5 million.

Massey- Override. In March 2010, we acquired from Massey Energy (now Alpha Natural Resources) subsidiaries overriding royalty interests in coal reserves located in southern West Virginia and eastern Kentucky. Total consideration for this purchase was $3.0 million.

Colt. In September 2009, we signed a definitive agreement to acquire approximately 200 million tons of coal reserves related to the Deer Run Mine in Illinois from Colt, LLC, an affiliate of the Cline Group, through several separate transactions for a total purchase price of $255 million. As of the date of this filing, we had acquired approximately 92.1 million tons of reserves for approximately $175 million. Future closings anticipated through 2012 will be associated with completion of certain milestones related to the new mine s construction.

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Results of Operations

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Increase (Decrease)	Percentage Change
	(In thousands, except percent and per ton data) (Unaudited)			
Coal:				
Coal royalty revenues				
Appalachia				
Northern	$ 4,731	$ 4,883	$ (152)	(3)%
Central	50,595	38,418	12,177	32%
Southern	1,554	5,520	(3,966)	(72)%
Total Appalachia	56,880	48,821	8,059	17%
Illinois Basin	15,767	9,278	6,489	70%
Northern Powder River Basin	3,622	2,033	1,589	78%
Gulf Coast	161	10	151	
Total	$ 76,430	$ 60,142	$ 16,288	27%
Production (tons)				
Appalachia				
Northern	1,156	1,177	(21)	(2)%
Central	7,406	7,051	355	5%
Southern	290	763	(473)	(62)%
Total Appalachia	8,852	8,991	(139)	(2)%
Illinois Basin	3,574	2,389	1,185	50%
Northern Powder River Basin	1,119	987	132	13%
Gulf Coast	80	3	77	
Total	13,625	12,370	1,255	10%
Average gross royalty per ton				
Appalachia				
Northern	$ 4.09	$ 4.15	$ (0.06)	(1)%
Central	6.83	5.45	1.38	25%
Southern	5.36	7.23	(1.87)	(26)%
Total Appalachia	6.43	5.43	1.00	18%
Illinois Basin	4.41	3.88	0.53	14%
Northern Powder River Basin	3.24	2.06	1.18	57%
Gulf Coast	2.01	3.33	(1.32)	(40)%
Combined average gross royalty per ton	5.61	$ 4.86	$ 0.75	15%
Aggregates:				
Royalty revenue	$ 2,099	$ 1,606	$ 493	31%
Production	1,682	1,193	489	41%
Average base royalty per ton	$ 1.25	$ 1.35	$ (0.10)	(7)%
Oil and Gas:				

Oil and gas royalties	$ 5,059	$ 1,013	$ 4,046	400%

Coal Royalty Revenues and Production. Coal royalty revenues comprised approximately 74% of our total revenue for each of the three month periods ended September 30, 2011 and 2010, respectively. The following is a discussion of the coal royalty revenues and production derived from our major coal producing regions:

Appalachia. Primarily due to higher metallurgical coal prices being realized by our lessees, coal royalty revenues increased in the three month period ended September 30, 2011 compared to the same period of 2010. Production in the Central Appalachian region increased slightly due to some mines operating nearer to their capacity for the entire quarter due to the reconstruction of an associated preparation plant in late 2010, and some lessees having a higher proportion of their production on our properties. These production increases were in part offset in the Southern Appalachian region due to the temporary idling of the Oak Grove mine due to damage to a preparation plant caused by a tornado in late April 2011.

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Illinois Basin. Production increased due to increased shipments from the Williamson and Macoupin properties for the three months ended September 30, 2011. The lessees were able to reduce inventory and ship tonnages that were deferred earlier in the year due to the flooding on the Mississippi River.

Northern Powder River Basin. Both production and coal royalty revenues increased on our Western Energy property, due to the normal variations that occur due to the checkerboard nature of ownership. The lessee was also able to realize a higher sales price, which further contributed to the increase in coal royalty revenue.

Aggregates Royalty Revenues and Production. Aggregate production and revenue both increased for the quarter ended September 30, 2011, primarily due to the volumes generated from acquisitions completed during 2010 and 2011, particularly the BRP properties. The revenue per ton decreased due to lower revenue per ton generated from some of our leases.

