FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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Alliance Holdings GP, L.P.
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from ______ to ______

Commission File No.: 0-51952

ALLIANCE HOLDINGS GP, L.P.
(Exact name of registrant as specified in its charter)

Delaware	**03-0573898**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1717 South Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119
(Address of principal executive offices and zip code)

(918) 295-1415
(Registrant' s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐ (Do not check if smaller reporting company)	Smaller Reporting Company	☐

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

As of August 9, 2010, 59,863,000 common units are outstanding.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE HOLDINGS GP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$12,947	$24,361
Trade receivables	121,877	91,223
Other receivables	2,692	3,159
Due from affiliates	1,675	–
Inventories	52,931	64,357
Advance royalties	3,629	3,629
Prepaid expenses and other assets	3,759	8,889
Total current assets	199,510	195,618
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	1,510,054	1,378,914

Less accumulated depreciation, depletion and amortization	(607,406)	(556,370)
Total property, plant and equipment, net	902,648	822,544
OTHER ASSETS:		
Advance royalties	27,768	26,802
Other long-term assets	26,983	9,303
Total other assets	54,751	36,105
TOTAL ASSETS	$1,156,909	$1,054,267
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$67,306	$63,496
Due to affiliates	434	27
Accrued taxes other than income taxes	15,690	10,792
Accrued payroll and related expenses	27,438	22,101
Accrued interest	2,920	2,918
Workers' compensation and pneumoconiosis benefits	10,043	9,886
Current capital lease obligation	310	324
Other current liabilities	13,644	11,205

Current maturities, long-term debt	18,000	18,000
Total current liabilities	155,785	138,749
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities	427,000	422,000
Pneumoconiosis benefits	36,224	34,344
Accrued pension benefit	19,618	19,696
Workers' compensation	60,519	53,845
Asset retirement obligations	53,991	53,116
Due to affiliates	456	314
Long-term capital lease obligation	314	460
Other liabilities	9,336	9,043
Total long-term liabilities	607,458	592,818
Total liabilities	763,243	731,567
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Alliance Holdings GP, L.P. ("AHGP") Partners' Capital:		
Limited Partners - Common Unitholders 59,863,000 units outstanding	302,079	269,742

Accumulated other comprehensive loss	(7,220)	(7,465)
Total AHGP Partners' Capital	294,859	262,277
Noncontrolling interests	98,807	60,423
Total Partners' Capital	393,666	322,700
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$1,156,909	$1,054,267

See notes to condensed consolidated financial statements.

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ALLIANCE HOLDINGS GP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except unit and per unit data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
SALES AND OPERATING REVENUES:				
Coal sales	$385,905	$287,620	$750,064	$599,880
Transportation revenues	8,821	12,794	18,526	23,684
Other sales and operating revenues	5,523	3,384	12,276	9,425
Total revenues	400,249	303,798	780,866	632,989
EXPENSES:				
Operating expenses (excluding depreciation, depletion and amortization)	246,702	204,477	485,969	400,853
Transportation expenses	8,821	12,794	18,526	23,684
Outside coal purchases	4,544	432	6,386	5,192
General and administrative	11,823	9,573	23,026	19,690
Depreciation, depletion and amortization	35,677	28,272	71,973	55,622
Total operating expenses	307,567	255,548	605,880	505,041
INCOME FROM OPERATIONS	92,682	48,250	174,986	127,948

Interest expense (net of interest capitalized for the three and six months ended June 30, 2010 and 2009 of $423, $332, $691 and $547, respectively)	(7,439)	(7,808)	(15,034)	(15,789)
Interest income	49	296	101	944
Other income	304	202	154	428
INCOME BEFORE INCOME TAXES	85,596	40,940	160,207	113,531
INCOME TAX EXPENSE (BENEFIT)	422	(201)	591	226
NET INCOME	85,174	41,141	159,616	113,305
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(38,940)	(15,432)	(72,354)	(48,770)
NET INCOME ATTRIBUTABLE TO ALLIANCE HOLDINGS GP, L.P. ("NET INCOME OF AHGP")	$46,234	$25,709	$87,262	$64,535
BASIC AND DILUTED NET INCOME OF AHGP PER LIMITED PARTNER UNIT	$0.77	$0.43	$1.46	$1.08
DISTRIBUTIONS PAID PER LIMITED PARTNER UNIT	$0.465	$0.415	$0.9175	$0.8175
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING-BASIC AND DILUTED	59,863,000	59,863,000	59,863,000	59,863,000

See notes to condensed consolidated financial statements.

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ALLIANCE HOLDINGS GP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$257,671	$163,118
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(174,848)	(174,685)
Changes in accounts payable and accrued liabilities	(9,913)	8,364
Proceeds from sale of property, plant and equipment	102	1
Purchase of marketable securities	–	(4,527)
Receipts of prior advances on Gibson rail project	1,032	1,223
Net cash used in investing activities	(183,627)	(169,624)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving credit facilities	66,500	–
Payments under revolving credit facilities	(61,500)	–
Payments on capital lease obligation	(160)	(173)

Net settlement of employee withholding taxes on vesting of ARLP Long-Term Incentive Plan	(1,265)	(791)
Distributions paid by consolidated partnership to noncontrolling interests	(33,775)	(31,022)
Distributions paid to Partners	(54,925)	(48,938)
Net cash used in financing activities	(85,125)	(80,924)
EFFECT OF CURRENCY TRANSLATION ON CASH	(333)	187
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,414)	(87,243)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,361	246,708
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$12,947	$159,465
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$15,424	$16,126
Cash paid for income taxes	$253	$–
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Accounts payable for purchase of property, plant and equipment	$10,905	$23,456
Market value of ARLP common units vested in ARLP' s Long-Term Incentive Plan before minimum statutory tax withholding requirements	$3,396	$2,333

See notes to condensed consolidated financial statements.

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ALLIANCE HOLDINGS GP, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND PRESENTATION

Significant Relationships Referenced in Notes to Condensed Consolidated Financial Statements

References to “we,” “us,” “our” or “AHGP” mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.

References to “AHGP Partnership” mean the business and operations of Alliance Holdings GP, L.P., the parent company, as well as its consolidated subsidiaries, which include Alliance Resource Management GP, LLC and Alliance Resource Partners, L.P. and its consolidated subsidiaries.

References to “AGP” mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., also referred to as our general partner.

References to “ARLP Partnership” mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.

References to “ARLP” mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.

References to “MGP” mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P.

References to “SGP” mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P.

References to “Intermediate Partnership” mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.

References to “Alliance Coal” mean Alliance Coal, LLC, the holding company for the operations of Alliance Resource Operating Partners, L.P.

Organization and Formation

We are a Delaware limited partnership listed on the NASDAQ Global Select Market under the ticker symbol “AHGP.” We own directly and indirectly 100% of the members’ interest in MGP, ARLP’ s managing general partner. The ARLP Partnership is a diversified producer and marketer of coal to major United States (“U.S.”) utilities and industrial users. ARLP conducts substantially all of its business through its wholly-owned subsidiary, the Intermediate Partnership. ARLP and the Intermediate Partnership were formed in May 1999, to acquire, upon completion of ARLP' s initial public offering on August 19, 1999, certain coal and marketing assets of Alliance Resource Holdings, Inc. ("ARH"), a Delaware Corporation. We and ARH, through its wholly-owned subsidiary, SGP, maintain general partner interests in ARLP and the Intermediate Partnership. In June 2006, ARH and its parent company became wholly-owned, directly and indirectly, by Joseph W. Craft III, the Chairman, President and Chief Executive Officer of AGP and a Director and the President and Chief Executive Officer of MGP.

We are owned 100% by limited partners. Our general partner, AGP, has a non-economic interest in us and is owned by Mr. Craft.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts and operations of the AHGP Partnership and present our financial position as of June 30, 2010 and December 31, 2009, results of our operations for the three and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009. All of our intercompany transactions and accounts have been eliminated. Net income attributable to Alliance Holdings GP, L.P. from within our accompanying condensed consolidated financial statements will be described as "Net Income of AHGP."

Since we own MGP, our condensed consolidated financial statements reflect the consolidated results of the ARLP Partnership. The earnings of the ARLP Partnership allocated to its limited partners' interests not owned by us and allocated to SGP's general partner interest in ARLP are reflected as net income attributable to noncontrolling interest on our condensed consolidated statement of income and Partners' Capital and as noncontrolling interest on our condensed consolidated balance sheets. Our consolidated financial statements do not differ materially from those of the ARLP Partnership. The differences between our financial statements and those of the ARLP Partnership are primarily attributable to (a) amounts reported as noncontrolling interests and (b) additional general and administrative costs and taxes attributable to us. The additional general and administrative costs principally consist of costs incurred by us as a result of being a publicly traded partnership, amounts billed by, and reimbursed to, Alliance Coal under an administrative services agreement and amounts billed by, and reimbursed to, AGP under our partnership agreement.

These condensed consolidated financial statements and notes are unaudited. However, in the opinion of management, these financial statements reflect all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results for the periods presented. Results for interim periods are not necessarily indicative of results for a full year.

These condensed consolidated financial statements and notes are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Use of Estimates

The preparation of AHGP Partnership's condensed consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") of the U.S. requires management to make estimates and assumptions that affect the reported amounts and disclosures in our condensed consolidated financial statements. Actual results could differ from those estimates.

2. NEW ACCOUNTING STANDARDS

New Accounting Standards Issued and Adopted

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* ("ASU 2009-17"). ASU 2009-17 codified Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R)*), which changed the consolidation guidance applicable to a variable interest entity ("VIE"). ASU 2009-17 updated the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate such VIE, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis includes, among other things, consideration of whether the enterprise has the power to direct the activities of the entity that most significantly impact the entity' s economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. ASU 2009-17 also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FASB Accounting Standards Codification ("ASC") 810, *Consolidation*, required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. Qualifying special purpose entities, which were previously exempt from the application of this standard, are now subject to the provisions of ASU 2009-17. In addition, ASU 2009-17 also requires enhanced disclosures about an enterprise' s involvement with a VIE. The provisions of ASU 2009-17 were effective as of the beginning of interim and annual reporting periods that began after November 15, 2009. Based on our evaluation of ASU 2009-17, the ARLP Partnership deconsolidated Mid-America Carbonates, LLC ("MAC") upon adoption, effective January 1, 2010 (Note 8). The deconsolidation of MAC did not have a material impact on our condensed consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 amended guidance on certain aspects of FASB ASC 820, *Fair Value Measurements and Disclosures,* to add new requirements for disclosures of transfers into and out of Level 1 and 2 measurements and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, all on a gross basis. ASU 2010-06 also clarifies existing fair value disclosures regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value. The provisions of ASU 2010-06 were effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have an impact on our condensed consolidated financial statements.

3. CONTINGENCIES

We are not engaged in any material litigation. The ARLP Partnership is involved in various lawsuits, claims and regulatory proceedings incidental to its business. The ARLP Partnership records an accrual for a potential loss related to these matters when, in management' s opinion, such loss is probable and reasonably estimable. Based on known facts and circumstances, the ARLP Partnership believes the ultimate outcome of these outstanding lawsuits, claims and regulatory proceedings will not have a material adverse effect on its financial condition, results of operations or liquidity. However, if the results of these matters were different from management' s current opinion and in amounts greater than the ARLP Partnership' s accruals, then they could have a material adverse effect.

The matters referenced in the previous paragraph include, but are not limited to, the *George W. Rector v. White County Coal, LLC* lawsuit, which is a royalty dispute involving certain coal leases that had been previously terminated. Plaintiffs have alleged damages of $33 million or more and have also asserted a claim for punitive damages. A bench trial of this case was concluded in November 2009 and closing arguments were heard on February 10, 2010, but the court has not yet issued a decision. The ARLP Partnership believes plaintiffs' claims are without merit, have accrued no loss and is vigorously defending the litigation.

4. PATTIKI VERTICAL HOIST CONVEYOR SYSTEM FAILURE

On May 13, 2010, White County Coal, LLC’ s (“White County Coal”) Pattiki mine was temporarily idled following the failure of the vertical hoist conveyor system used in conveying raw coal out of the mine. On July 19, 2010, White County Coal’ s efforts to repair the vertical hoist conveyor system had progressed sufficiently to allow resumption of limited production operations. The ARLP Partnership’ s operating expenses for the three months ended June 30, 2010 includes $1.2 million for retirement of certain assets related to the failed vertical hoist conveyor system in addition to other repair and clean-up expenses that were not significant on a consolidated or segment basis. The ARLP Partnership is conducting a review of its commercial property (including business interruption) insurance policies, which provide for self-retention, various deductibles and 22% co-insurance for the first $50 million in coverage. Until such analysis is completed, the Partnership can make no assurances of the amount or timing of recoveries under such policies, if any.

Expanded coal production at the ARLP Partnership’ s other coal mines in the region, which included addition of the seventh and eighth production units at the River View Coal, LLC’ s (“River View”) mine, partially offset the loss of production from the Pattiki mine. Consequently, the temporary idling of the Pattiki mine did not have a material adverse impact on the ARLP Partnership’ s results of operations and cash flows. On July 19, 2010, the Pattiki mine resumed limited production while it continues to assess the effectiveness and reliability of the repaired vertical hoist conveyor system until such time it determines the system is safe to operate at full capacity.

5. FAIR VALUE MEASUREMENTS

We apply the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which, among other things, defines fair value, requires enhanced disclosures about assets and liabilities carried at fair value and establishes a hierarchal disclosure framework based upon the quality of inputs used to measure fair value.

Valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our own market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant value drivers are unobservable.

The carrying amounts for accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. At June 30, 2010 and December 31, 2009, the estimated fair value of the ARLP Partnership’ s fixed rate term debt, including current maturities, was approximately $490.4 million and $460.7 million, respectively, based on interest rates that it believes is currently available to it for issuance of debt with similar terms and remaining maturities (Note 6).

6. LONG-TERM DEBT

Long-term debt consists of the following, (in thousands):

	June 30, 2010	December 31, 2009
AHGP credit facility	$–	$–
ARLP revolving credit facility	5,000	–
ARLP senior notes	90,000	90,000
ARLP series A senior notes	205,000	205,000
ARLP series B senior notes	145,000	145,000
	445,000	440,000
Less current maturities	(18,000)	(18,000)
Total long-term debt	$427,000	$422,000

The Intermediate Partnership has a $150.0 million revolving credit facility ("ARLP Credit Facility"), $90.0 million in senior notes and $205.0 million in Series A and $145.0 million in Series B senior notes (collectively, the "ARLP Debt Arrangements"), which are guaranteed by all of the direct and indirect subsidiaries of the Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting the Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by the Intermediate Partnership, the incurrence of additional indebtedness and liens, the sale of assets, the making of investments, the entry into mergers and consolidations and the entry into transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require the Intermediate Partnership to maintain the following: (i) debt to cash flow ratio of not more than 3.0 to 1.0, (ii) cash flow to interest expense ratio of not less than 4.0 to 1.0, in each case, during the four most recently ended fiscal quarters and (iii) maximum annual capital expenditures, excluding acquisitions, of $471.8 million for 2010. The debt to cash flow ratio and cash flow to interest expense ratio were 1.08 to 1.0 and 13.1 to 1.0, respectively, for the trailing twelve months ended June 30, 2010. Actual capital expenditures were $174.8 million for the six months ended June 30, 2010. The ARLP Partnership was in compliance with the covenants of the ARLP Debt Arrangements as of June 30, 2010. There are no material operating restrictions, financial restrictions or covenants in the AHGP credit facility.

Lehman Commercial Paper, Inc. ("Lehman"), a subsidiary of Lehman Brothers Holding, Inc., held a 5%, or $7.5 million, commitment in the $150 million ARLP Credit Facility. On February 11, 2010, the ARLP Partnership gave its lenders a notice of borrowing under the ARLP Credit Facility and, in response to that notice, Lehman notified the ARLP Partnership that it would not fund its proportionate share of the borrowing. As a result, as of February 11, 2010, Lehman became a defaulting lender and availability for borrowing under the ARLP Credit Facility was reduced by $7.5 million. The ARLP Partnership is currently in negotiations to amend the ARLP Credit Facility to remove Lehman as a commitment holder.

At June 30, 2010, the ARLP Partnership had $11.6 million of letters of credit and $5.0 million of net borrowings outstanding with $125.9 million available for borrowing under the ARLP Credit Facility. The ARLP Partnership incurs an annual commitment fee of 0.375% on the undrawn portion of the ARLP Credit Facility.

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7. NONCONTROLLING INTERESTS

We apply the provisions of FASB ASC 810, *Consolidation*, which were amended on January 1, 2010 by ASU 2009-17 (Note 2). As required by FASB ASC 810, our noncontrolling ownership interest in consolidated subsidiaries is presented in the consolidated balance sheet within partners' capital as a separate component from the parent' s equity. In addition, consolidated net income includes earnings attributable to both the parent and the noncontrolling interests.

The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate (Note 1) and prior to January 1, 2010, a third-party ownership interest in MAC. The following table summarizes the components of noncontrolling interests recorded in Partners' Capital for the periods indicated (in thousands):

	June 30, 2010	December 31, 2009
Noncontrolling interests reflected in Partners' Capital:		
Affiliate (SGP)	$(303,822)	$(303,830)
Non-Affiliates (ARLP' s non-affiliate limited partners)	412,020	372,820
MAC	–	1,117
Accumulated other comprehensive loss attributable to noncontrolling interests	(9,391)	(9,684)
Total noncontrolling interests	$98,807	$60,423

The noncontrolling interest designated as Affiliate represents SGP' s 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership.

The noncontrolling interest designated as Non-Affiliates represents the limited partners' interest in ARLP controlled through the common unit ownership, excluding the 15,544,169 common units of ARLP held by us. The total obligation associated with ARLP' s Long-Term Incentive Plan ("ARLP LTIP") is also included in the Non-Affiliates component of noncontrolling interest (Note 10).

For the quarter ending June 30, 2009, the noncontrolling interest designated as MAC represents a 50% third-party interest in MAC. The ARLP Partnership deconsolidated MAC on January 1, 2010 (Note 8).

The following table summarizes net income attributable to each component of the noncontrolling interests for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income attributable to noncontrolling interest:				

Affiliate (SGP)	$14	$5	$26	$17
Non-Affiliates (ARLP' s non-affiliate limited partners)	38,926	15,377	72,328	48,574
MAC	–	50	–	179
	$38,940	$15,432	$72,354	$48,770

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The following table summarizes cash distributions paid by ARLP to each component of the noncontrolling interests for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2010	2009
Distributions paid to noncontrolling interests:		
Affiliate (SGP) (1)	$18	$16
Non-Affiliates (ARLP' s non-affiliate limited partners) (1)	33,757	31,006
MAC	–	–
	$33,775	$31,022

(1) Distributions paid to noncontrolling interests, in the table above, represent ARLP' s quarterly distributions in accordance with the ARLP partnership agreement.