Oil and Gas Royalty Revenues. Oil and gas royalty revenues increased significantly due to the 2010 acquisition of the BRP properties from International Paper.

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	Nine Months Ended September 30, 2011	2010	Increase (Decrease)	Percentage Change
	(In thousands, except percent and per ton data) (Unaudited)			
Coal:				
Coal royalty revenues				
Appalachia				
Northern	$ 14,592	$ 14,224	$ 368	3%
Central	151,156	108,751	42,405	39%
Southern	9,742	15,795	(6,053)	(38)%
Total Appalachia	175,490	138,770	36,720	26%
Illinois Basin	29,598	20,307	9,291	46%
Northern Powder River Basin	6,135	6,048	87	1%
Gulf Coast	360	10	350	
Total	211,583	165,135	46,448	28%
Production (tons)				
Appalachia				
Northern	3,530	3,676	(146)	(4)%
Central	22,756	20,417	2,339	11%
Southern	1,410	2,297	(887)	(39)%
Total Appalachia	27,696	26,390	1,306	5%
Illinois Basin	7,118	5,287	1,831	35%
Northern Powder River Basin	2,024	3,259	(1,235)	(38)%
Gulf Coast	271	3	268	
Total	37,109	34,939	2,170	6%
Average gross royalty per ton				
Appalachia				
Northern	$ 4.13	$ 3.87	$ 0.26	7%
Central	6.64	5.33	1.31	25%
Southern	6.91	6.88	0.03	
Total Appalachia	6.34	5.26	1.08	21%
Illinois Basin	4.16	3.84	0.32	8%
Northern Powder River Basin	3.03	1.86	1.17	63%
Gulf Coast	1.33	3.33	(2.00)	(60)%
Combined average gross royalty per ton	$ 5.70	$ 4.73	$ 0.97	21%
Aggregates:				
Royalty revenue	$ 5,030	$ 3,486	$ 1,544	44%
Aggregate royalty bonus	$ 94	$ (639)	$ 733	
Production	4,618	2,576	2,042	79%
Average base royalty per ton	$ 1.09	$ 1.35	$ (0.26)	(19)%

Oil and Gas:				
Oil and gas royalties	$ 10,047	$ 4,200	$ 5,847	139%

Coal Royalty Revenues and Production. Coal royalty revenues comprised approximately 76% and 74% of our total revenue for each of the nine month periods ended September 30, 2011 and 2010, respectively. The following is a discussion of the coal royalty revenues and production derived from our major coal producing regions:

Appalachia. Primarily due to higher metallurgical coal prices being realized by our lessees, coal royalty revenues increased in the nine month period ended September 30, 2011 compared to the same period of 2010. Production in the Central Appalachian region increased due to some mines operating for the entire nine months due to the reconstruction of an associated preparation plant completed late in 2010, and some lessees having a higher proportion of their production on our properties. These production increases were in part offset in the Southern Appalachian region due to the temporary idling of the Oak Grove mine due to damage to a preparation plant caused by a tornado in late April 2011, and some production moving off our property during 2011.

Illinois Basin. Production increased due to improved shipments from the Williamson and Macoupin properties for the nine months ended September 30, 2011 versus the same period in 2010, as the mines continue to increase its production. The Williamson mine production increased in part due to a shorter longwall move time during 2011.

Northern Powder River Basin. Coal royalty revenues from our Western Energy property were nearly constant despite lower production from our properties. Production decreased due to the normal variations that occur due to the checkerboard nature of ownership, but was partially more than offset by higher sales price realized by the lessee.

Aggregates Royalty Revenues and Production. Aggregate production and revenue both increased for the nine months ended September 30, 2011, primarily due to the volumes generated from acquisitions completed during 2010 and early 2011, particularly the BRP properties. The revenue per ton decreased due to lower revenue per ton generated from some of our leases.

Oil and Gas Royalty Revenues. Oil and gas royalty revenues increased significantly due to the 2010 acquisition of the BRP properties from International Paper.

Other Operating Results

In addition to coal and aggregate royalty revenues, we generated approximately 24% of our first nine months 2011 revenues from other sources, as compared to 25% for the same period of 2010. The most significant decrease in these other sources of revenue occurred due to a substantial minimum royalty paid by Cline with respect to the Colt reserves that was not recoupable in 2010 but became recoupable beginning in 2011. In addition, we received an oil and gas lease bonus as well as oil and gas revenues related to our BRP venture with International Paper. Other sources of revenue include: coal processing and transportation fees; overriding royalties; wheelage payments; rentals; property tax revenue; and timber sales.

Coal Processing and Transportation Revenues. We generated $4.0 million and $2.3 million in processing revenues for the quarters ended September 30, 2011 and 2010, respectively and $10.2 million and $6.7 million for the nine months ended September 30, 2011 and 2010, respectively. We do not operate the preparation plants, but receive a fee for coal processed through them. Similar to our coal royalty structure, the throughput fees are based on a percentage of the ultimate sales price for the coal that is processed through the facilities and the higher coal prices resulted in improved revenues for these facilities.

In addition to our preparation plants, we own coal handling and transportation infrastructure in West Virginia, Ohio and Illinois. In contrast to our typical royalty structure, we receive a fixed rate per ton for coal transported over these facilities. For the assets other than our loadout facility at the Shay No. 1 mine in Illinois, we operate coal handling and transportation infrastructure and have subcontracted out that responsibility to third parties. We generated transportation fees from these assets of approximately $4.8 million and $4.3 million for the quarters ended September 30, 2011 and 2010, respectively and $12.6 million and $11.1 million for the nine months ended September 30, 2011 and 2010, respectively.

Operating costs and expenses. Included in total expenses are:

Depreciation, depletion and amortization of $19.2 million and $16.2 million for the quarters ended September 30, 2011 and 2010 and $49.6 million and $44.0 million for the nine months ended September 30, 2011 and 2010. Depletion and amortization increased approximately $5.6 million for the nine months ended September 30, 2011, primarily due to increased oil and gas depletion on our BRP properties.

General and administrative expenses were $5.5 million and $8.8 million for the quarters ended September 30, 2011 and 2010 and $22.2 million and $22.1 million the nine month periods ending September 30, 2011 and 2010, respectively. General and administrative expenses for the three months ended September 30, 2011 decreased $3.2 million compared to the same period in 2010, primarily due to lower accruals under our long-term incentive plan attributable to our lower unit price. For the nine months ended September 30, 2011 and 2010 accruals were nearly the same.

Interest Expense. Interest expense increased approximately $2.6 million for the quarter ending September 30, 2011 over the same period in 2010 and the nine months ended September 30, 2011 was up approximately $4.5 million over the nine months ended September 30, 2010. These increases reflect the issuance of new senior notes during 2011 at higher interest rates than our credit facility.

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Liquidity and Capital Resources

Cash Flows and Capital Expenditures

We satisfy our working capital requirements with cash generated from operations. Since our initial public offering, we have financed our property acquisitions with available cash, borrowings under our revolving credit facility, and the issuance of our senior notes and additional units. While our ability to satisfy our debt service obligations and pay distributions to our unitholders depends in large part on our future operating performance, our ability to make acquisitions will depend on prevailing economic conditions in the financial markets as well as the coal and aggregate industries and other factors, some of which are beyond our control. Our capital expenditures, other than for acquisitions, have historically been minimal.

In August 2011, we amended and extended our credit facility until August 2016. Our credit ratios are within our debt covenants for both our credit facility and our outstanding senior notes. In addition, we are amortizing substantially all of our senior notes and have no immediate need to refinance. For a more complete discussion of factors that will affect our liquidity, please read Item 1A. Risk Factors in our Form 10-K for the year ended December 31, 2010. As of September 30, 2011, we had the full $300 million in available capacity under our credit facility. As of September 30, 2011, we also had approximately $150.1 million of cash.

Net cash provided by operations for the nine months ended September 30, 2011 and 2010 was $218.3 million and $175.7 million, respectively. The most significant portion of our cash provided by operations is generated from coal royalty revenues.

Net cash used in investing activities for the nine months September 30, 2011 and 2010 was $102.3 million and $114.7 million, respectively. Substantially all of our investing activities consisted of acquiring coal reserves, plant and equipment and other mineral rights.