The Affiliate component of noncontrolling interest represents SGP' s cumulative investment basis in the net assets of the ARLP Partnership. After the consummation of the various transactions associated with the ARLP Partnership' s formation and initial public offering transaction in 1999 (which included the contribution of net assets by SGP to the ARLP Partnership, the retention by SGP of debt borrowings assumed by ARLP and a distribution by ARLP to SGP), SGP' s investment basis in ARLP totaled $(303.9) million. SGP' s investment basis as of June 30, 2010 and December 31, 2009 also reflects the cumulative amount of nominal ARLP income allocations and distributions to SGP and nominal contributions by SGP to ARLP and the Intermediate Partnership to maintain its general partner interests.

The following tables present the change in Partners' Capital for the six months ended June 30, 2010 and 2009 (in thousands):

	Alliance Holdings GP, L.P.			
	Limited Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Partners' Capital
Balance at January 1, 2010	$269,742	$ (7,465)	$ 60,423	$322,700
Net income	87,262	–	72,354	159,616
Other comprehensive income	–	245	293	538
Deconsolidation of MAC (Note 8)	–	–	(1,117)	(1,117)

Vesting of ARLP Long-Term Incentive Plan	–	–	(1,265)	(1,265)
Common unit-based compensation under ARLP Long-Term Incentive Plan	–	–	1,894	1,894
Distributions on ARLP common unit-based compensation	–	–	(665)	(665)
Distributions to AHGP Partners	(54,925)	–	–	(54,925)
Distributions paid by consolidated partnership to noncontrolling interest	–	–	(33,110)	(33,110)
Balance at June 30, 2010	$302,079	$ (7,220)	$ 98,807	$393,666

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	Alliance Holdings GP, L.P.			
	Limited Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Partners' Capital
Balance at January 1, 2009	$256,395	$ (8,673)	$ 43,450	$291,172
Net income	64,535	–	48,770	113,305
Other comprehensive income	–	567	711	1,278
Vesting of ARLP Long-Term Incentive Plan	–	–	(791)	(791)
Common unit-based compensation under ARLP Long-Term Incentive Plan	–	–	1,750	1,750
Distributions on ARLP common unit-based compensation	–	–	(526)	(526)
Distributions to AHGP Partners	(48,938)	–	–	(48,938)
Distributions paid by consolidated partnership to noncontrolling interest	–	–	(30,496)	(30,496)
Balance at June 30, 2009	$271,992	$ (8,106)	$ 62,868	$326,754

8. MID-AMERICA CARBONATES

We apply the provisions of FASB ASC 810, *Consolidation*, which were amended on January 1, 2010 (Note 2). Based on our evaluation of these amendments, the ARLP Partnership deconsolidated MAC effective January 1, 2010.

White County Coal and Alexander J. House ("House") entered into a limited liability company agreement in 2006 to form MAC, which manufactures and sells rock dust. Consistent with prior years, the ARLP Partnership has a 50% ownership interest in MAC. Previously, the ARLP Partnership consolidated MAC' s financial results in accordance with FASB ASC 810. However, based on the provisions of ASU 2009-17, the ARLP Partnership concluded that we are no longer the primary beneficiary of MAC and thus deconsolidated MAC as House has the power to direct the activities that most significantly impact the entity' s economic performance.

We adopted the amendments to FASB ASC 810 on January 1, 2010. As a result, we reclassified $1.1 million from noncontrolling interest in partners' capital to other long-term assets in our condensed consolidated balance sheets. We did not retrospectively apply the provisions of ASU 2009-17 as allowed by the amendments. The ARLP Partnership' s equity investment in MAC is $1.2 million at June 30, 2010.

MAC has a $1.75 million Revolving Credit Agreement ("Revolver") with ARLP. On November 17, 2009, MAC entered into Amendment No. 2, effective June 30, 2009, which increased the Revolver to $1.75 million from $1.5 million. The Revolver is scheduled to expire on December 31, 2010. At June 30, 2010, MAC owed ARLP $1.7 million under the Revolver, which is classified as Due From Affiliates on our condensed consolidated balance sheets.

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9. WORKERS' COMPENSATION AND PNEUMOCONIOS ("BLACK LUNG")

The changes in the workers' compensation liability (including current and long-term liability balances) for each of the periods presented were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Beginning balance	$66,371	$56,350	$63,220	$56,671
Accruals increase	5,005	4,749	9,811	9,147
Payments	(2,293)	(2,625)	(4,818)	(5,953)
Interest accretion	833	864	1,666	1,728
Valuation loss	134	3,744	171	1,489
Ending balance	$70,050	$63,082	$70,050	$63,082

Pneumoconiosis

The Patient Protection and Affordable Care Act, which was signed into law by President Obama in March 2010, amended previous legislation related to coal workers' Black Lung providing automatic extension of awarded lifetime benefits to surviving spouses and providing changes to the legal criteria used to assess and award claims. The ARLP Partnership is not presently able to estimate the impact of this legislation on its obligations and its future service period charges related to future claims due to uncertainty about the number of claims that will be filed, how the new award criteria will impact these claim populations and the effect of regulations relating to the retroactive application of certain criteria. The ARLP Partnership expects to complete an evaluation of the obligation by the end of fiscal year 2010. For more information, please see "Part I. Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations−Health Care Reform" in this Quarterly Report on Form 10-Q.

10. COMPENSATION PLANS

ARLP Partnership

The ARLP Partnership maintains the ARLP LTIP for certain employees and officers of MGP and its affiliates who perform services for the ARLP Partnership. The ARLP LTIP awards are grants of non-vested notional units, which upon satisfaction of vesting requirements entitle the ARLP LTIP participant to receive ARLP common units. On January 26, 2010, the compensation committee ("MGP Compensation Committee") of the board of directors of MGP ("MGP Board of Directors") determined that the vesting requirements for the 2007 grants of 88,975 units (which are net of 4,500 forfeitures) had been satisfied as of January 1, 2010. As a result of this vesting, on February 12, 2010, the ARLP Partnership issued 55,826 unrestricted common units to the ARLP LTIP participants. The remaining units were settled in cash to satisfy the individual tax withholding obligations for the ARLP LTIP participants. On February 1, 2010, the MGP Compensation Committee authorized additional grants up to 143,145 restricted units, of which 138,130 were granted during the six months ended June 30, 2010, all of which will vest on January 1, 2013 subject to satisfaction of certain financial tests. The fair value of these 2010 grants is equal to the intrinsic value at the date of grant, which was $39.59 per unit on a weighted average basis. ARLP LTIP expense was $1.0 million, $0.9 million, $1.9 million and $1.7 million for the three and six months ended June 30, 2010 and 2009, respectively. On October 23, 2009, ARLP unitholders approved the third amendment ("Third Amendment") to the ARLP LTIP. The Third Amendment was previously authorized by the MGP Board of Directors, subject to unitholder approval.

The Third Amendment increased the number of units available for issuance under the ARLP LTIP from 1.2 million to 3.6 million, providing 2.4 million units for satisfaction of future awards. After consideration of the January 1, 2010 vesting and subsequent issuance of 55,826 common units, approximately 2.3 million units remain available for issuance in the future, assuming all grants issued in 2008, 2009 and 2010 currently outstanding are settled with common units and no future forfeitures occur.

As of June 30, 2010, there was $6.9 million in total unrecognized compensation expense related to the non-vested ARLP LTIP grants that are expected to vest. That expense is expected to be recognized over a weighted-average period of 1.6 years. As of June 30, 2010, the intrinsic value of the non-vested ARLP LTIP grants was $17.1 million. As of June 30, 2010, the total obligation associated with the ARLP LTIP was $5.5 million and is included in the noncontrolling interests line item in our condensed consolidated balance sheets.

As provided under the distribution equivalent rights provisions of the ARLP LTIP, all non-vested grants include contingent rights to receive quarterly cash distributions in an amount equal to the cash distributions ARLP makes to its unitholders during the vesting period.

AHGP Partnership

We have also adopted a Long-Term Incentive Plan (the "AHGP LTIP") for employees, directors and consultants of our general partner and its affiliates, including the ARLP Partnership. Grants under the AHGP LTIP are to be made in AHGP restricted units, which are "phantom" units that entitle the grantee to receive either a common unit or equivalent amount of cash upon the vesting of the phantom units. The aggregate number of common units reserved for issuance under the AHGP LTIP is 5,215,000. There have been no grants under the AHGP LTIP as of June 30, 2010.

11. COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COSTS

Eligible employees at certain of the ARLP Partnership' s mining operations participate in a defined benefit plan (the "Pension Plan") sponsored by the ARLP Partnership. The benefit formula for the Pension Plan is a fixed dollar unit based on years of service. Components of the net periodic benefit cost for each of the periods presented are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 713	$ 667	$1,426	$1,334
Interest cost	840	754	1,679	1,509
Expected return on plan assets	(924)	(608)	(1,846)	(1,216)
Amortization of net loss	269	356	538	711
Net periodic benefit cost	$ 898	$ 1,169	$1,797	$2,338

We previously disclosed in our financial statements for the year ended December 31, 2009 that the ARLP Partnership expected to contribute $9.8 million to the Pension Plan in 2010 for the 2009 plan year. During 2010, the ARLP Partnership received a final funding report for the 2009 plan year, which included updated assumptions on expected retirement patterns, interest rate analysis and asset value method. The finalization of these assumptions significantly decreased the ARLP Partnership' s required funding in 2010 for the 2009 plan year. During the six months ended June 30, 2010, the ARLP Partnership made a quarterly contribution payment of $0.6 million and will make a final contribution payment of $0.4 million by September 15, 2010 for the 2009 plan year. During the six months ended June 30, 2010, the ARLP Partnership also made a quarterly contribution of $0.7 million for the 2010 plan year.

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12. COMPREHENSIVE INCOME

Total comprehensive income for the three and six months ended June 30, 2010 and 2009, respectively, is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	$85,174	$41,141	$159,616	$113,305
Other comprehensive income:				
Unrealized gain on marketable securities	–	567	–	567
Pension (Note 11)	269	356	538	711
Total other comprehensive income	269	923	538	1,278
Total comprehensive income	85,443	42,064	160,154	114,583
Less comprehensive income attributable to noncontrolling interests:				
Net income	(38,940)	(15,432)	(72,354)	(48,770)
Unrealized gain on marketable securities	–	(320)	–	(320)
Pension (Note 11)	(151)	(201)	(293)	(391)
Comprehensive income attributable to AHGP	$46,352	$26,111	$87,507	$65,102

Comprehensive income differs from net income due to an unrealized gain on the ARLP Partnership' s available for sale marketable securities resulting from valuation changes (2009 only) and amortization of actuarial loss associated with adoption of amendments to FASB ASC 715, *Compensation – Retirement Benefits*.

13. SEGMENT INFORMATION

The ARLP Partnership operates in the eastern U.S. as a producer and marketer of coal to major utilities and industrial users. We have four reportable segments: Illinois Basin, Central Appalachia, Northern Appalachia and Other and Corporate. The first three segments correspond to the three major coal producing regions in the eastern U.S. Coal quality, coal seam height, mining and transportation methods and regulatory issues are similar within each of these three segments.

The Illinois Basin segment is comprised of Webster County Coal, LLC' s Dotiki mining complex, Gibson County Coal, LLC' s Gibson North mining complex, Hopkins County Coal, LLC' s Elk Creek mining complex, White County Coal' s Pattiki mining complex, Warrior Coal, LLC' s mining complex, River View' s mining complex, which initiated operations in 2009, the Sebree Mining, LLC ("Sebree") property, the Gibson County Coal (South), LLC ("Gibson South") property and certain properties of Alliance Resource Properties, LLC ("Alliance Resource Properties") and its wholly-owned subsidiary, ARP Sebree, LLC. The ARLP Partnership is in the process of permitting the Gibson South property and Sebree property for future mine development.

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The Central Appalachian segment is comprised of Pontiki Coal, LLC' s and MC Mining, LLC' s mining complexes.

The Northern Appalachian segment is comprised of Mettiki Coal, LLC' s mining complex, Mettiki Coal (WV) LLC' s Mountain View mining complex, two small third-party mining operations (one of which was idled in May 2009 and restarted in February 2010), a mining complex currently under construction at Tunnel Ridge, LLC ("Tunnel Ridge") and the Penn Ridge Coal, LLC ("Penn Ridge") property. In May 2010, incidental production began from mine development activities at Tunnel Ridge; longwall production is not anticipated until late 2011. The ARLP Partnership is in the process of permitting the Penn Ridge property for future mine development.

Other and Corporate includes the ARLP Partnership and AHGP' s marketing and administrative expenses, Matrix Design Group, LLC ("Matrix Design"), Alliance Design Group, LLC ("Alliance Design"), the Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") dock activities, coal brokerage activity, the ARLP Partnership' s equity investment in MAC and certain properties of Alliance Resource Properties. Segment results for the three and six months ended June 30, 2010 and 2009 are presented below:

	Illinois Basin	Central Appalachia	Northern Appalachia	Other and Corporate	Elimination (1)	Consolidated
			(in thousands)			
Operating segment results for the three months ended June 30, 2010:						
Total revenues (2)	$296,949	$40,928	$57,973	$10,741	$(6,342)	$400,249
Segment Adjusted EBITDA Expense (3)	174,590	31,921	41,616	9,157	(6,342)	250,942
Segment Adjusted EBITDA (4)	115,872	8,911	14,121	1,582	–	140,486
Capital expenditures	51,191	3,161	42,684	355	–	97,391
Operating segment results for the three months ended June 30, 2009:						
Total revenues (2)	$227,766	$42,335	$31,171	$8,023	$(5,497)	$303,798
Segment Adjusted EBITDA Expense (3)	141,115	34,849	27,729	6,428	(5,414)	204,707
Segment Adjusted EBITDA (4)	77,012	6,151	1,625	1,591	(82)	86,297
Capital expenditures	74,920	2,687	10,029	1,452	–	89,088

Operating segment results for the six months ended June 30, 2010:

Total revenues (2)	$591,586	$80,690	$98,975	$21,208	$(11,593)	$780,866
Segment Adjusted EBITDA Expense (3)	347,443	64,746	73,587	18,018	(11,593)	492,201
Segment Adjusted EBITDA (4)	230,001	15,834	21,111	3,193	−	270,139
Total assets	759,487	80,656	286,740	32,733	(2,707)	1,156,909
Capital expenditures	83,389	4,520	85,991	948	−	174,848

	Illinois Basin	Central Appalachia	Northern Appalachia	Other and Corporate	Elimination (1)	Consolidated
			(in thousands)			
Operating segment results for the six months ended June 30, 2009:						
Total revenues (2)	$458,313	$96,338	$70,857	$17,726	$(10,245)	$632,989
Segment Adjusted EBITDA Expense (3)	272,524	71,945	58,284	13,027	(10,163)	405,617
Segment Adjusted EBITDA (4)	167,770	22,969	8,337	4,694	(82)	203,688
Total assets	654,320	88,429	163,443	181,389	(85)	1,087,496
Capital expenditures	132,404	7,710	32,321	2,250	–	174,685

(1) The elimination column represents the elimination of intercompany transactions and is primarily comprised of sales from Matrix Design, Alliance Design and MAC (for 2009 only; see Note 8) to the ARLP Partnership' s mining operations.

(2) Revenues included in the Other and Corporate column are primarily attributable to Matrix Design revenues, Alliance Design revenues, Mt. Vernon transloading revenues, MAC rock dust revenues (for 2009 only; see Note 8) and brokerage sales.

(3) Segment Adjusted EBITDA Expense (a non-GAAP financial measure) includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to the ARLP Partnership' s customers and consequently it does not realize any gain or loss on transportation revenues. We review Segment Adjusted EBITDA Expense per ton for cost trends.

The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expenses (excluding depreciation, depletion and amortization), the most comparable GAAP measure (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Segment Adjusted EBITDA Expense	$250,942	$204,707	$492,201	$405,617
Outside coal purchases	(4,544)	(432)	(6,386)	(5,192)
Other income	304	202	154	428

Operating expenses (excluding depreciation, depletion and amortization)	$246,702	$204,477	$485,969	$400,853

(4) Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as net income (prior to the allocation of noncontrolling interest) before income taxes, net interest expense, depreciation, depletion and amortization, and general and administrative expenses. Management therefore is able to focus solely on the evaluation of segment operating profitability as it relates to the ARLP Partnership' s revenues and operating expenses, which are primarily controlled by our segments. Consolidated Segment Adjusted EBITDA is reconciled to net income the most comparable GAAP measure, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Segment Adjusted EBITDA	$140,486	$86,297	$270,139	$203,688
General and administrative	(11,823)	(9,573)	(23,026)	(19,690)
Depreciation, depletion and amortization	(35,677)	(28,272)	(71,973)	(55,622)
Interest expense, net	(7,390)	(7,512)	(14,933)	(14,845)
Income tax (expense) benefit	(422)	201	(591)	(226)
Net income	$85,174	$41,141	$159,616	$113,305

14. SUBSEQUENT EVENTS

On July 26, 2010, we declared a quarterly distribution for the quarter ended June 30, 2010, of $0.4825 per unit on all common units outstanding, totaling approximately $28.9 million, payable on August 19, 2010 to all unitholders of record as of August 12, 2010.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Significant relationships referenced in this management' s discussion and analysis of financial condition and results of operations include the following:

References to "we," "us," "our" or "AHGP" mean Alliance Holdings GP, L.P., individually as the parent company, and not on a consolidated basis.

References to "AHGP Partnership" mean the business and operations of Alliance Holdings GP, L.P., the parent company, as well as its consolidated subsidiaries, which include Alliance Resource Management GP, LLC and Alliance Resource Partners, L.P. and its consolidated subsidiaries.

References to "AGP" mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., also referred to as our general partner.

References to "ARLP Partnership" mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.

References to "ARLP" mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.

References to "MGP" mean Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P.

References to "SGP" mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P.

References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.

References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the operations of Alliance Resource Operating Partners, L.P.

Summary

We have no operating activities apart from those conducted by the ARLP Partnership, and our cash flows currently consist primarily of distributions from ARLP for our ARLP partnership interests, including the incentive distribution rights that we own. We reflect our ownership interest in the ARLP Partnership on a consolidated basis, which means that our financial results are combined with the ARLP Partnership' s financial results and the results of our other subsidiaries. The earnings of the ARLP Partnership allocated to its limited partners' interest not owned by us and allocated to SGP' s general partner interest in ARLP are reflected as a noncontrolling interest in our consolidated statement of income and balance sheet. In addition to the ARLP Partnership, our historical consolidated results of operations include the results of operations of MGP, our wholly-owned subsidiary.

The AHGP Partnership's results of operations principally reflect the results of operations of the ARLP Partnership adjusted for noncontrolling partners' interest in the ARLP Partnership's net income. Accordingly, the discussion of our financial position and results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" reflects the operating activities and results of operations of the ARLP Partnership.