Net cash flows used in financing activities for the nine months ended September 30, 2011 was $61.4 million. During the first nine months of 2011, we had proceeds from loans of $335.0 million offset by repayment of debt of $210.5 million, retirement of obligations related to acquisitions of $7.6 million and distributions paid of $175.3 million. During the same period for 2010, net cash used in financing activities was $71.4 million, which included proceeds from loans of $85 million offset by debt repayments of $106.2 million, proceeds from issuance of units was $110.4 million, retirement of obligations related to acquisitions of $9.2 million and $151.4 million for distributions to partners.

Contractual Obligations and Commercial Commitments

Credit Facility. We amended and restated our $300 million revolving credit facility in August 2011, and as of the date of this report we had the full amount available to us under the facility. Under an accordion feature in the credit facility, we may request our lenders to increase their aggregate commitment to a maximum of $500 million on the same terms. However, we cannot be certain that our lenders will elect to participate in the accordion feature. To the extent the lenders decline to participate, we may elect to bring new lenders into the facility, but cannot make any assurance that the additional credit capacity will be available to us on existing or comparable terms.

During 2011, our borrowings and repayments under our credit facility were as follows:

	Quarters Ending		
	March 31, 2011	June 30, 2011	September 30, 2011
		(In thousands) (Unaudited)	
Outstanding balance, beginning of period	$ 94,000	$ 179,000	$
Borrowings under credit facility	85,000		
Less: Repayments under credit facility		179,000	
Outstanding balance, ending period	$ 179,000	$	$

Our obligations under the credit facility are unsecured but are guaranteed by our operating subsidiaries. We may prepay all loans at any time without penalty. Indebtedness under the revolving credit facility bears interest, at our option, at either:

- the Alternate Base Rate (as defined in the credit agreement) plus an applicable margin ranging from 0% to 1%; or
- the Adjusted LIBO Rate (as defined in the credit agreement) plus an applicable margin ranging from 1.00% to 2.25%.

We incur a commitment fee on the unused portion of the revolving credit facility at a rate ranging from 0.18% to 0.40% per annum.

The credit agreement contains covenants requiring us to maintain:

- a ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the credit agreement) not to exceed 4.0 to 1.0; and
- a ratio of consolidated EBITDDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated lease operating expense) not less than 3.5 to 1.0.

Senior Notes. NRP Operating LLC issued the senior notes listed below under a note purchase agreement as supplemented from time to time. The senior notes are unsecured but are guaranteed by our operating subsidiaries. We may prepay the senior notes at any time together with a make-whole amount (as defined in the note purchase agreement). If any event of default exists under the note purchase agreement, the noteholders will be able to accelerate the maturity of the senior notes and exercise other rights and remedies.

The senior note purchase agreement contains covenants requiring our operating subsidiary to:

- Maintain a ratio of consolidated indebtedness to consolidated EBITDA (as defined in the note purchase agreement) of no more than 4.0 to 1.0 for the four most recent quarters;
- not permit debt secured by certain liens and debt of subsidiaries to exceed 10% of consolidated net tangible assets (as defined in the note purchase agreement); and
- maintain the ratio of consolidated EBITDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated operating lease expense) at not less than 3.5 to 1.0.

As of the date of this filling, we have issued $300 million of additional senior unsecured notes. Proceeds from the senior notes were used to repay all of the outstanding balance under the revolving credit facility, and we have used, or will use, the remaining proceeds for acquisitions. All tranches have semi-annual interest payments beginning December 1, 2011, and equal annual principal payments beginning December 1, 2014.

Long-Term Debt

As of the date of this filing, our debt consisted of:

- $35.0 million of 5.55% senior notes due 2013;
- $32.3 million of 4.91% senior notes due 2018;
- $150.0 million of 8.38% senior notes due 2019;
- $69.2 million of 5.05% senior notes due 2020;
- $1.9 million of 5.31% utility local improvement obligation due 2021;
- $33.6 million of 5.55% senior notes due 2023;
- $75.0 million of 4.73% senior notes due 2023;

$195.0 million of 5.82% senior notes due 2024;

$50.0 million of 8.92% senior notes due 2024;

$175.0 million of 5.03% senior notes due 2026; and

$50.0 million of 5.18% senior notes due 2026.