The ARLP Partnership is a diversified producer and marketer of coal primarily to major U.S. utilities and industrial users. The ARLP Partnership began mining operations in 1971 and, since then, has grown through acquisitions and internal development to become what it believes to be the fifth largest coal producer in the eastern U.S. The ARLP Partnership operates nine mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia. The ARLP Partnership is constructing a new mining complex in West Virginia. The ARLP Partnership also operates a coal loading terminal on the Ohio River at Mt. Vernon, Indiana. As is customary in the coal industry, the ARLP Partnership has entered into long-term coal supply agreements with many of its customers.

We have four reportable segments: Illinois Basin, Central Appalachia, Northern Appalachia and Other and Corporate. The first three segments correspond to the three major coal producing regions in the eastern U.S. Coal quality, coal seam height, mining and transportation methods and regulatory issues are similar within each of these three segments.

Illinois Basin segment is comprised of Webster County Coal, LLC' s Dotiki mining complex ("Dotiki"), Gibson County Coal, LLC' s Gibson North mining complex, Hopkins County Coal, LLC' s Elk Creek mining complex, White County Coal, LLC' s Pattiki mine ("Pattiki"), Warrior Coal, LLC' s ("Warrior") mining complex, River View Coal, LLC' s ("River View") mining complex, which initiated operations in 2009, the Sebree Mining, LLC ("Sebree") property, the Gibson County Coal (South), LLC ("Gibson South") property and certain properties of Alliance Resource Properties, LLC ("Alliance Resource Properties") and its wholly-owned subsidiary, ARP Sebree, LLC and its wholly-owned subsidiary, ARP Sebree, LLC. The ARLP Partnership is in the process of permitting the Gibson South property and the Sebree property for future mine development.

Central Appalachian segment is comprised of Pontiki Coal, LLC' s ("Pontiki") and MC Mining, LLC' s ("MC Mining") mining complexes.

Northern Appalachian segment is comprised of Mettiki Coal, LLC' s mining complex, Mettiki Coal (WV), LLC' s Mountain View mining complex, two small third-party mining operations (one of which was idled in May 2009 and restarted in February 2010), a mining complex currently under construction at Tunnel Ridge, LLC ("Tunnel Ridge") and the Penn Ridge Coal, LLC ("Penn Ridge") property. In May 2010, incidental production began from mine development activities at Tunnel Ridge; longwall production is not anticipated until late 2011. The ARLP Partnership is in the process of permitting the Penn Ridge property for future mine development.

Other and Corporate segment includes marketing and administrative expenses, Matrix Design Group, LLC ("Matrix Design"), Alliance Design Group, LLC, the Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") dock activities, coal brokerage activity, the ARLP Partnership' s equity investment in Mid-America Carbonates, LLC ("MAC") and certain properties of Alliance Resource Properties.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act. Additionally, on March 30, 2010, President Obama signed into law a reconciliation measure, the Health Care and Education Reconciliation Act of 2010. The passage of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Act") will result in comprehensive changes to health care in the United States. Implementation of this legislation is planned to occur in phases, with plan standard changes taking effect beginning in 2010, but to a greater extent with the 2011 benefit plan year and extending through 2018.

The Health Care Act has both short-term and long-term implications on benefit plan eligibility, coverage requirements, and benefit standards and limitations. In the short term, the ARLP Partnership' s healthcare costs are expected to increase due to raising the maximum age and easing of eligibility limitations for covered dependents. The Health Care Act also prevents the group health plan from limiting benefit payments for participants who meet or exceed annual or lifetime dollar limits per covered individual. In the long term, the ARLP Partnership' s healthcare costs could increase for various reasons due to the Health Care Act, including the potential impact of an excise tax on “high cost” plans (beginning in 2018), among other standard requirements.

The ARLP Partnership anticipates that certain government agencies will provide additional regulations or interpretations concerning the application of the Health Care Act and reporting required thereunder. Until these regulations or interpretations are published, the ARLP Partnership is unable to reasonably estimate the impact of such federal mandate requirements on its future healthcare costs.

The ARLP Partnership will continue to evaluate the potential impact of the legislation on its self-insured long term disability plan, pneumoconiosis (“Black Lung”) liabilities, results of operations and internal controls as governmental agencies issue interpretations regarding the meaning and scope of the Health Care Act. However, the ARLP Partnership believes it is likely that its costs will increase as a result of these provisions, which may have an adverse impact on its results of operations and cash flows.

Financial Reform

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The Dodd-Frank Act gives regulators new resolution authority, creates a new council to monitor and address systematic risk, changes the mandate of the Federal Reserve, imposes significant new regulations on banking organizations, makes significant changes to the rules that affect the process of financing business enterprises and creates a new governmental authority, the Bureau of Consumer Financial Protection, to regulate retail financial products and services, among many other provisions. The Dodd-Frank Act also requires public mining companies to report certain safety information in each periodic report filed with SEC and to file Form 8-K for certain safety matters. The ARLP Partnership is currently evaluating the effect, if any, of the Dodd-Frank Act on the ARLP Partnership' s operations.

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

We reported record net income of $85.2 million for the three months ended June 30, 2010 (“2010 Quarter”) compared to $41.1 million for the three months ended June 30, 2009 (“2009 Quarter”). This increase of $44.1 million was principally due to record tons sold and improved pricing resulting in a record quarterly average coal sales price of $51.53 per ton sold, as compared to $46.04 per ton sold for the 2009 Quarter. The ARLP Partnership had record tons sold of 7.5 million tons and higher tons produced of 6.9 million tons in the 2010 Quarter, compared to 6.2 million tons sold and 6.3 million tons produced in the 2009 Quarter. This increase in produced tons primarily reflects increased production from the ARLP Partnership' s new River View mine. Higher operating expenses during the 2010 Quarter resulted primarily from increased sales and production volumes, which particularly impacted materials and supplies expenses and sales-related expenses. Increased operating expenses also reflect an increase in labor and labor-related expenses as well as higher costs associated with beginning coal inventories sold in the 2010 Quarter.

	Three Months Ended June 30,			
	2010	2009	2010	2009
	(in thousands)		(per ton sold)	
Tons sold	7,489	6,247	N/A	N/A
Tons produced	6,917	6,324	N/A	N/A
Coal sales	$385,905	$287,620	$51.53	$46.04

Operating expenses and outside coal purchases	$251,246	$204,909	$33.55	$32.80

Coal sales. Coal sales for the 2010 Quarter increased 34.2% to $385.9 million from $287.6 million for the 2009 Quarter. The increase of $98.3 million in coal sales reflected the benefit of record tons sold (contributing $57.2 million in coal sales) and record average coal sales prices (contributing $41.1 million in additional coal sales). Average coal sales prices in the 2010 Quarter increased $5.49 per ton sold to $51.53 per ton in the 2010 Quarter compared to $46.04 per ton in the 2009 Quarter primarily as a result of improved contract pricing across all regions.

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Operating expenses. Operating expenses increased 20.7% to $246.7 million for the 2010 Quarter from $204.5 million for the 2009 Quarter primarily due to record coal sales and increased production volumes. Operating expenses were impacted by various other factors, the most significant of which are discussed below:

Labor and benefit expenses per ton produced, excluding workers' compensation, decreased 2.4% to $11.15 per ton in the 2010 Quarter from $11.42 per ton in the 2009 Quarter. This decrease of $0.27 per ton was primarily due to increased production volumes at the ARLP Partnership's new River View mine (which has relatively lower production costs), partially offset by increased mine development labor at its Tunnel Ridge mine, increased regulatory oversight, particularly at the Central Appalachian mines, and production disruptions at the ARLP Partnership's Dotiki and Pattiki mines;

Workers' compensation expenses per ton produced decreased to $1.06 per ton in the 2010 Quarter from $1.73 per ton in the 2009 Quarter. The decrease of $0.67 per ton produced resulted primarily from a non-cash charge during the 2009 Quarter due to a discount rate change, which increased the accrued liabilities for the present value of estimated future claim payments;

Material and supplies expenses per ton produced increased 8.8% to $10.40 per ton in the 2010 Quarter from $9.56 per ton in the 2009 Quarter. The increase of $0.84 per ton produced resulted from increased costs for certain products and services, such as transportation costs (increase of $0.39 per ton), roof support (increase of $0.23 per ton), safety expenses (increase of $0.15 per ton) and fuel and power used in the mining process (increase of $0.14 per ton), partially offset by decreased costs per ton in various other categories;

Maintenance expenses per ton produced decreased 7.9% to $3.61 per ton in the 2010 Quarter from $3.92 per ton in the 2009 Quarter. The decrease of $0.31 per ton produced resulted primarily from the benefit of newer equipment and increased production at the ARLP Partnership's new River View mining complex, partially offset by higher maintenance costs for the ARLP Partnership's mine development project at Tunnel Ridge;

Mine administration expenses increased $2.3 million for the 2010 Quarter compared to the 2009 Quarter, primarily due to higher costs resulting from increased Matrix Design product sales and higher mine administration expense at River View and the ARLP Partnership's mine development project at Tunnel Ridge;

Contract mining expenses increased $1.8 million for the 2010 Quarter compared to the 2009 Quarter. The increase primarily reflects the restart of a third-party mining operation in the Northern Appalachian region during February 2010 that was previously idled in May 2009 (due to weak demand in the export and spot coal markets) and increased production from existing operations in Northern Appalachia, both in response to increased demand in the export coal market;

Production taxes and royalties expenses (which were incurred as a percentage of coal sales prices and volumes) increased $0.46 per produced ton sold in the 2010 Quarter compared to the 2009 Quarter primarily as a result of increased average coal sales prices across all regions;

Operating expenses also increased in the 2010 Quarter due to 1.5 million tons sold from beginning coal inventory compared to 0.8 million tons sold from beginning coal inventory in the 2009 Quarter, partially offset by lower beginning inventory costs per ton sold in the 2010 Quarter as compared to the 2009 Quarter;

Operating expenses for the 2010 Quarter included $1.2 million related to the retirement of certain assets related to the failed vertical hoist conveyor system at the ARLP Partnership' s Pattiki mine. For more information on Pattiki, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 4. Pattiki Vertical Hoist Conveyor System Failure" of this Quarterly Report on Form 10-Q; and

Certain operating expenses incurred during the 2010 Quarter related to River View and the ARLP Partnership' s Tunnel Ridge mine development project increased $29.2 million over the 2009 Quarter. These expenses are generally included in the variances discussed above.

General and administrative. General and administrative expenses for the 2010 Quarter increased to $11.8 million compared to $9.6 million in the 2009 Quarter. The increase of $2.2 million was primarily due to increases in incentive compensation expense.

Other sales and operating revenues. Other sales and operating revenues are principally comprised of Mt. Vernon transloading revenues, products and services provided by MAC (in the 2009 Quarter only), Matrix Design and other outside services. Other sales and operating revenues increased to $5.5 million for the 2010 Quarter from $3.4 million for the 2009 Quarter. The increase of $2.1 million was primarily attributable to increased Matrix Design product sales partially offset by decreased rock dust revenues reflecting the deconsolidation of MAC. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q.

Outside coal purchases. Outside coal purchases increased to $4.5 million for the 2010 Quarter compared to $0.4 million in the 2009 Quarter. The increase of $4.1 million was primarily attributable to increased outside coal purchases predominately in the ARLP Partnership' s Northern Appalachian region due to increased demand in the export coal markets.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to $35.7 million for the 2010 Quarter from $28.3 million for the 2009 Quarter. The increase of $7.4 million was attributable to additional depreciation expense associated with continuing capital expenditures related to infrastructure improvements, efficiency projects and expansion of production capacity, particularly at the ARLP Partnership' s River View mine.

Interest expense. Interest expense, net of capitalized interest, decreased to $7.4 million for the 2010 Quarter from $7.8 million for the 2009 Quarter. The decrease of $0.4 million was principally attributable to reduced interest expense resulting from the ARLP Partnership' s August 2009 principal repayment of $18.0 million on its original senior notes issued in 1999, partially offset by increased interest expense for borrowings on the ARLP Partnership' s $150.0 million revolving credit facility ("ARLP Credit Facility") during the 2010 Quarter, each of which are discussed in more detail below under "– Debt Obligations."

Transportation revenues and expenses. Transportation revenues and expenses were $8.8 million and $12.8 million for the 2010 and 2009 Quarters, respectively. The decrease of $4.0 million was primarily attributable to reduced tonnage for which the ARLP Partnership arranges transportation from its Warrior and MC Mining mines. The 2010 Quarter transportation revenue reduction at Warrior primarily reflects certain customers requiring transportation assistance in the 2009 Quarter that no longer required the same assistance in the 2010 Quarter. MC Mining' s reduced transportation tonnage resulted primarily from one customer with significant transportation costs in the 2009 Quarter that received no coal shipments from MC Mining subsequent to the 2009 Quarter. The cost of transportation services are passed through to the ARLP Partnership' s customers. Consequently, the ARLP Partnership does not realize any gain or loss on transportation revenues.

Income tax expense (benefit). Income tax expense was $0.4 million for the 2010 Quarter compared to an income tax benefit of $0.2 million for the 2009 Quarter. Income taxes are primarily due to the operations of Matrix Design, which is owned by the ARLP Partnership' s subsidiary, Alliance Service, Inc. Increased taxes reflect higher net income in the 2010 Quarter from our Matrix Design operation.

Net income attributable to noncontrolling interests. The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate and a third-party ownership interest in MAC (for the 2009 Quarter only). The noncontrolling interest designated as Affiliate represents SGP' s 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership. The noncontrolling interest designated as Non-Affiliates represents the limited partners' interest in ARLP controlled through the common unit ownership, excluding the 15,544,169 common units of ARLP held by us. The noncontrolling interest designated as MAC in the 2009 Quarter represents a 50% third-party interest in MAC. The net income attributable to noncontrolling interest was $39.0 million and $15.4 million for the 2010 and 2009 Quarters, respectively**.** The increase in net income attributable to noncontrolling interest is due to an increase in the consolidated net income of the ARLP Partnership resulting from the changes in revenues and expenses described above. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) - Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q.

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Segment Adjusted EBITDA. Our 2010 Quarter Segment Adjusted EBITDA increased $54.1 million, or 62.8%, to $140.5 million from the 2009 Quarter Segment Adjusted EBITDA of $86.3 million. Segment Adjusted EBITDA, tons sold, coal sales, other sales and operating revenues and Segment Adjusted EBITDA Expense by segment are (in thousands):

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Increase/(Decrease)	
Segment Adjusted EBITDA				
Illinois Basin	$115,872	$77,012	$38,860	50.5 %
Central Appalachia	8,911	6,151	2,760	44.9 %
Northern Appalachia	14,121	1,625	12,496	(1)
Other and Corporate	1,582	1,591	(9)	(0.6)%
Elimination	–	(82)	82	(1)
Total Segment Adjusted EBITDA (2)	$140,486	$86,297	$54,189	62.8 %
Tons sold				
Illinois Basin	6,113	5,062	1,051	20.8 %
Central Appalachia	543	615	(72)	(11.7)%
Northern Appalachia	833	570	263	46.1 %
Other and Corporate	–	–	–	–
Elimination	–	–	–	–
Total tons sold	7,489	6,247	1,242	19.9 %

Coal sales				
Illinois Basin	$290,204	$217,961	$72,243	33.1 %
Central Appalachia	40,837	40,999	(162)	(0.4)%
Northern Appalachia	54,859	28,653	26,206	91.5 %
Other and Corporate	5	7	(2)	(28.6)%
Elimination	–	–	–	–
Total coal sales	$385,905	$287,620	$98,285	34.2 %
Other sales and operating revenues				
Illinois Basin	$257	$167	$90	53.9 %
Central Appalachia	(5)	–	(5)	(1)
Northern Appalachia	878	701	177	25.2 %
Other and Corporate	10,735	8,012	2,723	34.0 %
Elimination	(6,342)	(5,496)	(846)	(15.4)%
Total other sales and operating revenues	$5,523	$3,384	$2,139	63.2 %
Segment Adjusted EBITDA Expense				
Illinois Basin	$174,590	$141,115	$33,475	23.7 %
Central Appalachia	31,921	34,849	(2,928)	(8.4)%

Northern Appalachia	41,616	27,729	13,887	50.1 %
Other and Corporate	9,157	6,428	2,729	42.5 %
Elimination	(6,342)	(5,414)	(928)	(17.1)%
Total Segment Adjusted EBITDA Expense (3)	$250,942	$204,707	$46,235	22.6 %

(1) Percentage change was greater than or equal to 100%.

(2) Segment Adjusted EBITDA (a non-GAAP measure) is defined as EBITDA, excluding general and administrative expense. EBITDA is defined as net income (prior to the allocation of noncontrolling interest) before net interest expense, income taxes, and depreciation, depletion and amortization. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

the financial performance of the ARLP Partnership' s assets without regard to financing methods, capital structure or historical cost basis;

the ability of the ARLP Partnership' s assets to generate cash sufficient to pay interest costs and support its indebtedness;

the ARLP Partnership' s operating performance and return on investment as compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and

the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Segment Adjusted EBITDA is also used as a supplemental financial measure by our management for reasons similar to those stated in the above explanation of EBITDA. In addition, the exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA allows management to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses, which are primarily controlled by our segments.

The following is a reconciliation of consolidated Segment Adjusted EBITDA to net income, the most comparable GAAP measure (in thousands):

	Three Months Ended June 30,	
	2010	2009
Segment Adjusted EBITDA	$140,486	$86,297
General and administrative	(11,823)	(9,573)
Depreciation, depletion and amortization	(35,677)	(28,272)
Interest expense, net	(7,390)	(7,512)
Income tax (expense) benefit	(422)	201

Net income	$85,174	$41,141

(3) Segment Adjusted EBITDA Expense (a non-GAAP measure) includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to the ARLP Partnership' s customers and, consequently, it does not realize any gain or loss on transportation revenues. Segment Adjusted EBITDA Expense is used as a supplemental financial measure by the ARLP Partnership' s management to assess the operating performance of the segments. Segment Adjusted EBITDA Expense is a key component of EBITDA in addition to coal sales and other sales and operating revenues. The exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA Expense allows management to focus solely on the evaluation of segment operating performance as it primarily relates to the ARLP Partnership' s operating expenses. Outside coal purchases are included in Segment Adjusted EBITDA Expense because tons sold and coal sales include sales from outside coal purchases.