Other than the 5.55% senior notes due 2013, which have only semi-annual interest payments, all of our senior notes require annual principal payments in addition to semi-annual interest payments. The scheduled principal payments on the 8.38% senior notes due 2019 do not begin until March 2013, the scheduled principal payments on the 8.92% senior notes due 2024 do not begin until March 2014, and the scheduled principal payments on the 4.73%, 5.03% and 5.18% senior notes do not begin until December 2014. We also make annual principal and interest payments on the utility local improvement obligation.

Shelf Registration Statement

In addition to our credit facility, we maintain an automatically effective shelf registration statement on Form S-3 with the SEC that is available for registered offerings of common units and debt securities. The amounts, prices and timing of the issuance and sale of any equity or debt securities will depend on market conditions, our capital requirements and compliance with our credit facility and senior notes.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements with unconsolidated entities or related parties and accordingly, there are no off-balance sheet risks to our liquidity and capital resources from unconsolidated entities.

Related Party Transactions

Reimbursements to our General Partner

Our general partner does not receive any management fee or other compensation for its management of Natural Resource Partners L.P. However, in accordance with our partnership agreement, we reimburse our general partner and its affiliates for expenses incurred on our behalf. All direct general and administrative expenses are charged to us as incurred. We also reimburse indirect general and administrative costs, including certain legal, accounting, treasury, information technology, insurance, administration of employee benefits and other corporate services incurred by our general partner and its affiliates. Cost reimbursements due our general partner may be substantial and will reduce our cash available for distribution to unitholders. The reimbursements to our general partner for services performed by Western Pocahontas Properties and Quintana Minerals Corporation are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Reimbursement for services	$ 2,050	$ 1,823	$ 6,203	$ 5,403

For additional information, please read Certain Relationships and Related Transactions, and Director Independence Omnibus Agreement in our annual report filed on Form 10-K for the year ended December 31, 2010.

We lease substantially all of two floors of an office building in Huntington, West Virginia from Western Pocahontas at market rates. The terms of the lease were approved by our Conflicts Committee. We pay $0.5 million each year in lease payments.

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Cline Affiliates

Various companies controlled by Chris Cline lease coal reserves from NRP, and we provide coal transportation services to them for a fee. Mr. Cline, both individually and through another affiliate, Adena Minerals, LLC, owns a 31% interest in NRP s general partner, as well as 16,686,672 common units. Revenues from Cline affiliates are as follows:

	Three Months End September 30,		Nine Months End September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal royalty revenues	$ 16,244	$ 9,873	$ 30,673	$ 22,655
Coal processing fees	885	344	2,078	785
Transportation fees	4,765	4,271	12,609	10,671
Minimums recognized as revenue		3,100		9,300
Override revenue	704	718	1,384	1,437
	$ 22,598	$ 18,306	$ 46,744	$ 44,848

At September 30, 2011, we had accounts receivable totaling $10.7 million from Cline affiliates. As of September 30, 2011, we had received $43.0 million in minimum royalty payments to date that have not been recouped by Cline affiliates, of which $14.8 million was received in the current year.

We recognized an impairment of $ 90.9 million during the third quarter of 2011 related to several of our assets at the Gatling, WV location. These assets are leased by the one of the Cline affiliates.

Quintana Capital Group GP, Ltd.

Corbin J. Robertson, Jr. is a principal in Quintana Capital Group GP, Ltd., which controls several private equity funds focused on investments in the energy business. In connection with the formation of Quintana Capital, we adopted a formal conflicts policy that establishes the opportunities that will be pursued by NRP and those that will be pursued by Quintana Capital. The governance documents of Quintana Capital s affiliated investment funds reflect the guidelines set forth in NRP s conflicts policy.

A fund controlled by Quintana Capital owns a significant membership interest in Taggart Global USA, LLC, including the right to nominate two members of Taggart s 5-person board of directors. We own and lease preparation plants to Taggart Global, which designed, built and operates the plants. The lease payments are based on the sales price for the coal that is processed through the facilities. We currently lease four facilities to Taggart. Revenues from Taggart are as follows:

	Three Months End September 30,		Nine Months End September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal processing revenue	$ 2,962	$ 1,666	$ 7,587	$ 4,014

At September 30, 2011, we had accounts receivable totaling $1.5 million from Taggart.