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The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expense, the most comparable GAAP measure (in thousands):

	Three Months Ended June 30,	
	2010	2009
Segment Adjusted EBITDA Expense	$250,942	$204,707
Outside coal purchases	(4,544)	(432)
Other income	304	202
Operating expense (excluding depreciation, depletion and amortization)	$246,702	$204,477

Illinois Basin – Segment Adjusted EBITDA increased 50.5% to $115.9 million in the 2010 Quarter from $77.0 million in the 2009 Quarter. The increase of $38.9 million was primarily attributable to a 20.8% increase in tons sold to 6.1 million tons in the 2010 Quarter, as well as strong contract pricing reflecting a higher average coal sales price of $47.47 per ton sold during the 2010 Quarter compared to $43.06 per ton sold for the 2009 Quarter. Coal sales increased 33.1% to $290.2 million in the 2010 Quarter compared to $218.0 million in the 2009 Quarter. The increase of $72.2 million primarily reflects increased sales from the ARLP Partnership' s new River View mine (which commenced operations in August 2009 and continued to expand production during the 2010 Quarter), partially offset by production disruptions at the ARLP Partnership' s Dotiki and Pattiki mines. Total Segment Adjusted EBITDA Expense for the 2010 Quarter increased 23.7% to $174.6 million from $141.1 million in the 2009 Quarter and increased $0.68 per ton sold to $28.56 from $27.88 per ton sold, primarily as a result of certain cost increases described above under consolidated operating expenses as well as a $1.2 million loss on the retirement of certain assets related to the failed vertical hoist conveyor system at the ARLP Partnership' s Pattiki mine. For more information on Pattiki, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 4. Pattiki Vertical Hoist Conveyor System Failure" of this Quarterly Report on Form 10-Q.

Central Appalachia – Segment Adjusted EBITDA increased 44.9% to $8.9 million for the 2010 Quarter compared to $6.1 million in the 2009 Quarter. The increase of $2.8 million was primarily attributable to strong contract pricing reflecting a higher average coal sales price of $75.24 per ton sold during the 2010 Quarter compared to $66.70 per ton sold for the 2009 Quarter, partially offset by lower sales volumes due to the timing of contract shipments, reduced production due to increased regulatory oversight and the continued impact of idling one mining unit at Pontiki in July 2009. Segment Adjusted EBITDA Expense per ton sold during the 2010 Quarter increased to $58.82 compared to $56.69 per ton sold in the 2009 Quarter, an increase of $2.13 per ton sold reflecting certain cost increases described above under consolidated operating expenses, as well as lower production volumes and increased regulatory cost. Although Segment Adjusted EBITDA Expense per ton sold increased in the 2010 Quarter, Segment Adjusted EBITDA Expense for the 2010 Quarter decreased 8.4% to $31.9 million from $34.8 million in the 2009 Quarter primarily as a result of lower coal sales volumes offset in part by higher expenses per ton as described above.

Northern Appalachia – Segment Adjusted EBITDA increased to $14.1 million for the 2010 Quarter as compared to $1.6 million in the 2009 Quarter. This increase of $12.5 million was primarily attributable to strong contract pricing reflecting a higher average sales price of $65.87 per ton sold for the 2010 Quarter compared to $50.25 per ton sold for the 2009 Quarter, as well as increased tons sold which increased 46.1% to 0.8 million tons in the 2010 Quarter, both resulting from improved demand in the export coal markets. Total Segment Adjusted EBITDA Expense for the 2010 Quarter increased 50.1% to

$41.6 million from $27.7 million in the 2009 Quarter and increased $1.34 per ton sold to $49.97 from $48.63 per ton sold, primarily as a result of higher coals sales volumes, lower coal recoveries, as well as the other cost increases described above under consolidated operating expenses, including expenses incurred related to the ARLP Partnership' s Tunnel Ridge mine development project, increased coal purchases, the resumption in February 2010 of a third-party mining operation that had been idled in May 2009 and increased production from existing operations. Increased outside coal purchases and third-party mining production were both in response to improved demand, as noted above.

Other and Corporate – Segment Adjusted EBITDA was $1.6 million in the 2010 Quarter and the 2009 Quarter. Other sales and operating revenues increased 33.4% to $10.8 million for the 2010 Quarter compared to $8.1 million for the 2009 Quarter. The increase of $2.7 million was primarily attributable to increased third-party sales of mine safety equipment by Matrix Design. Segment Adjusted EBITDA Expense increased 42.5% to $9.2 million for the 2010 Quarter, primarily due to increased expenses associated with higher outside services revenue and product sales at Matrix Design.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

We reported record net income of $159.6 million for the six months ended June 30, 2010 ("2010 Period") compared to $113.3 million for the six months ended June 30, 2009 ("2009 Period"). This increase of $46.3 million was principally due to increased tons sold and improved contract pricing resulting in an average coal sales price of $50.44 per ton sold, as compared to $47.33 per ton sold for the 2009 Period. The ARLP Partnership had tons sold of 14.9 million and tons produced of 14.5 million for the 2010 Period compared to 12.7 million tons sold and 13.2 million tons produced for the 2009 Period. This increase in produced tons primarily reflects increased production from the ARLP Partnerhsip' s new River View mine and resulted in higher operating expenses during the 2010 Period, particularly impacting materials and supplies expenses and sales-related expenses. Increased operating expenses also reflect the increase in labor and labor-related expenses as well as higher costs associated with beginning coal inventories.

	Six Months Ended June 30,			
	2010	2009	2010	2009
	(in thousands)		(per ton sold)	
Tons sold	14,870	12,674	N/A	N/A
Tons produced	14,461	13,196	N/A	N/A
Coal sales	$750,064	$599,880	$50.44	$47.33
Operating expenses and outside coal purchases	$492,355	$406,045	$33.11	$32.04

Coal sales. Coal sales for the 2010 Period increased 25.0% to $750.1 million from $599.9 million for the 2009 Period. The increase of $150.2 million in coal sales reflected the benefit of increased tons sold (contributing $103.9 million in coal sales) and higher average coal sales prices (contributing $46.3 million in additional coal sales). Average coal sales prices increased $3.11 per ton sold to $50.44 per ton in the 2010 Period as compared to the 2009 Period, primarily as a result of improved contract pricing across all regions.

Operating expenses. Operating expenses increased 21.2% to $486.0 million for the 2010 Period from $400.9 million for the 2009 Period primarily due to record coal sales and increased production volumes. Operating expenses were impacted by various other factors, the most significant of which are discussed below:

Labor and benefit expenses per ton produced, excluding workers' compensation, decreased to $10.64 per ton in the 2010 Period from $10.83 per ton in the 2009 Period. The decrease of

$0.19 per ton was primarily attributable to increased production volumes at the ARLP Partnership’ s new River View mine (which has relatively lower costs of production) and a decrease in the cost of training new employees in the Illinois Basin, partially offset by increased mine development labor at the ARLP Partnership’ s Tunnel Ridge mine, increased regulatory oversight particularly at the Central Appalachian mines, and production disruptions at the Dotiki and Pattiki mines during the 2010 Quarter;

Workers’ compensation expenses per ton produced decreased to $1.00 per ton in the 2010 Period from $1.15 per ton in the 2009 Period. The decrease of $0.15 per ton produced resulted primarily from non-cash charges during the 2009 Period due to discount rate changes, which increased the accrued liabilities for the present value of estimated future claim payments;

Material and supplies expenses per ton produced increased 5.8% to $9.96 per ton in the 2010 Period from $9.41 per ton in the 2009 Period. The increase of $0.55 per ton produced resulted from increased costs for certain products and services, primarily roof support (increase of $0.19 per ton), outside services expenses, such as transportation costs (increase of $0.18 per ton), and power and fuel used in the mining process (increase of $0.16 per ton), partially offset by decreased costs per ton in various other categories;

Maintenance expenses per ton produced decreased 6.7% to $3.46 per ton in the 2010 Period from $3.71 per ton in the 2009 Period. The decrease of $0.25 per ton produced resulted primarily from the benefit of newer equipment and increased production at the ARLP Partnership’ s new River View mining complex, partially offset by higher maintenance costs for its mine development project at Tunnel Ridge;

Mine administration expenses increased $3.6 million for the 2010 Period compared to the 2009 Period, primarily due to higher costs resulting from increased Matrix Design product sales;

Production taxes and royalties expenses (which were incurred as a percentage of coal sales prices and volumes) increased $0.30 per produced ton sold in the 2010 Period compared to the 2009 Period primarily as a result of increased average coal sales prices across all regions;

Operating expenses per ton also increased in the 2010 Period due to 1.3 million tons sold from higher cost per ton beginning of the year coal inventory compared to 261,000 tons sold from beginning coal inventory in the 2009 Period;

Operating expenses for the 2010 Period included $1.2 million related to the retirement of certain assets related to the failed vertical hoist conveyor system at the ARLP Partnership’ s Pattiki mine. For more information, please read “Part I. Item 1. Financial Statements (Unaudited) - Note 4. Pattiki Vertical Hoist Conveyor System Failure” of this Quarterly Report on Form 10-Q; and

Certain operating expenses incurred during the 2010 Period related to River View and the ARLP Partnership’ s Tunnel Ridge mine development project increased $54.4 million over the 2009 Period. These expenses are generally included in the variances discussed above.

General and administrative. General and administrative expenses for the 2010 Period increased to $23.0 million compared to $19.7 million in the 2009 Period. The increase of $3.3 million was primarily due to increased incentive compensation expenses and salary expenses due to increased headcount.

Other sales and operating revenues. Other sales and operating revenues are principally comprised of Mt. Vernon transloading revenues, products and services provided by MAC (in the 2009 Period only) and Matrix Design, and other outside services. Other sales and operating revenues increased to $12.3 million for the 2010 Period from $9.4 million for the 2009 Period. The increase of $2.9 million was primarily attributable to increased Matrix Design product sales partially offset by decreased rock dust revenues reflecting the deconsolidation of MAC. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q.

Outside coal purchases. Outside coal purchases increased to $6.4 million for the 2010 Period from $5.2 million in the 2009 Period. The increase of $1.2 million was primarily attributable to an increase in outside coal purchases in the Northern Appalachian region in response to improved demand in export coal market partially offset by decreased outside coal purchases in the Central Appalachian region due to the lack of attractive sales opportunities in the coal spot markets that were available in the first quarter of 2009.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to $72.0 million for the 2010 Period from $55.6 million for the 2009 Period. The increase of $16.4 million was primarily attributable to additional depreciation expense associated with continuing capital expenditures related to infrastructure improvements, efficiency projects and expansion of production capacity, particularly at the ARLP Partnership's River View mine.

Interest expense. Interest expense, net of capitalized interest, decreased to $15.0 million for the 2010 Period from $15.8 million for the 2009 Period. The decrease of $0.8 million was principally attributable to reduced interest expense resulting from the ARLP Partnership's August 2009 principal repayment of $18.0 million on its original senior notes issued in 1999, partially offset by increased interest expense for borrowings on the ARLP Partnership's $150.0 million revolving credit facility ("ARLP Credit Facility") during the 2010 Period, each of which are discussed in more detail below under "– Debt Obligations."

Interest income. Interest income decreased to $0.1 million for the 2010 Period from $0.9 million for the 2009 Period. The decrease of $0.8 million resulted from decreased interest income earned on short-term investments purchased with proceeds from the 2008 financing activities in the 2009 Period, which were substantially liquidated throughout 2009.

Transportation revenues and expenses. Transportation revenues and expenses each decreased to $18.5 million for the 2010 Period compared to $23.7 million for the 2009 Period. The decrease of $5.2 million was primarily attributable to decreased coal sales volumes in the 2010 Period for which the ARLP Partnership arranged the transportation compared to the 2009 Period, as well as a decrease in average transportation rates of $0.24 on a per ton basis in the 2010 Period compared to the 2009 Period reflecting in part lower fuel costs. The cost of transportation services are passed through to the ARLP Partnership's customers. Consequently, the ARLP Partnership does not realize any gain or loss on transportation revenues.

Income tax expense. Income tax expense increased to $0.6 million for the 2010 Period compared to $0.2 million for the 2009 Period. The increase of $0.4 million was primarily due to differences in the forecasted annual operating income for 2010 as compared to 2009 for Matrix Design. Increased taxes reflect higher net income in the 2010 Period from our Matrix Design operation.

Net income attributable to noncontrolling interests. The noncontrolling interests balance is comprised of non-affiliate and affiliate ownership interests in the net assets of the ARLP Partnership that we consolidate and a third-party ownership interest in MAC (for the 2009 Period only). The noncontrolling interest designated as Affiliate represents SGP' s 0.01% general partner interest in ARLP and 0.01% general partner interest in the Intermediate Partnership. The noncontrolling interest designated as Non-Affiliates represents the limited partners' interest in ARLP controlled through the common unit ownership, excluding the 15,544,169 common units of ARLP held by us. The noncontrolling interest designated as MAC in the 2009 Period represents a 50% third-party interest in MAC. The net income attributable to noncontrolling interest was $72.4 million and $48.8 million for the 2010 Period and the 2009 Period, respectively. The increase in net income attributable to noncontrolling interest is due to an increase in the consolidated net income of the ARLP Partnership resulting from the changes in revenues and expenses described above. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) - Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q.

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Segment Adjusted EBITDA. Our 2010 Period Segment Adjusted EBITDA increased $66.4 million, or 32.6%, to $270.1 million from the 2009 Period Segment Adjusted EBITDA of $203.7 million. Segment Adjusted EBITDA, tons sold, coal sales, other sales and operating revenues and Segment Adjusted EBITDA Expense by segment are (in thousands):

	Six Months Ended June 30,			
	2010	2009	Increase/(Decrease)	
Segment Adjusted EBITDA				
Illinois Basin	$230,001	$167,770	$62,231	37.1 %
Central Appalachia	15,834	22,969	(7,135)	(31.1)%
Northern Appalachia	21,111	8,337	12,774	(1)
Other and Corporate	3,193	4,694	(1,501)	(32.0)%
Elimination	–	(82)	82	(1)
Total Segment Adjusted EBITDA (2)	$270,139	$203,688	$66,451	32.6 %
Tons sold				
Illinois Basin	12,190	10,025	2,165	21.6 %
Central Appalachia	1,149	1,379	(230)	(16.7)%
Northern Appalachia	1,531	1,270	261	20.6 %
Other and Corporate	–	–	–	–
Elimination	–	–	–	–
Total tons sold	14,870	12,674	2,196	17.3 %

Coal sales				
Illinois Basin	$576,644	$439,491	$137,153	31.2 %
Central Appalachia	80,466	94,786	(14,320)	(15.1)%
Northern Appalachia	92,940	65,146	27,794	42.7 %
Other and Corporate	14	457	(443)	(96.9)%
Elimination	–	–	–	–
Total coal sales	$750,064	$599,880	$150,184	25.0 %
Other sales and operating revenues				
Illinois Basin	$800	$804	$(4)	(0.5)%
Central Appalachia	114	128	(14)	(10.9)%
Northern Appalachia	1,758	1,475	283	19.2 %
Other and Corporate	21,197	17,263	3,934	22.8 %
Elimination	(11,593)	(10,245)	(1,348)	(13.2)%
Total other sales and operating revenues	$12,276	$9,425	$2,851	30.2 %
Segment Adjusted EBITDA Expense				
Illinois Basin	$347,443	$272,524	$74,919	27.5 %
Central Appalachia	64,746	71,945	(7,199)	(10.0)%

Northern Appalachia	73,587	58,284	15,303	26.3 %
Other and Corporate	18,018	13,027	4,991	38.3 %
Elimination	(11,593)	(10,163)	(1,430)	(14.1)%
Total Segment Adjusted EBITDA Expense (3)	$492,201	$405,617	$86,584	21.3 %

(1) Percentage change was greater than or equal to 100%.

(2) Segment Adjusted EBITDA (a non-GAAP measure) is defined as net EBITDA, excluding general and administrative expense. EBITDA is defined as net income (prior to the allocation of noncontrolling interest) before net interest expense, income taxes, and depreciation, depletion and amortization. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of the ARLP Partnership' s assets without regard to financing methods, capital structure or historical cost basis;

- the ability of the ARLP Partnership' s assets to generate cash sufficient to pay interest costs and support its indebtedness;

- the ARLP Partnership' s operating performance and return on investment as compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and

- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Segment Adjusted EBITDA is also used as a supplemental financial measure by our management for reasons similar to those stated in the above explanation of EBITDA. In addition, the exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA allows management to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses which are primarily controlled by our segments.

The following is a reconciliation of consolidated Segment Adjusted EBITDA to net income, the most comparable GAAP measure (in thousands):

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Segment Adjusted EBITDA	$270,139	$203,688
General and administrative	(23,026)	(19,690)
Depreciation, depletion and amortization	(71,973)	(55,622)
Interest expense, net	(14,933)	(14,845)
Income tax expense	(591)	(226)

Net income	$159,616	$113,305

(3) Segment Adjusted EBITDA Expense (a non-GAAP measure) includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to the ARLP Partnership' s customers, and consequently it does not realize any gain or loss on transportation revenues. Segment Adjusted EBITDA Expense is used as a supplemental financial measure by the ARLP Partnership' s management to assess the operating performance of the ARLP Partnership' s segments. Segment Adjusted EBITDA Expense is a key component of EBITDA in addition to coal sales and other sales and operating revenues. The exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA Expense allows management to focus solely on the evaluation of segment operating performance as it primarily relates to our operating expenses. Outside coal purchases are included in Segment Adjusted EBITDA Expense because tons sold and coal sales include sales from outside coal purchases.

The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expense, the most comparable GAAP measure (in thousands):

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Segment Adjusted EBITDA Expense	$492,201	$405,617
Outside coal purchases	(6,386)	(5,192)
Other income	154	428
Operating expense (excluding depreciation, depletion and amortization)	$485,969	$400,853

Illinois Basin – Segment Adjusted EBITDA increased 37.1% to $230.0 million for the 2010 Period from $167.8 million for the 2009 Period. The increase of $62.2 million was primarily attributable to increased tons sold, which increased 21.6% to 12.2 million tons sold in the 2010 Period, as well as improved contract pricing resulting in a higher average coal sales price of $47.31 per ton during the 2010 Period compared to $43.84 per ton for the 2009 Period. Coal sales increased 31.2% to $576.6 million in the 2010 Period compared to $439.5 million in the 2009 Period. The increase of $137.1 million primarily reflects increased sales from the ARLP Partnership' s new River View mine (which commenced operations in August of 2009 and continued to expand production during the 2010 period) and the negative impact of weather disruptions in the 2009 Period at the ARLP Partnership' s Dotiki, Warrior and Elk Creek mines, partially offset by production disruptions at the Dotiki and Pattiki mines during the 2010 Period. Total Segment Adjusted EBITDA Expense for the 2010 Period increased 27.5% to $347.4 million from $272.5 million in the 2009 Period and increased $1.32 per ton sold to $28.50 from $27.18 per ton sold, primarily as a result of certain cost increases described above under consolidated operating expenses as well as a $1.2 million loss on the retirement of certain assets related to the failed vertical hoist conveyor system at the ARLP Partnership' s Pattiki mine. For more information, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 4. Pattiki Vertical Hoist Conveyor System Failure" of this Quarterly Report on Form 10-Q.

Central Appalachia – Segment Adjusted EBITDA decreased $7.1 million, or 31.1%, to $15.8 million for the 2010 Period, compared to $23.0 million for the 2009 Period. The decrease was primarily the result of lower sales volumes due to reduced coal demand in the spot market during the 2010 Period, the timing of shipments, increased regulatory oversight and the continued impact of idling one mining unit at Pontiki in July 2009, partially offset by improved contract pricing in the 2010 Period that resulted in an increase in the average coal sales price of $1.26 per ton to $70.01 per ton in the 2010 Period, as compared to $68.75 per ton in the 2009 Period. Segment Adjusted EBITDA Expense per ton sold during the 2010 Period increased to $56.33 compared to $52.18 per ton sold, an increase of $4.15 per ton sold, reflecting certain cost increases described above under consolidated operating expenses, as well lower coal sales volumes and decreased coal production in response to lower spot market demand and lower productivity due to Pontiki' s transition from the depleted Pond Creek coal seam into the thinner Van Lear coal seam during the 2009 Period. Although Segment Adjusted EBITDA Expense per ton sold increased, Segment Adjusted EBITDA Expense for the 2010 Period decreased 10.0% to $64.7 million from $71.9 million in the 2009 Period primarily as a result of lower coal sales offset in part by higher expenses per ton as described above.

Northern Appalachia – Segment Adjusted EBITDA increased to $21.1 million for the 2010 Period, compared to $8.3 million for the 2009 Period. The increase of $12.8 million was primarily attributable to strong contract pricing reflecting a higher average sales price of $60.73 per ton sold for the 2010 Period compared to $51.28 per ton sold for the 2009 Period, as well as increased tons sold which increased 20.6% to 1.5 million tons in the 2010 Period, both resulting from improved demand in the export coal markets. Segment Adjusted EBITDA Expense for the 2010 Period increased 26.3% to $73.6 million from $58.3 million in the 2009 Period and increased $2.20 on a per ton sold basis to $48.08 from $45.88 per ton sold, primarily as a result higher coal sales volumes as well as other cost increases described above under consolidated operating expenses, including expenses incurred related to the ARLP Partnership' s Tunnel Ridge mine development project.

Other and Corporate – Segment Adjusted EBITDA decreased to $3.2 million in the 2010 Period from $4.7 million in the 2009 Period, primarily attributable to higher costs associated with Matrix Design product sales, decreased MAC rock dust revenues and the impact of the deconsolidation of MAC effective January 1, 2010, a loss in the 2010 Period compared to a gain in the 2009 Period associated with United Kingdom ("UK") currency held for future equipment purchases from a UK supplier, lower Mt. Vernon transportation revenues and lower coal brokerage sales. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) – Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q. Segment Adjusted EBITDA Expense increased 38.3% to $18.0 million for the 2010 Period, primarily due to increased expenses associated with higher outside services revenue and product sales.

Liquidity and Capital Resources

Liquidity

Our only cash generating assets are limited partnership and general partnership interests in the ARLP Partnership, including incentive distribution rights, from which we receive quarterly distributions. We currently have no independent operations separate from those of the ARLP Partnership. We rely on distributions from the ARLP Partnership to fund our cash requirements.

The ARLP Partnership has historically satisfied its working capital requirements and funded its capital expenditures and debt service obligations from cash generated from operations, cash provided by the issuance of debt or equity and borrowings under revolving credit facilities. The ARLP Partnership believes that the current cash on hand, cash generated from operations, cash from borrowings under the ARLP Credit Facility, and cash provided from the issuance of debt or equity will be sufficient to meet its working capital requirements, anticipated capital expenditures, scheduled debt payments and distribution payments. The ARLP Partnership' s ability to satisfy its obligations and planned expenditures will depend upon its future operating performance and access to and cost of financing sources, which will be affected by prevailing economic conditions generally and in the coal industry specifically, which are beyond its control. Based on the ARLP Partnership' s recent operating results, current cash position, anticipated future cash flows and sources of financing that it expects to have available, it does not anticipate any significant liquidity constraints in the foreseeable future. However, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. Please see "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2009.

Cash Flows

Cash provided by operating activities was $257.7 million for the 2010 Period compared to $163.1 million for the 2009 Period. The increase in cash provided by operating activities was principally attributable to higher net income, increases in certain operating liabilities, such as accrued taxes other than income taxes, accrued payroll and related expenses and a reduction in coal inventory costs during the 2010 Period as compared to a significant increase during the 2009 Period. These increases in cash provided by operating activities were partially offset by increases in certain operating assets, such as accounts receivable.

Net cash used in investing activities was $183.6 million for the 2010 Period compared to $169.6 million for the 2009 Period. The increase in cash used for investing activities was primarily attributable to increased Tunnel Ridge capital expenditures and timing differences in accounts payable and accrued liabilities compared to the 2009 Period, partially offset by a decrease in capital expenditures due to the completion of River View mine development during the third quarter of 2009 and Warrior' s infrastructure additions during the second quarter of 2009.

Net cash used in financing activities was $85.1 million for the 2010 Period compared to $80.9 million for the 2009 Period. The increase in cash used in financing activities was primarily attributable to increased distributions paid to partners in the 2010 Period, partially offset by net borrowings of $5.0 million under the ARLP Credit Facility in the 2010 Quarter for capital expenditures primarily related to its continuing growth initiatives (see "−Debt Obligations" below).

Capital Expenditures

Capital expenditures were comparable at $174.8 million and $174.7 million in the 2010 Period and 2009 Period, respectively. See "−Cash Flows" above for additional information regarding capital expenditures.

The ARLP Partnership' s anticipated total capital expenditures for the year ending December 31, 2010 are estimated in a range of $285 to $325 million. Management anticipates funding remaining 2010 capital requirements with the ARLP Partnership' s cash and cash equivalents ($9.7 million as of June 30, 2010), cash flows provided by operations, borrowing under the ARLP Credit Facility and, as necessary, by accessing the debt or equity capital markets. The availability and cost of additional capital will depend upon prevailing market conditions, the market price of ARLP common units and several other factors over which the ARLP Partnership has limited control, as well as its financial condition and results of operations.

Debt Obligations

AHGP Partnership

We have a $2.0 million revolving credit facility ("AHGP Credit Facility") with C-Holdings, LLC ("C-Holdings"), which owns 100% of the members' interest of our general partner, AGP, and is controlled by Joseph W. Craft, III, Chairman, President and Chief Executive Officer of AGP. The AHGP Credit Facility matures March 31, 2011 and is available for general partnership purposes. Any borrowings under the facility bear interest at the London Interbank Offered Rate ("LIBOR") plus 2.0%. We are not required to pay a commitment fee to C-Holdings on the unused portion of the facility. At June 30, 2010, we had no borrowings outstanding under the AHGP Credit Facility. There are no material operating and financial restrictions and covenants in the AHGP Credit Facility. C-Holdings may terminate the facility and demand payment of any amounts outstanding in the event we have a change of control.

ARLP Partnership

ARLP Credit Facility. The Intermediate Partnership maintains the ARLP Credit Facility, a $150.0 million revolving credit facility that matures September 25, 2012. On September 30, 2009, the Intermediate Partnership entered into Amendment No. 2 (the "Credit Amendment") to the ARLP Credit Facility. The Credit Amendment increased the annual capital expenditure limits under the ARLP Credit Facility. The new limits are $471.8 million for 2010, $350.0 million for 2011 and $250.0 million for 2012. The amount of any annual limit in excess of actual capital expenditures for that year carries forward and is added to the annual limit for the subsequent year.

At June 30, 2010, the ARLP Partnership had $11.6 million of letters of credit and $5.0 million of net borrowings outstanding with $125.9 million available for borrowing under the ARLP Credit Facility. The ARLP Partnership incurs an annual commitment fee of 0.375% on the undrawn portion of the ARLP Credit Facility.

Lehman Commercial Paper, Inc. ("Lehman"), a subsidiary of Lehman Brothers Holding, Inc., holds a 5%, or $7.5 million, commitment in the $150 million ARLP Credit Facility. The ARLP Credit Facility is underwritten by a syndicate of twelve financial institutions, including Lehman, with no individual institution representing more than 11.3% of the $150 million revolving credit facility. Lehman filed for protection under Chapter 11 of the Federal Bankruptcy Code in early October 2008. The obligations of the lenders under the ARLP Credit Facility are individual obligations and the failure of one or more lenders does not relieve the remaining lenders of their funding obligations. On February 11, 2010, the ARLP Partnership gave its lenders a notice of borrowing under the ARLP Credit Facility and, in response to that notice, Lehman notified the ARLP Partnership that it would not fund its proportionate share of the borrowing. As a result, as of February 11, 2010, Lehman became a defaulting lender and availability for borrowing under the ARLP Credit Facility was reduced by $7.5 million. The ARLP Partnership is currently in negotiations to amend the ARLP Credit Facility to remove Lehman as a commitment holder.

Senior Notes. The Intermediate Partnership has $90.0 million principal amount of 8.31% senior notes due August 20, 2014, payable in five remaining equal annual installments of $18.0 million with interest payable semi-annually ("ARLP Senior Notes").

Series A Senior Notes. On June 26, 2008, the Intermediate Partnership entered into a Note Purchase Agreement (the "2008 Note Purchase Agreement") with a group of institutional investors in a private placement offering. The Intermediate Partnership issued $205.0 million of Series A Senior Notes, which bear interest at 6.28% and mature on June 26, 2015 with interest payable semi-annually.

Series B Senior Notes. On June 26, 2008, the Intermediate Partnership issued under the 2008 Note Purchase Agreement $145.0 million of Series B Senior Notes, which bear interest at 6.72% and mature on June 26, 2018 with interest payable semi-annually.

The ARLP Partnership incurred debt issuance costs of approximately $0.3 million in 2009 associated with the ARLP Credit Facility, which have been deferred and are being amortized as a component of interest expense over the term of the respective notes.

The ARLP Credit Facility, ARLP Senior Notes and Series A and Series B Senior Notes (collectively, "ARLP Debt Arrangements") are guaranteed by all of the direct and indirect subsidiaries of the Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting the Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by the Intermediate Partnership, the incurrence of additional indebtedness and liens, the sale of assets, the making of investments, the entry into mergers and consolidations and the entry into transactions with affiliates, in each case subject to various exceptions. The ARLP Debt Arrangements also require the Intermediate Partnership to remain in control of a certain amount of mineable coal reserves relative to its annual production. In addition, the ARLP Debt Arrangements require the Intermediate Partnership to maintain the following: (i) debt to cash flow ratio of not more than 3.0 to 1.0, (ii) cash flow to interest expense ratio of not less than 4.0 to 1.0, in each case, during the four most recently ended fiscal quarters and (iii) maximum annual capital expenditures, excluding acquisitions, of $471.8 million for the year ending December 31, 2010. The debt to cash flow ratio and cash flow to interest expense ratio were 1.08 to 1.0 and 13.1 to 1.0, respectively, for the trailing twelve months ended June 30, 2010. Actual capital expenditures were $174.8 million for the 2010 Period. The ARLP Partnership was in compliance with the covenants of the ARLP Debt Arrangements as of June 30, 2010.

Other. In addition to the letters of credit available under the ARLP Credit Facility discussed above, the ARLP Partnership also has agreements with two banks to provide additional letters of credit in an aggregate amount of $31.1 million to maintain surety bonds to secure certain asset retirement obligations and its obligations for workers' compensation benefits. At June 30, 2010, the ARLP Partnership had $31.1 million in letters of credit outstanding under agreements with these two banks. SGP guarantees $5.0 million of these outstanding letters of credit.

Related-Party Transactions

The ARLP Partnership has continuing related-party transactions with SGP and its affiliates. These related-party transactions relate principally to the provision of administrative services to us and Alliance Resource Holdings II, Inc. ("ARH II") and our respective affiliates, a time sharing agreement concerning use of aircraft and mineral and equipment leases with SGP and its affiliates and guarantees from the SGP for certain letters of credit. Administrative services provided to us by the ARLP Partnership have been eliminated in our condensed consolidated financial statements.

MAC has a $1.75 million Revolving Credit Agreement ("Revolver") with ARLP. On November 17, 2009, MAC entered into Amendment No. 2, effective June 30, 2009, which increased the Revolver to $1.75 million from $1.5 million. The Revolver is scheduled to expire on December 31, 2010. At June 30, 2010, MAC owed ARLP $1.7 million under the Revolver, which is classified as Due From Affiliates on our condensed consolidated balance sheets.

On April 1, 2010, effective January 1, 2010, we entered into an Amended and Restated Administrative Services Agreement (the "Agreement") with the ARLP Partnership, MGP, the Intermediate Partnership, us and our general partner AGP, and ARH II, the indirect parent of SGP. The Agreement supersedes the Administrative Services Agreement signed in connection with our initial public offering in 2006. Under the Agreement, certain employees of ARLP, including some executive officers, provide administrative services to AHGP and ARH II and their respective affiliates. ARLP is reimbursed for services rendered by its employees on behalf of these affiliates as provided under the Agreement.

Because the Administrative Services Agreement described above was a related-party transaction, it was reviewed by the board of directors of AGP and MGP (and its conflicts committee). Based upon these reviews, the board of directors of AGP and the conflicts committee of the board of directors of MGP determined that this transaction reflected market clearing terms and conditions. As a result, the board of directors of AGP and MGP approved the Administrative Services Agreement transaction as fair and reasonable to us, the ARLP Partnership and the limited partners of both the AHGP Partnership and the ARLP Partnership.

Please read our Annual Report on Form 10-K for the year ended December 31, 2009, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Related-Party Transactions" for additional information concerning the related-party transactions described above.

New Accounting Standards

New Accounting Standards Issued and Adopted

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest* Entities ("ASU 2009-17"). ASU 2009-17 codified Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R)*, which changed the consolidation guidance applicable to a variable interest entity ("VIE"). ASU 2009-17 updated the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate such VIE, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis includes, among other things, consideration of whether the enterprise has the power to direct the activities of the entity that most significantly impact the entity's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. ASU 2009-17 also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FASB Accounting Standards Codification ("ASC") 810, *Consolidation*, required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. Qualifying special purpose entities, which were previously exempt from the application of this standard, are now subject to the provisions of ASU 2009-17. In addition, ASU 2009-17 also requires enhanced disclosures about an enterprise's involvement with a VIE. The provisions of ASU 2009-17 were effective as of the beginning of interim and annual reporting periods that began after November 15, 2009. Based on our evaluation of ASU 2009-17, the ARLP Partnership deconsolidated Mid-America Carbonates, LLC ("MAC") upon adoption, effective January 1, 2010. For more information about MAC, please read "Part I. Item 1. Financial Statements (Unaudited) - Note 8. Mid-America Carbonates" of this Quarterly Report on Form 10-Q. The deconsolidation of MAC did not have a material impact on our condensed consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 amended guidance on certain aspects of FASB ASC 820, *Fair Value Measurements and Disclosures,* to add new requirements for disclosures of transfers into and out of Level 1 and 2 measurements and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, all on a gross basis. ASU 2010-06 also clarifies existing fair value disclosures regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value. The provisions of ASU 2010-06 were effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have an impact on our condensed consolidated financial statements.

Other

Pattiki Vertical Hoist Conveyor System Failure

On May 13, 2010, White County Coal' s Pattiki mine was temporarily idled following the failure of the vertical hoist conveyor system used in conveying raw coal out of the mine. On July 19, 2010, White County Coal' s efforts to repair the vertical hoist conveyor system had progressed sufficiently to allow resumption of limited production operations. The ARLP Partnership' s operating expenses for the three months ended June 30, 2010 includes $1.2 million for retirement of certain assets related to the failed vertical hoist conveyor system in addition to other repair and clean-up expenses that were not significant on a consolidated or segment basis. The ARLP Partnership is conducting a review of its commercial property (including business interruption) insurance policies, which provide for self-retention, various deductibles and 22% co-insurance for the first $50 million in coverage. Until such analysis is completed, the Partnership can make no assurances of the amount or timing of recoveries under such policies, if any.

Expanded coal production at the ARLP Partnership' s other coal mines in the region, including addition of the seventh and eighth production units at the River View mine, partially offset the loss of production from the Pattiki mine. Consequently, the temporary idling of the Pattiki mine did not have a material adverse impact on the ARLP Partnership' s results of operations and cash flows. On July 19, 2010, the Pattiki mine resumed limited production while it continues to assess the effectiveness and reliability of the repaired vertical hoist conveyor system until such time it determines the system is safe to operate at full capacity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The ARLP Partnership has significant long-term coal supply agreements. Virtually all of the long-term coal supply agreements are subject to price adjustment provisions, which permit an increase or decrease periodically in the contract price principally to reflect changes in specified price indices or items such as taxes, royalties or actual production costs.

Almost all of the ARLP Partnership' s transactions are denominated in U.S. dollars and, as a result, neither we nor the ARLP Partnership have material exposure to currency exchange-rate risks. During 2009, the ARLP Partnership entered into a contract to purchase longwall shields for its Tunnel Ridge mine from a foreign supplier for approximately £10.2 million. The ARLP Partnership paid £9.2 million to this foreign supplier through June 30, 2010 with the remaining balance, which is maintained in British Pounds, to be paid out through 2011. The ARLP Partnership does not have any interest rate or commodity price-hedging transactions outstanding.

Borrowings under the ARLP and AHGP Credit Facilities are at variable rates and, as a result, we have interest rate exposure. Historically, our earnings have not been materially affected by changes in interest rates. Borrowings outstanding under the ARLP Credit Facility were $5.0 million June 30, 2010. We had no borrowings outstanding under the AHGP Credit Facility at June 30, 2010.

As of June 30, 2010, the estimated fair value of the ARLP Senior Notes and the Series A and Series B Senior Notes was approximately $490.4 million. The fair values of long-term debt are estimated using discounted cash flow analyses, based upon the ARLP Partnership' s current incremental borrowing rates for similar types of borrowing arrangements as of June 30, 2010. There were no other significant changes in our quantitative and qualitative disclosures about market risk as set forth in our Annual Report on Form 10-K for the year ended December 31, 2009.