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In June 2007, a fund controlled by Quintana Capital acquired Kopper-Glo, a small coal mining company that is one of our lessees with operations in Tennessee. Revenues from Kopper-Glo are as follows:

	Three Months End September 30,		Nine Months End September 30,	
	2011	2010	2011	2010
	(In thousands) (Unaudited)			
Coal royalty revenue	$ 440	$ 363	$ 1,192	$ 1,195

We also had accounts receivable totaling $0.1 million from Kopper-Glo at September 30, 2011.

Environmental

The operations our lessees conduct on our properties are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. As an owner of surface interests in some properties, we may be liable for certain environmental conditions occurring at the surface properties. The terms of substantially all of our leases require the lessee to comply with all applicable laws and regulations, including environmental laws and regulations. Lessees post reclamation bonds assuring that reclamation will be completed as required by the relevant permit, and substantially all of the leases require the lessee to indemnify us against, among other things, environmental liabilities. Some of these indemnifications survive the termination of the lease. Because we have no employees, employees of Western Pocahontas Properties Limited Partnership make regular visits to the mines to ensure compliance with lease terms, but the duty to comply with all regulations rests with the lessees. We believe that our lessees will be able to comply with existing regulations and do not expect any lessee s failure to comply with environmental laws and regulations to have a material impact on our financial condition or results of operations. We have neither incurred, nor are aware of, any material environmental charges imposed on us related to our properties as of September 30, 2011. We are not associated with any environmental contamination that may require remediation costs. However, our lessees regularly conduct reclamation work on the properties under lease to them. Because we are not the permittee of the operations on our properties, we are not responsible for the costs associated with these operations. In addition, West Virginia has established a fund to satisfy any shortfall in our lessees reclamation obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk, which includes adverse changes in commodity prices and interest rates as discussed below:

Commodity Price Risk

We are dependent upon the effective marketing and efficient mining of our coal reserves by our lessees. Our lessees sell coal under various long-term and short-term contracts as well as on the spot market. A large portion of these sales are under long-term contracts. A substantial or extended decline in coal prices could materially and adversely affect us in two ways. First, lower prices may reduce the quantity of coal that may be economically produced from our properties. This, in turn, could reduce our coal royalty revenues and the value of our coal reserves. Second, even if production is not reduced, the royalties we receive on each ton of coal sold may be reduced. Additionally, volatility in coal prices could make it difficult to estimate with precision the value of our coal reserves and any coal reserves that we may consider for acquisition.

Interest Rate Risk

Our exposure to changes in interest rates results from our borrowings under our revolving credit facility, which are subject to variable interest rates based upon LIBOR. At September 30, 2011, we did not have any variable interest rate debt.

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Item 4. Controls and Procedures

NRP carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of NRP management, including the Chief Executive Officer and Chief Financial Officer of the general partner of the general partner of NRP. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and (b) such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

No changes were made to our internal control over financial reporting during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

We are involved, from time to time, in various legal proceedings arising in the ordinary course of business. While the ultimate results of these proceedings cannot be predicted with certainty, our management believes these claims will not have a material effect on our financial position, liquidity or operations.

Item 1A. Risk Factors

During the period covered by this report, there were no material changes from the risk factors previously disclosed in Natural Resource Partners L.P. s Form 10-K for the year ended December 31, 2010.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

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Item 6. Exhibits

4.1	Form of Series K Note (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on October 3, 2011).
10.1	Second Amended and Restated Credit Agreement, dated as of August 10, 2011 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on August 11, 2011).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101*	The following financial information from the quarterly report on Form 10-Q of Natural Resource Partners L.P. for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text.

* Submitted herewith.

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SIGNATURES

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

NATURAL RESOURCE PARTNERS L.P.

By: NRP (GP) LP, its general partner
By: GP NATURAL RESOURCE PARTNERS LLC, its general partner

Date: November 8, 2011

By: /s/ Corbin J. Robertson, Jr.
Corbin J. Robertson, Jr.,
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2011

By: /s/ Dwight L. Dunlap
Dwight L. Dunlap,
Chief Financial Officer and
Treasurer
(Principal Financial Officer)

Date: November 8, 2011

By: /s/ Kenneth Hudson
Kenneth Hudson
Controller
(Principal Accounting Officer)