ITEM 4. CONTROLS AND PROCEDURES

We maintain controls and procedures designed to ensure that information required to be disclosed in the reports we file with the U.S. Securities and Exchange Commission (“SEC”) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act) was performed as of June 30, 2010. This evaluation was performed by our management, with the participation of our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective to ensure that the AHGP Partnership is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods, and during the quarterly period ended June 30, 2010, there have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are intended to come within the safe harbor protection provided by those sections. These statements are based on our beliefs as well as assumptions made by, and information currently available to, us. When used in this document, the words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “may,” “project,” “will,” and similar expressions identify forward-looking statements. Without limiting the foregoing, all statements relating to our future outlook, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements. These statements reflect our current views with respect to future events and are subject to numerous assumptions that we believe are reasonable, but are open to a wide range of uncertainties and business risks, and actual results may differ materially from those discussed in these statements. Among the factors that could cause actual results to differ from those in the forward-looking statements are:

increased competition in coal markets and the ARLP Partnership’ s ability to respond to the competition;

decreases in coal prices, which could adversely affect the ARLP Partnership’ s operating results and cash flows;

risks associated with the ARLP Partnership’ s expansion of its operations and properties;

the impact of recent federal health care legislation;

deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions;

dependence on significant customer contracts, including renewing customer contracts upon expiration of existing contracts;

weakness in global economic conditions or in industries in which our customers operate;

liquidity constraints, including those resulting from the cost or unavailability of financing due to current capital market conditions;

customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform;

customer delays, failure to take coal under contracts or defaults in making payments;

adjustments made in price, volume or terms to existing coal supply agreements;

fluctuations in coal demand, prices and availability due to labor and transportation costs and disruptions, equipment availability, governmental regulations, including those related to carbon dioxide emissions, and other factors;

legislation, regulatory and court decisions and interpretations thereof, including issues related to climate change and miner health and safety;

the ARLP Partnership' s productivity levels and margins it earns on coal sales;

greater than expected increases in raw material costs;

greater than expected shortage of skilled labor;

the ARLP Partnership' s ability to maintain satisfactory relations with its employees;

any unanticipated increases in labor costs, adverse changes in work rules, or unexpected cash payments associated with post-mine reclamation and workers' compensation claims;

any unanticipated increases in transportation costs and risk of transportation delays or interruptions;

greater than expected environmental regulation, costs and liabilities;

a variety of operational, geologic, permitting, labor and weather-related factors;

risks associated with major mine-related accidents, such as mine fires, or interruptions;

results of litigation, including claims not yet asserted;

- difficulty maintaining the ARLP Partnership' s surety bonds for mine reclamation as well as workers' compensation and black lung benefits;
- difficulty in making accurate assumptions and projections regarding pension, black lung benefits and other post-retirement benefit liabilities;
- coal market' s share of electricity generation, including as a result of environmental concerns related to coal mining and combustion and the cost and perceived benefits of alternative sources of energy, such as natural gas, nuclear energy and renewable fuels;
- replacement of coal reserves;
- a loss or reduction of benefits from certain tax credits;
- difficulty obtaining commercial property insurance, and risks associated with the ARLP Partnership' s participation (excluding any applicable deductible) in its commercial insurance property program; and
- other factors, including those discussed in "Part II. Item 1A. Risk Factors" and "Part II. Item 1. Legal Proceedings" of this Quarterly Report on Form 10-Q.

If one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those described in any forward-looking statement. When considering forward-looking statements, you should also keep in mind the risks described in "Risk Factors" below. These risks could also cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

You should consider the information above when reading or considering any forward-looking statements contained in:

- this Quarterly Report on Form 10-Q;
- other reports filed by us with the SEC;
- our press releases; and

written or oral statements made by us or any of our officers or other authorized persons acting on our behalf.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 3. Contingencies to the Unaudited Condensed Consolidated Financial Statements included in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report on Form 10-Q herein is hereby incorporated by reference. See also "Item 3. Legal Proceedings" in the Annual Report on Form 10-K for the year ended December 31, 2009 and "Part II. Item 1. Legal Proceedings" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

On April 24, 2006, the ARLP Partnership was served with a complaint from Mr. Ned Comer, et al. (the "Plaintiffs") alleging that approximately 40 oil and coal companies, including the ARLP Partnership, (the "Defendants") is liable to the Plaintiffs for tortuously causing damage to Plaintiffs' property in Mississippi. The Plaintiffs allege that the Defendants' greenhouse gas emissions caused global warming and resulted in the increase in the destructive capacity of Hurricane Katrina. On August 30, 2007, the trial court dismissed the Plaintiffs' complaint. On September 17, 2007, Plaintiffs filed a notice of appeal of that dismissal to the U.S. Court of Appeals for the Fifth Circuit. On October 16, 2009, the Fifth Circuit overturned the trial court' s dismissal of the Plaintiffs' private nuisance, trespass and negligence claims, finding Article III constitutional standing and no political question. The Fifth Circuit remanded these claims to the trial court for further proceedings. By order filed February 26, 2010, the Fifth Circuit granted the Defendants' petition for rehearing en banc, with oral argument scheduled for May 24, 2010. On May 28, 2010, the Fifth Circuit Court of Appeals dismissed the appeal because the court did not have a quorum after one of the judges hearing the appeal recused herself. The court ruled that, without a quorum, it could not decide the appeal nor could it reinstate the earlier ruling by a three judge panel that would have reversed the District Courts decision dismissing the case. Plaintiffs have 90 days to appeal to the U.S. Supreme Court. To date, the ARLP Partnership has not received a notice of appeal. The ARLP Partnership believes this complaint is without merit and it does not believe that an adverse decision in this litigation matter, if any, based on the ARLP Partnership' s status as a defendant, will have a material adverse effect on its business, financial position or results of operations. If, however, tort claims brought in this and other cases against corporate defendants for liability arising from greenhouse gas emissions are successful, demand for the ARLP Partnership' s coal could be adversely impacted.

ITEM 1A. RISK FACTORS

We are subject to a variety of risks, including, but not limited to those referenced under the heading "Health Care Reform" of "Part I. Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q and those referenced herein to other Items contained in our Annual Report on Form 10-K for the year ended December 31, 2009, including "Item 1. Business", "Item 1A. Risk Factors", "Item 3. Legal Proceedings" and "Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations." Except as set forth under "−Health Care Reform" and elsewhere under "Part I. Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q, we do not believe there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009, except as follows.

Recent legislation regarding healthcare may adversely impact our results of operations.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act. Additionally, on March 30, 2010, President Obama signed into law a reconciliation measure, the Health Care and Education Reconciliation Act of 2010. The passage of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Act") will result in comprehensive changes to health care in the United States. Implementation of this legislation is planned to occur in phases, with plan standard changes taking effect beginning in 2010, but to a greater extent with the 2011 benefit plan year and extending through 2018.

The Health Care Act has both short-term and long-term implications on benefit plan eligibility, coverage requirements, and benefit standards and limitations. In the short term, the ARLP Partnership' s healthcare costs are expected to increase due to raising the maximum age and easing of eligibility limitations for covered dependents. The Health Care Act also prevents the group health plan from limiting benefit payments for participants who meet or exceed annual or lifetime dollar limits per covered individual. In the long term, the ARLP Partnership' s healthcare costs could increase for various reasons due to the Health Care Act, including the potential impact of an excise tax on "high cost" plans (beginning in 2018), among other standard requirements.

The ARLP Partnership anticipates that certain government agencies will provide additional regulations or interpretations concerning the application of the Health Care Act and reporting required thereunder. Until these regulations or interpretations are published, the ARLP Partnership is unable to reasonably estimate the impact of such federal mandate requirements on its future healthcare costs.

The ARLP Partnership will continue to evaluate the potential impact of the legislation on its self-insured long term disability plan, pneumoconiosis ("Black Lung") liabilities, results of operations and internal controls as governmental agencies issue interpretations regarding the meaning and scope of the Health Care Act. However, the ARLP Partnership believes it is likely that its costs will increase as a result of these provisions, which may have an adverse impact on its results of operations and cash flows.

Recent health care legislation has generally made it easier for claimants to assert and prosecute Black Lung claims, which could increase the ARLP Partnership' s exposure to Black Lung benefit liabilities.

The recently enacted Health Care Act includes a Black Lung provision that creates a rebuttable presumption that a miner with at least 15 years of service, with totally disabling pulmonary or respiratory lung impairment and negative radiographic chest x-ray evidence, would be disabled due to pneumoconiosis and be eligible for Black Lung benefits. The new Health Care Act also makes it easier for widows of miners to become eligible for benefits, as it amended previous legislation related to coal workers' Black Lung benefits by providing automatic extensions of awarded lifetime benefits to surviving spouses and providing changes to the legal criteria used to assess and award claims, effective for claims filed or pending after January 1, 2005. As a result of this new legislation, the number of claimants who are awarded benefits and our future payments of Black Lung benefits could increase, which may have an adverse impact on the ARLP Partnership' s results of operations and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

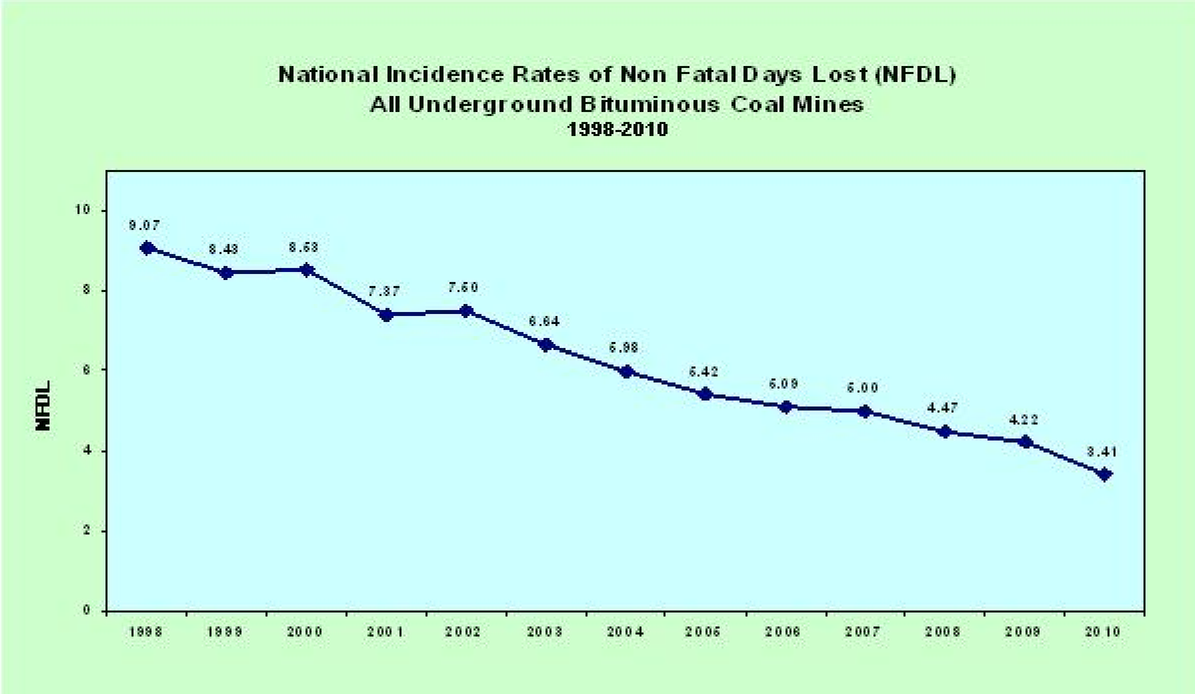
ITEM 5. OTHER INFORMATION

Federal Mine Safety and Health Act Information

Workplace safety is fundamental to the ARLP Partnership' s culture. The ARLP Partnership' s operating subsidiaries empower their employees to be actively involved in continuous efforts to prevent accidents. By providing a work environment that rewards safety and encourages employee participation in the safety process, the ARLP Partnership' s mining operations strive to be the leaders in safety performance in its industry.

The ARLP Partnership is also a leader in developing and implementing new technologies to improve safety throughout the industry. For example, the ARLP Partnership' s subsidiary Matrix Design Group, LLC ("Matrix") recently announced the development of two innovative technologies designed to improve safety in underground mining operations - a portable, wireless communication and electronic tracking system designed to allow surface personnel the ability to communicate with and locate underground mining personnel and a proximity detection system designed to improve the safety of continuous mining units used in underground operations. Matrix has completed installation of its communication and tracking system at all of the ARLP Partnership' s operating subsidiaries and has either installed or received orders to install this vital safety system at over half of the operating underground coal mines in the U.S. In addition, Matrix has installed and is conducting field tests on seven of its proximity detection systems at five of the ARLP Partnership' s operating subsidiaries' underground coal mines.

Our industry is focused on improving employee safety and its safety performance is continuously monitored, including through the mining industry standard of "non-fatal days lost", or "NFDL", which reflects both the frequency and severity of injuries incurred and, the ARLP Partnership believes, is a better measure of safety performance than compliance statistics. As indicated in the chart below, these efforts have resulted in significant safety improvements as the industry average NFDL, as reported[a] by the Mine Safety and Health Administration ("MSHA"), has decreased approximately 62% since 1998.



(a) Data compiled for all U.S. underground bituminous coal mines and related surface facilities from the MSHA report "Mine Injury and Worktime, Quarterly Closeout Edition." Data for 1998 through 2009 reflects the "January – December, Final" report for each year. Data for 2010 reflects the "January – March, Preliminary" report for the first three months of 2010.

During this same time period, the combined NFDL rating of the ARLP Partnership's operating subsidiaries has averaged approximately one-third better than the industry average. The average NFDL rating of the ARLP Partnership's operating subsidiaries for the first half of 2010 has positioned it to achieve its best annual NFDL results in its history.

The ARLP Partnership's mining operations are subject to extensive and stringent compliance standards established pursuant to the Federal Mine Safety and Health Act of 1977, as amended by the Federal Mine Improvement and New Emergency Response Act of 2006 (as amended, the "Mine Act"). MSHA monitors and rigorously enforces compliance with these standards, and the ARLP Partnership's mining operations are inspected frequently. During the three months ended June 30, 2010, the ARLP Partnership's mines were subject to 1,610 MSHA inspection days, with an average of only 0.18 "significant and substantial", or "S&S", citations written per inspection day.

The ARLP Partnership endeavors to comply at all times with all Mine Act regulations. However, the Mine Act has been construed as authorizing MSHA to issue citations and orders pursuant to the legal doctrine of strict liability, or liability without fault. If, in the opinion of an MSHA inspector, a condition that violates the Mine Act or regulations promulgated pursuant to it exists, then a citation or order will be issued regardless of whether the ARLP Partnership had any knowledge of, or fault in, the existence of that condition. Many of the Mine Act standards include one or more subjective elements, so that issuance of a citation often depends on the opinions or experience of the MSHA inspector involved and the frequency of citations will vary from inspector to inspector.

The number of citations issued also is affected by the size of the mine, in that the number of citations issued generally increases with the size of the mine. The ARLP Partnership mines typically are larger in scale than most underground coal mines in the U.S. in terms of area, production and employee hours.

The ARLP Partnership takes all allegations of violations of Mine Act standards seriously, and if it disagrees with the assertions of an MSHA inspector, the ARLP Partnership exercises its right to challenge those findings by "contesting" the citation or order pursuant to the procedures established by the Mine Act and its regulations. On average, the ARLP Partnership's operating subsidiaries contest approximately 25% of all citations and the majority of S&S citations issued by MSHA inspectors. These contest proceedings frequently result in the dismissal or modification of previously issued citations, substantial reductions in the penalty amounts originally assessed by MSHA, or both.

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The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Mine Act. Responding to that legislation, we report that, for the three months ended June 30, 2010, none of the ARLP Partnership' s operating subsidiaries (a) received any violations under section 110(b)(2) of the Mine Act for failure to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially proximately caused, or reasonably could have been expected to cause, death or serious bodily injury, (b) received any MSHA written notice under Mine Act section 104(e) of a pattern of violations of mandatory health or safety standards or the potential to have such a pattern, or (c) had any legal proceedings (i.e. appeals before the Federal Mine Safety and Health Review Commission (the "Commission")) pending. The ARLP Partnership has 249 contests pending before administrative law judges of the Commission that were initiated during the quarter and that involve all types of citations (i.e., not just S&S citations). Two miners were fatally injured in a roof fall accident at Webster County Coal, LLC' s Dotiki Mine on April 28, 2010. The ARLP Partnership' s internal investigation revealed the accident was the result of unpredictable and unforeseeable geologic conditions.

The following chart sets out additional information responding to the Dodd-Frank Act for the three months ended June 30, 2010:

Subsidiary Name [(1)]	Section 104(a) Citations [(2)]	Section 104(b) Orders[(3)]	Section 104(d) Citations and Orders [(4)]	Section 107(a) Orders [(5)]	Total Proposed Assessments (in thousands) [(6)]
Illinois Basin Operations					
Webster County Coal, LLC (KY)	65	–	1	–	$ 55.0
Warrior Coal, LLC (KY)	25	–	–	–	$ 26.3
Hopkins County Coal, LLC (KY)	10	1	–	–	$ 3.6
River View Coal, LLC (KY)	62	–	1	1	$ 33.9
White County Coal, LLC (IL)	37	–	2	–	$ 15.8
Gibson County Coal, LLC (IN)	15	–	–	–	$ 40.2
Central Appalachian Operations					
Pontiki Coal, LLC (KY)	40	–	–	–	$ 214.8
MC Mining, LLC (KY)	34	–	–	1	$ 46.7

Northern Appalachian Operations					
Mettiki Coal, LLC (MD)	2	–	–	–	$ 1.0
Mettiki Coal (WV), LLC	4	–	–	–	$ 2.5
Tunnel Ridge, LLC (PA/WV)	1	–	–	–	$ –

(1) The statistics reported for each subsidiary of the ARLP Partnership listed above include all components of the mining complex involved and therefore may involve multiple MSHA identification numbers. Any S&S citations or orders issued to the ARLP Partnership's subsidiary, Excel Mining, LLC, are included in the statistics for either Pontiki Coal, LLC or MC Mining, LLC, depending on the mining complex involved.

(2) Mine Act section 104(a) citations shown above are for alleged violations of health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.

(3) Mine Act section 104(b) orders are for alleged failures to totally abate a citation within the period of time specified in the citation.

(4) Mine Act section 104(d) citations and orders are for an alleged unwarrantable failure (i.e. aggravated conduct constituting more than ordinary negligence) to comply with a mining safety standard or regulation.

(5) Mine Act section 107(a) orders are for alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.

(6) Amounts shown include assessments proposed by MSHA during the three months ended June 30, 2010 on the citations and orders reflected in this chart.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	SEC File No. and Film No.	Exhibit	Filing Date	Filed Herewith*
10.1	Amended and Restated Administrative Services Agreement effective January 1, 2010, among Alliance Resource Partners, L.P., Alliance Resource Management GP, LLC, Alliance Resource Holdings II, Inc., Alliance Resource Operating Partners, L.P., Alliance Holdings GP, L.P. and Alliance GP, LLC.					☑
10.2	Uncommitted Line of Credit and Reimbursement Agreement dated April 9, 2010, between Alliance Resource Partners, L.P. and Fifth Third Bank.					☑
31.1	Certification of Joseph W. Craft, III, President and Chief Executive Officer of Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., dated August 9, 2010, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					☑
31.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., dated August 9, 2010, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					☑
32.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., dated August 9, 2010, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					☑
32.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P., dated August 9, 2010, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					☑

* Or furnished, in the case of Exhibits 32.1 and 32.2.

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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 thereunto duly authorized, in Tulsa, Oklahoma, on August 9, 2010.

ALLIANCE HOLDINGS GP, L.P.

By: Alliance GP, LLC

its general partner

/s/ Joseph W. Craft, III

Joseph W. Craft, III
President, Chief Executive Officer and Director, duly authorized to sign on behalf of the registrant

/s/ Brian L. Cantrell

Brian L. Cantrell
Senior Vice President and Chief Financial Officer

Exhibit 10.1

Execution Version

AMENDED AND RESTATED

ADMINISTRATIVE SERVICES AGREEMENT

by and among

ALLIANCE RESOURCE PARTNERS, L.P.

ALLIANCE RESOURCE MANAGEMENT GP, LLC

ALLIANCE RESOURCE OPERATING PARTNERS, L.P.

ALLIANCE HOLDINGS GP, L.P.

ALLIANCE GP, LLC

and

ALLIANCE RESOURCE HOLDINGS II, INC.

(Effective January 1, 2010)

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AMENDED AND RESTATED
ADMINISTRATIVE SERVICES AGREEMENT

THIS AMENDED AND RESTATED ADMINISTRATIVE SERVICES AGREEMENT (this *"Agreement"*) is made effective the 1st day of January 2010 (the *"Effective Date"*) by and among Alliance Resource Partners, L.P., a Delaware limited partnership ("*ARLP*"), Alliance Resource Management GP, LLC, a Delaware limited liability company and the managing general partner of ARLP ("*MGP*"), Alliance Resource Operating Partners, L.P., a Delaware limited partnership ("*OLP*"), Alliance Holdings GP, L.P., a Delaware limited partnership ("*AHGP*"), Alliance GP, LLC, a Delaware limited liability company and the general partner of AHGP ("*AGP*"), and Alliance Resource Holdings II, Inc. ("*ARH II*").

R E C I T A L S

The Parties hereto desire, by their execution of this Agreement, to evidence the terms and conditions upon which ARLP will provide certain services to the AHGP Entities and the ARH II Entities. This Agreement supersedes in all respects the Administrative Services Agreement entered into by the Parties effective May 15, 2006.

A G R E E M E N T S

NOW, THEREFORE, in consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

ARTICLE 1: DEFINITIONS

1.1 Definitions. The definitions listed on Exhibit A shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

1.2 Construction. Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) the terms "include", "includes", "including" or words of like import shall be deemed to be followed by the words "without limitation"; and (d) the terms "hereof", "herein" or "hereunder" refer to this Agreement as a whole and not to any particular provision of this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE 2: SERVICES

2.1 Services. Beginning on the Effective Date, subject to the terms of this Article 2 and in exchange for the payment described in Section 2.3, ARLP hereby agrees to provide each of the AHGP Entities and the ARH II Entities with such general administrative and management services, including but not limited to human resources, information technology, financial and accounting services, legal services and other services (the "*Services*") as may be necessary to manage the business of the AHGP Entities and the ARH II Entities, as applicable, in accordance with the Services Standard; it being understood and agreed by the Parties that in connection with the provision of such Services, ARLP shall employ or otherwise retain such personnel as may be necessary to provide the Services. The names of such personnel are set forth on Annex A hereto and will be updated on or about December 1 of each year in accordance with the procedures set forth in Section 2.5.

2.2 Provision of Insurance. ARLP hereby agrees to cause each of the ARLP Entities, the AHGP Entities and the ARH II Entities to be named as additional insureds in ARLP' s insurance program, as in effect from time to time. Each of the ARLP Entities, the AHGP Entities and the ARH II Entities, as applicable, shall be allocated, and pay for, such insurance coverage in an amount equal to ARLP' s cost of insuring the assets and operations of such partnership entities.

2.3 Payment for Services. (a) As remuneration for the provision to each of the AHGP Entities and the ARH II Entities of the Services, ARLP shall be entitled to receive, and the AHGP Entities and the ARH II Entities, as applicable, agree to pay to ARLP, an amount equal to the percentage of each employee' s compensation allocable to each of the AHGP Entities and the ARH II Entities as the same are set forth on Annex A hereto. In addition, each of the AHGP Entities and the ARH II Entities shall pay all sales, use, excise, value added or similar taxes, if any, that may be applicable from time to time in respect of the Services provided to such entities by ARLP. The aggregate amount payable by the AHGP Entities or the ARH II Entities to ARLP pursuant to this Section 2.3(a) with respect to a given period of time shall be referred to herein as the *"Administrative Services Fee."* It is the intention of the Parties that the Administrative Services Fee represents fair and reasonable compensation to ARLP for the AHGP Entities' or the ARH II Entities' , as applicable, allocable share of the base salaries, employer costs for employee benefits, bonuses paid and provided to such personnel by ARLP, or any of its Affiliates. The amount of the Administrative Services Fee shall not be adjusted except in accordance with Section 2.5, notwithstanding any change in personnel or the Services provided to any of the AHGP Entities or the ARH II Entities, respectively.

(b) In addition, the AHGP Entities and ARH II Entities shall pay ARLP an aggregate annual amount of $75,000 ($18,750 per quarter) for certain shared fixed costs including, but not limited to, office lease, telephone and office equipment leases (the "*Fixed Charges Fee*"). It is the intention of the Parties that the Fixed Charges Fee represents fair and reasonable remuneration to ARLP for the AHGP Entities' and the ARH II Entities' use of the facilities and equipment of ARLP and its Affiliates. The AHGP Entities and the ARH II Entities shall each pay to ARLP their respective pro rata portion of the Fixed Charges Fee based on the relative allocation of employee compensation as set forth on Annex A hereto to the AHGP

Entities, on one hand and the ARH II Entities on the other hand. The amount of the Fixed Charges Fee shall not be adjusted except in accordance with Section 2.5.

2.4 Invoices. ARLP shall invoice the applicable Billing Agent on or before ten days following the end of each fiscal quarter for the Administrative Services Fee and the Fixed Charges Fee for such quarter. All invoices shall be due and payable on the 45th day following the end of each fiscal quarter.

2.5 Annual Reallocation. On or about December 1 of each year, ARLP or its Affiliate shall submit for approval a revised Annex A (the "*Proposed Annex A*") and a new estimate of the Fixed Charges Fee (the "*Proposed Fixed Charges Fee*") to the board of directors of each of MGP, AGP and ARH II. The Proposed Annex A will reflect any changes in personnel of ARLP or its Affiliates who are performing the Services, changes in each such employee' s compensation and ARLP' s good faith estimate of the time each such employee will spend performing Services on behalf of each of the AHGP Entities and the ARH II Entities, respectively, taking into account prior performance and future expectations; provided, however, with respect to Services performed on behalf of the ARH II Entities, no time shall be allocated for an employee performing such Services unless having such employee available to perform such Services results in an incremental cost to ARLP. The Proposed Fixed Charges Fee shall reflect ARLP' s good faith estimate of the amount of fixed costs allocable to the AHGP Entities and the ARH II Entities. Once approved by the board of directors of each of MGP, AGP and ARH II, or pursuant to the provisions of Section 2.6, the Proposed Annex A and the Proposed Fixed Charges Fee shall become part of this Agreement and replace the existing Annex A and the Fixed Charges Fee until such time as a new Proposed Annex A and the Proposed Fixed Charges Fee is approved in accordance with the provisions of this Section 2.5 or Section 2.6.

In addition, ARLP or its Affiliate shall prepare a schedule detailing the variance between the estimated allocation of time spent by its personnel on behalf of each of the AHGP Entities and the ARH II Entities in the past fiscal year (the "*Adjusted Administrative Services Fee*") and submit such schedule for approval to the board of directors of each of MGP, AGP and ARH II. Upon approval by the board of directors of each of MGP, AGP and ARH II, or pursuant to the provisions of Section 2.6, the difference between the Administrative Services Fee paid and the Adjusted Administrative Services Fee shall be paid by or reimbursed to each Entity within 60 days of the fiscal year end.

2.6 Disputes. Should there be a dispute over the nature or quality of the Services, the calculation and allocation of the Administrative Services Fee in connection with a Proposed Annex A the allocation of fixed charge in connection with the Fixed Charges Fee or the Adjusted Administrative Services Fee, ARLP and the applicable Entities shall first attempt to resolve such dispute, acting diligently and in good faith, using the past practices of such Parties and documentary evidence of costs as guidelines for such resolution. If ARLP and the applicable Entities are unable to resolve any such dispute within thirty days, or such additional time as may be reasonable under the circumstances, the dispute shall be referred to the applicable Conflicts Committees (or in the case of ARH II, to its board of directors) for resolution. The Parties agree that the applicable Conflicts Committees and the board of directors of ARH II shall have the authority to settle any such dispute, in their sole discretion, recognizing that it is the intent of all Parties that all shared expenses, services and the fixed costs, as applicable, be allocated among the ARLP Entities, the AHGP Entities or the ARH II Entities, as applicable, on a fair and reasonable basis. If, following good faith negotiation, the applicable Conflicts Committee and/or the board of directors of ARH II cannot resolve any dispute, ARLP shall have the right, but not the obligation, to withhold the provision of any Services until such time as the Entities resolve the dispute.

2.7 Representations Regarding Use of Services. Each of the AHGP Entities and the ARH II Entities represent and agree that it will use the Services only in accordance with all applicable federal, state and local laws and regulations, and in accordance with the reasonable conditions, rules, regulations, and specifications that may be set forth in any manuals, materials, documents, or instructions furnished from time to time by ARLP or its Affiliate to such entities. ARLP reserves the right to take all actions, including, without limitation, termination of any portion of the Services, that it reasonably believes is required to assure compliance with applicable laws and regulations.

2.8 Warranties; Limitation of Liability. The Services shall be provided in accordance with the Services Standard. EXCEPT AS SET FORTH IN THE PRECEDING SENTENCE, ARLP MAKES NO (AND HEREBY DISCLAIMS AND NEGATES ANY AND ALL) WARRANTIES OR REPRESENTATIONS WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES. IN NO EVENT SHALL ARLP OR ANY OF ITS AFFILIATES BE LIABLE TO ANY OF THE PERSONS RECEIVING ANY SERVICES OR TO ANY OTHER PERSON FOR ANY EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES RESULTING FROM ANY ERROR IN THE PERFORMANCE OF SUCH SERVICE, REGARDLESS OF WHETHER THE PERSON PROVIDING SUCH SERVICE, ITS AFFILIATES, OR OTHERS MAY BE WHOLLY, CONCURRENTLY, PARTIALLY, OR SOLELY NEGLIGENT OR OTHERWISE AT FAULT, EXCEPT TO THE EXTENT SUCH EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES ARE PAID BY THE PARTY INCURRING SUCH DAMAGES TO A THIRD PARTY.

2.9 Force Majeure. ARLP shall have no obligation to perform the Services if its failure to do so is caused by or results from any act of God, governmental action, natural disaster, strike, failure of essential equipment, or any other cause or circumstance, whether similar or dissimilar to the foregoing causes or circumstances, beyond the reasonable control of ARLP.

2.10 Affiliates. At its election, ARLP may cause one or more of its Affiliates or third party contractors reasonably acceptable to the Party receiving any Services to provide such Services; *provided, however*, ARLP shall remain responsible for the provision of such Services in accordance with this Agreement.

ARTICLE 3: OTHER AGREEMENTS

3.1 Adoption of Policies and Procedures. The Boards of Directors of MGP, AGP and ARH II have adopted the policies and procedures attached hereto as Exhibit B to govern their relationship with respect to this Agreement.

ARTICLE 4: MISCELLANEOUS

4.1 Choice of Law; Submission to Jurisdiction. This Agreement shall be subject to and governed by the laws of the State of Delaware.

4.2 Termination. Any party hereto may terminate this Agreement by providing written notice to the other Parties of its intention to terminate this Agreement, which notice must be provided at least 90 days prior to such termination. ARLP may terminate this Agreement by providing 30 days' prior written notice to any of the AHGP Entities and the ARH II Entities at any time during which a Payment Default has occurred and is continuing for a period of more than 30 days.

4.3 Notices. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Party to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person, by facsimile or electronic mail to such Party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by facsimile or by electronic mail shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a Party pursuant to this Agreement shall be sent to or made at the address set forth below such Party's signature to this Agreement, or at such other address as such Party may stipulate to the other Parties in the manner provided in this Section 4.3.

4.4 Entire Agreement; Supersedure. This Agreement constitutes the entire agreement of the Parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

4.5 Effect of Waiver of Consent. No Party's express or implied waiver of, or consent to, any breach or default by any Party in the performance by such Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Party of the same or any other obligations of such Party hereunder. Failure on the part of a Party to complain of any act of any Party or to declare any Party in default, irrespective of how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder until the applicable statute of limitations period has run.

4.6 Amendment or Modification. This Agreement may be amended or modified from time to time only by the agreement of all the Parties affected by any such amendment; *provided, however,* that ARLP and AHGP may not, without the prior approval of its respective Conflicts Committee, agree to any amendment or modification of this Agreement that, in the reasonable discretion of the MGP or AGP, as applicable, will materially and adversely affect the holders of units of ARLP or AHGP, as applicable.

4.7 Assignment. No Party shall have the right to assign its rights or obligations under this Agreement without the consent of the other Parties.

4.8 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all Parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

4.9 Severability. If any provision of this Agreement or the application thereof to any Party or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Parties or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

4.10 Further Assurances. In connection with this Agreement and all transactions contemplated by this Agreement, each Party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

4.11 Withholding or Granting of Consent. Unless the consent or approval of a Party is expressly required not to be unreasonably withheld (or words to similar effect), each Party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

4.12 U.S. Currency. All sums and amounts payable or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

4.13 Laws and Regulations. Notwithstanding any provision of this Agreement to the contrary, no Party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such Party to be in violation of any applicable law, statute, rule or regulation.

4.14 Negation of Rights of Third Parties. The provisions of this Agreement are enforceable solely by the Parties, and no Limited Partner or other Person shall have the right to enforce any provision of this Agreement or to compel any Party to comply with the terms of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of January 1, 2010.

ALLIANCE RESOURCE PARTNERS, L.P.

ALLIANCE RESOURCE MANAGEMENT GP, LLC
Individually and as Managing General Partner of Alliance Resource Partners, L.P.

By: */s/R. Eberley Davis*
Name: R. Eberley Davis
Title: Senior Vice President, General Counsel and Secretary

Address for Notice:
1717 South Boulder Avenue
Tulsa, Oklahoma 74119
Facsimile No.: (918) 295-1415

ALLIANCE RESOURCE OPERATING PARTNERS L.P.

ALLIANCE RESOURCE MANAGEMENT GP, LLC
Individually and as Managing General Partner of Alliance Resource Partners, L.P.

By: */s/R. Eberley Davis*
Name: R. Eberley Davis
Title: Senior Vice President, General Counsel and Secretary

Address for Notice:
1717 South Boulder Avenue
Tulsa, Oklahoma 74119
Facsimile No.: (918) 295-1415

Signature Page to Administrative Services Agreement

ALLIANCE HOLDINGS GP, L.P.

ALLIANCE GP, LLC
Individually and as General Partner of Alliance Holdings GP, L.P.

By: */s/R. Eberley Davis*
Name: R. Eberley Davis
Title: Senior Vice President, General Counsel and Secretary

<u>Address for Notice:</u>
1717 South Boulder Avenue
Tulsa, Oklahoma 74119
Facsimile No.: (918) 295-1415

ALLIANCE RESOURCE HOLDINGS II, LLC

By: */s/R. Eberley Davis*
Name: R. Eberley Davis
Title: Senior Vice President, General Counsel and Secretary

<u>Address for Notice:</u>
1717 South Boulder Avenue
Tulsa, Oklahoma 74119
Facsimile No.: (918) 295-1415

Exhibit A

DEFINED TERMS

"*Adjusted Administrative Services Fee*" shall have the meaning set forth in Section 2.5.

"*Administrative Services Fee*" shall have the meaning set forth in Section 2.3(a).

"*Affiliate*" shall mean, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, a Person shall only be considered an "Affiliate" of the general partner of ARLP or AHGP, as applicable, if such Person owns, directly or indirectly, 50% or more of the voting securities of such general partner or otherwise possesses the sole power to direct or cause the direction of the management and policies of such general partner; *provided however,* that for purposes of this Agreement none of the ARLP Entities, or the ARH II Entities, as applicable, shall be deemed to be Affiliates of AGP.

"*Agreement*" shall mean this Administrative Services Agreement, as it may be amended, modified, or supplemented from time to time.

"*Billing Agent*" shall mean ARH II, and in the case of ARLP, MGP, and in the case of AHGP, AGP.

"*AHGP*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*AHGP Entities*" shall mean AHGP and AGP and any Affiliate controlled (and only so long as such Affiliates are controlled) by AHGP or AGP (as the term "control" is used in the definition of "Affiliate") but excluding the ARLP Entities.

"*AGP*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*ARH II*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*ARH II Entities*" shall mean ARH II and any Affiliate controlled (and only so long as such Affiliates are controlled) by ARH II (as the term "control" is used in the definition of "Affiliate") but excluding the ARLP Entities and the AHGP Entities.

"*ARLP*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*ARLP Entities*" shall mean ARLP, MGP, OLP, Alliance Resource GP, LLC and any Affiliate controlled (and only so long as such Affiliates are controlled) by ARLP, MGP, OLP, Alliance Resource GP, LLC (as the term "control" is used in the definition of "Affiliate").

"*Conflicts Committee*" when used in reference to ARLP or an ARLP Entity, shall have the meaning set forth in the partnership agreement of ARLP and when used in reference to AHGP or an AHGP Entity, shall have the meaning set forth in the partnership agreement of AHGP.

"*Effective Date*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*Entities*" shall mean the ARLP Entities, the AHGP Entities and the ARH II Entities.

"*Fixed Charges Fee*" shall have the meaning set forth in Section 2.3(b).

"*MGP*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*OLP*" shall have the meaning set forth in the introductory paragraph of this Agreement.

"*Party*" shall mean any one of the Persons that executes this Agreement.

"*Payment Default*" shall mean the failure of an Entity to pay the invoices described in Section 2.4 on or before the 45th day following the end of each fiscal quarter

"*Person*" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"*Proposed Annex A*" shall have the meaning set forth in Section 2.5.

"*Proposed Fixed Charges Fee*" shall have the meaning set forth in Section 2.5.

"*Services*" shall have the meaning set forth in Section 2.1.

"*Services Standard*" shall mean, with respect to the performance of the Services, the good faith undertaking, on a commercially reasonable basis, to perform the Services in all material respects in compliance with applicable laws and prudent industry practices.

Exhibit B

CONFLICTS POLICIES AND PROCEDURES

Capitalized terms used but not defined in this Exhibit B shall have the meanings assigned to such terms in that certain Administrative Services Agreement, effective February , 2010, of which this Exhibit B forms a part.

This Exhibit B outlines the corporate governance structure and the policies and procedures that have been adopted by the boards of directors of AGP, MGP and ARH II to address potential conflicts among, protect the confidential information of, and govern the sharing of ARLP personnel among, the Entities.

Shared Services

Employees of ARLP or its Affiliates may be assigned to perform Shared Services for all or any of the AHGP Entities and the ARH II Entities. Employees of ARLP or its Affiliates performing Shared Services may be appointed to officer positions (including executive officer positions) at each of MGP, AGP and ARH II or their respective controlled Affiliates. As a result of their performance of Shared Services, Shared Employees may obtain Commercial Information that relates to more than one of the groups of Entities. To the extent that any Shared Employee has Commercial Information that relates to any two or more of the ARLP Entities, the AHGP Entities and the ARH II Entities, such Shared Employee shall not engage in any activities to which such Commercial Information relates unless such activities are approved by the Screening Officer of each respective Entity.

Information Screening for Shared Employees

To the fullest extent possible, Shared Employees should avoid access to Commercial Information for any Entities for which they do not perform Commercial and Development Activities. To the extent that any Shared Employee who engages in Commercial and Development Activities becomes privy to Commercial Information of any Entities for which such employee does not perform Commercial and Development Activities, such Shared Employee must report that fact and the nature of the Confidential Information to the Screening Officers who will maintain a record of the name of the person, the date of the report, and the nature of the Commercial Information obtained by the Shared Employee.

Except as expressly permitted by the Screening Officers and to the extent required to effectively perform the Shared Services, (i) Shared Employees shall not disclose Commercial Information of the ARLP Entities to any director, officer or employee associated with the AHGP Entities or ARH II Entities; (ii) Shared Employees shall not disclose Commercial Information of the AHGP Entities to any director, officer or employee associated with the ARLP Entities or ARH II Entities and (iii) Shared Employees shall not disclose Commercial Information of the ARH II Entities to any director, officer or employee associated with the ARLP Entities or AHGP Entities.

Shared Employees should seek guidance on the foregoing restrictions from the Screening Officers to the extent that they are uncertain as to an appropriate course of action.

Definitions

For purposes of these policies and procedures, capitalized terms used but not defined above shall have the following meanings:

"*Commercial and Development Activities*" shall mean operations of the Entities relating to sales, marketing, or other services provided to customers; operation of or proposed changes to, such Entities' assets; and the plans and strategies dealing with the business of such Entities.

"*Commercial Information*" shall mean information about Commercial and Development Activities or other competitively sensitive information of any Entities. Commercial Information includes information regarding prices, costs, margins, volumes and contractual terms for any particular customer; any method, tool or computer program used to determine prices for any asset; all plans or strategies used or adopted to negotiate, target or identify a particular customer for any asset; all information regarding plans and prospective budgets to expand or build a new facility; all information regarding a proposal to buy an existing facility; and capacity and capacity utilization of any facility.

"*Independent Director*" shall mean an individual director who meets the independence, qualification and experience requirements established by the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder and by the Nasdaq National Market.

"*Screening Officer*" shall mean the chief legal officer or general counsel for each of ARH II, AGP and MGP.

"*Shared Employees*" shall mean employees of ARLP or its Affiliates providing Shared Services.

"*Shared Services*" shall mean services provided by employees of ARLP or its Affiliates to more than one of the groups of Entities comprising the ARLP Entities, the AHGP Entities and the ARH II Entities and such services shall include, but not be limited to, human resources, information technology, financial and accounting services, legal services and such other services that do not involve Commercial and Development Activities.

ANNEX A
PERSONNEL ALLOCATION

		Percentage of Total Compensation Allocable to	
Employee Name	**Total Compensation**	**AHGP**	**ARH II**

Exhibit 10.2

Uncommitted Line of Credit and Reimbursement Agreement

April 9, 2010

Alliance Resource Partners, L.P.
1717 South Boulder Avenue, Suite 400
Tulsa, Oklahoma 74119

Attn: Chief Financial Officer

Gentlemen:

We are pleased to inform you that **FIFTH THIRD BANK**, an Ohio banking corporation (the "Bank"), will make available to **ALLIANCE RESOURCE PARTNERS, L.P.**, a Delaware limited partnership (the "Borrower"), an uncommitted unsecured line of credit for the issuance of letters of credit in a maximum aggregate available undrawn amount outstanding at any time of up to Twenty Six Million One Hundred Thousand and 00/100 Dollars ($26,100,000.00), which may at any time and from time to time be requested by Borrower and issued by Bank in its sole discretion.

The terms and conditions of this uncommitted line of credit and the Borrower' s obligations (including reimbursement obligations) with respect thereto and each Letter of Credit are set forth in this agreement (the "Agreement") as follows:

1. **Letters of Credit**

1.1 **Facility**. Subject in all respects to the terms and conditions of this Agreement, Bank hereby establishes on the date hereof an uncommitted line of credit facility in favor of the Borrower of up to Twenty Six Million One Hundred Thousand and 00/100 Dollars ($26,100,000.00) (the "**Maximum Credit Amount**") for the issuance of letters of credit from time to time.

1.2 **Letters of Credit**. (a) Borrower may from time to time, request Bank to issue letters of credit from Bank, but in no event shall the aggregate maximum amount available to be drawn under the outstanding letters of credit exceed $26,100,000 (the "Letters of Credit" and individually a "Letter of Credit") at any one time, unless otherwise agreed to by the Bank. The Letters of Credit shall be in favor of such beneficiaries and for such purposes as an authorized representative of Borrower specifies, shall have such expiration dates as Bank and Borrower agree (provided, however, that Bank and Borrower may agree to have expiration dates that extend beyond the term of this Agreement and may further agree that a Letter of Credit is renewed automatically for a stated period of time unless Bank, as the issuer of such Letter of Credit, provides at least 90 days advance notice to the beneficiary thereof that such Letter of Credit shall not be automatically renewed), and shall otherwise be in such form and substance as Bank and Borrower agree.

(b) All drawings or advances rightfully made to the holders of the Letters of Credit (a "Drawing") will be reimbursed by the Borrower to the Bank on the same day of such Drawing, provided notice of such Drawing is given to Borrower no later than 12:00 p.m. Cincinnati, Ohio time on a Banking Day and if notice is provided after such time, Borrower shall reimburse Bank no later than 11:00 a.m. Cincinnati, Ohio time on the next Banking Day. Any Drawing that is not reimbursed within the period described in this Section 1(b) shall be considered an outstanding loan hereunder ("Loan"), subject to Section 2 of this Agreement. In this Agreement, "Banking Day" shall mean any day other than Saturday or Sunday or any other day on which commercial banks in Cincinnati, Ohio are authorized to be closed under federal law.

(c) The Borrower shall pay the Bank, in respect of each outstanding Letter of Credit issued pursuant to the provisions hereof, on a quarterly basis in arrears, a maintenance fee per annum based upon the average aggregate amount available to be drawn under each Letter of Credit outstanding during such period and computed based upon the Schedule attached as Exhibit A (the "Pricing

Grid"). The Borrower acknowledges and agrees that the Letters of Credit previously issued by Bank and outstanding as of the date hereof, which Letters of Credit are listed on Exhibit B attached hereto, shall be deemed to be issued pursuant to this Agreement and governed by the provisions hereof.

(d) The obligations of Borrower to Bank under this Agreement with respect to the Letters of Credit shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever. However, the foregoing shall not excuse Bank from liability to Borrower in any independent action or proceeding brought by Borrower against Bank to the extent of any damages suffered by Borrower that are caused by Bank' s negligence or willful misconduct.

(e) If any change in any law or regulation or in the interpretation thereof instituted after the date hereof by any court or administrative agency shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by Bank or (ii) impose on Bank any other condition regarding this Agreement or the Letters of Credit (other than changes in the rates of income taxation generally applicable to any bank), and the result of any such event shall be to increase the costs of Bank for issuing or maintaining the Letters of Credit (which increases in cost shall be determined by Bank' s reasonable allocation of the aggregate of such cost increases resulting from such event(s), other than increases which result solely from Bank' s acts or omissions, then (a) Bank shall so notify Borrower in writing and (b) upon receipt of such written notice from Bank, Borrower shall pay to Bank, from time to time as specified by Bank, but in no event sooner than ten days from the date of receipt of such notice, additional amounts which shall be sufficient to reasonably compensate Bank for such increased costs, together with interest on each such amount from the date such payment was due until payment in full thereof at the rate applicable thereto. Bank shall submit to Borrower a certificate (i) setting forth in reasonable detail the amount of the increased cost incurred by Bank as a result of any such event and (ii) with a representation that such increased costs are being charged to Bank' s other letter of credit customers. Such certificate shall be prima facie evidence, absent manifest error, as to the amount of such increased costs incurred. Bank' s computation of any amounts due from Borrower hereunder shall be determined on a reasonable good faith basis.

(f) Any action taken or omitted by Bank, under or in connection with the Letters of Credit or sight drafts or documents relating thereto, if taken or omitted without negligence or willful misconduct, shall be binding upon Borrower and shall not result in Bank having any liability to Borrower. Neither the Bank nor any of its respective officers or directors will be liable or responsible for: (a) the use which may be made of the Letters of Credit or for any acts or omissions of the beneficiaries and any permitted transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) any other circumstances whatsoever in making or failing to make payment under the Letters of Credit, other than damages suffered by Borrower that Borrower proves were caused by (i) Bank' s willful misconduct or negligence in determining whether a sight draft or other documents presented under the Letters of Credit comply with the terms of the Letters of Credit or (ii) Bank' s willful or negligent failure to pay under the Letters of Credit after the presentation to it by the holder thereof (or a permitted successor to whom the Letters of Credit have been transferred in accordance with their terms) of a sight draft and documents strictly complying with the terms and conditions of the Letters of Credit. In furtherance and not in limitation of the foregoing, Bank may accept documents that appear on their face to be in order, without responsibility for further investigation.

(g) Borrower hereby agrees at all times to protect, defend, indemnify, save and hold harmless Bank from and against any and all claims, actions, suits and other legal proceedings ("Third Party Claims") which is made or initiated by a third party, and from and against any and all losses, claims, demands, liabilities, damages, charges, counsel fees, interest and penalties and other expenses ("Damages") which Bank may, at any time, sustain or incur by reason of or in consequence of or arising out of the Letters of Credit or the use (or the proposed or potential use) of the proceeds of any drawing under the Letters of Credit; provided that Borrower shall not be required to indemnify, protect, defend or save or hold harmless Bank for, from or against any Third Party Claims or Damages to the extent, but only to the extent, caused by the willful misconduct or negligence of Bank.

(h) Notwithstanding any of the foregoing, Bank shall not, in any way, be liable for any failure by Bank to pay any sight draft under a Letter of Credit as a result of any act of a governmental authority or any other cause beyond the reasonable control of Bank.

(i) Borrower shall pay to Bank all reasonable and customary letter of credit application fees and other issuance, amendment or negotiation and presentment expenses and related charges in connection with the issuance, amendment or presentation of Letters of Credit.

1.3 **Term of Uncommitted Facility**. This Agreement shall remain in full force and effect unless and until canceled by Bank or Borrower at any time, on not less than sixty (60) days' prior written notice; provided, however, that any obligations of the Borrower and the Bank pursuant to this Agreement which shall be outstanding as of the effective date of such termination shall not be affected thereby. With regard to any Letters of Credit which remain outstanding as of the date of termination of this Agreement, the Bank agrees that such Letters of Credit shall remain outstanding until their stated expiration date(s).

2. **Interest on any Loans**.

2.1 **Accrual and Payment of Interest**.

(a) The principal sum outstanding under each Loan shall bear interest at a floating rate per annum equal to 3.00% in excess of the one month "LIBOR Rate" (the "Interest Rate"). The LIBOR Rate is the rate of interest (rounded upwards, if necessary, to the next 1/8 of 1% and adjusted for reserves if Bank is required to maintain reserves with respect to relevant advances) fixed by the British Bankers' Association at 11:00 a.m., London time, relating to quotations for the one month London InterBank Offered Rates on U.S. Dollar deposits, as applicable, as published on Bloomberg LP, or, if no longer provided by Bloomberg LP, such rate as shall be determined in good faith by the Bank from such sources as it shall determine to be comparable to Bloomberg LP (or any successor) as reasonably determined by Bank at approximately 10:00 a.m. Cincinnati, Ohio time on the relevant date of determination. The Interest Rate shall initially be determined as of the date of the initial advance of funds to Borrower under a Loan and shall be adjusted each 30 days thereafter. Interest shall be calculated based on a 360-day year and charged for the actual number of days elapsed.

(b) In addition, notwithstanding anything herein contained to the contrary, if, prior to or during any period with respect to the LIBOR Rate, any change in any law, regulation or official directive, or in the interpretation thereof, by any governmental body charged with the administration thereof, shall make it unlawful for Bank to fund or maintain its funding in Eurodollars of any portion of the advance subject to the LIBOR Rate or otherwise to give effect to Bank's obligations as contemplated hereby: (i) Bank may, by written notice to Borrower, declare Bank's obligations in respect of the LIBOR Rate to be terminated forthwith, and (ii) the LIBOR Rate with respect to Bank shall forthwith cease to be in effect, and interest shall from and after such date be calculated at the Bank's "Prime Rate", and interest shall be paid on the first (1st) day of each calendar month. Borrower's right to utilize LIBOR Rate Index Pricing as set forth in this Agreement shall be terminated automatically if Bank, by prior written notice, shall notify Borrower that one month LIBOR Rates are not readily available in the London Inter-Bank Offered Rate Market, or that, by reason of circumstances affecting such Market, adequate and reasonable methods do not exist for ascertaining the rate of interest applicable to such deposits. In such event, amounts outstanding hereunder shall bear interest at a rate equal to Bank's Prime Rate or such other rate of interest as may be agreed to between Bank and Borrower.

(c) Notwithstanding any provision to the contrary in this Agreement, in no event shall the interest rate charged on the Loans exceed the maximum rate of interest permitted under applicable state and/or federal usury laws. Any payment of interest that would be deemed unlawful under applicable laws for any reason shall be deemed received on account of, and will automatically be applied to reduce, the principal sum outstanding and any other sums (other than interest) due and payable to Bank, and the provisions hereof shall be deemed amended to provide for the highest rate of interest permitted under applicable law.

2.2 **Manner and Place**. Unless the Bank otherwise directs in writing, all payments and prepayments under this Agreement shall be made without setoff, counterclaim or deduction, in lawful currency of the United States of America and in immediately available funds not later than 3:00 p.m. Ohio time, to the Bank' s office at 38 Fountain Square Plaza, Cincinnati, Ohio 45263.

3. Conditions Precedent.

a. The effectiveness of this Agreement is subject in all respects to satisfaction of the following conditions precedent in form and substance and in a manner satisfactory to the Bank and its counsel: (i) Bank shall have received certified copies of all company action taken by Borrower, including resolutions adopted by its managing general partner, authorizing the execution, delivery and performance of this Agreement and such other documents relating to the Letters of Credit and the transactions contemplated hereby (including any letter of credit application form) as Bank shall reasonably require (this Agreement and such other documents are referred to herein collectively as the "Letter of Credit Documents"); (ii) Bank shall have received a certificate from an officer of Borrower (or its managing general partner) as to the incumbency and signatures of the officers of Borrower (or its managing general partner) authorized to execute and deliver this Agreement and the other Letter of Credit Documents; (iii) Bank shall have received copies of the Borrower' s certificate of limited partnership, limited partnership agreement or other governing instruments as currently in effect, certified to be correct and complete by one of Borrower' s (or its managing general partner' s) authorized officers; and (iv) Bank shall have received copies of any other documents that it may reasonably request relating to the existence of the Borrower, the authority or the validity of this Agreement and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Bank.

b. The issuance of any Letter of Credit which Bank chooses to issue hereunder, shall be subject to the satisfaction of the following additional conditions precedent on and as of the date such Letter of Credit is issued and after giving effect thereto: (i) all of Borrower' s representations and warranties contained herein are correct and complete; and (ii) no Event of Default has occurred and is continuing. Whenever Borrower requests the issuance of a Letter of Credit hereunder, Borrower shall be deemed to have represented and warranted to Bank that the conditions precedent to such borrowing set forth in this subsection (b) are satisfied.

4. **Representations and Warranties**. Borrower hereby represents and warrants to Bank as follows:

4.1 **Organization Qualification Power and Authority**. Borrower: (i) is duly organized, validly existing and in good standing as a limited partnership under the laws of the State of its formation; and (ii) is qualified to do business in all jurisdictions where failure to qualify would have a material adverse effect on the business and operations of the Borrower.

4.2 **Execution, Delivery and Performance of Letter of Credit Documents**. Borrower has the full power and authority necessary to execute, deliver, and perform its obligations under all of the Letter of Credit Documents. Borrower has taken all required partnership action to authorize the execution, delivery, and performance of all of the Letter of Credit Documents. This Agreement has been duly executed and delivered by Borrower and constitutes, and the other Letter of Credit Documents when duly executed and delivered by Borrower, shall constitute, Borrower' s legal, valid, and binding obligations, enforceable against Borrower in accordance with their respective terms except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and general equitable principles. Borrower' s execution, delivery and performance of the Letter of Credit Documents does not and will not: (i) require any action or consent of, or any registration or filing with, any governmental body or other person or entity that has not already been obtained (each, with respect to Borrower); (ii) violate or conflict with, or create a breach or default under (a) Borrower' s certificate of limited partnership, limited partnership agreement or other governing instruments or (b) any agreement, judgment, order, law or regulation to which Borrower is a party or by which it is bound which default would have a material adverse effect on the Borrower' s ability to perform its obligations hereunder, or (iii) result in the creation or imposition of any charge or encumbrance of any nature whatsoever upon its assets or revenues, except for any created by the Letter of Credit Documents.

All of the foregoing representations and warranties shall survive the execution and delivery of this Agreement.

5. **Covenants**.

5.1 **Financial Statements**. The Borrower shall furnish to Bank: (i) within 60 days after the end of each of the first three quarters of each fiscal year, a copy of Borrower' s regularly and internally prepared unaudited consolidated financial statements for that quarter, certified as complete and correct, subject to changes resulting from year-end adjustments, by the principal financial officer of Borrower (or its managing general partner); (ii) within 120 days after the end of each fiscal year, a copy of Borrower' s audited consolidated financial statements and accompanied by an audit opinion of such accountants without qualification. All of such financial statements shall be prepared in conformance with generally accepted accounting principals consistently applied and shall present fairly the financial position and results of operations for Borrower, as of the dates thereof and for the period then ended.

5.2 **Corporate Existence and Good Standing**. Borrower shall maintain (i) its legal existence in its State of formation, (ii) its qualification, or registration and good standing in all jurisdictions in which failure to qualify would have a materially adverse effect on the Borrower' s ability to perform its obligations hereunder and (iii) all material licenses, permits, franchises, and governmental authorizations necessary to conduct its business and own or lease its property.

5.3 **Compliance with Laws and Agreements**. Borrower shall comply with the terms and provisions of each material statute, law, regulation, ordinance, judgment, order, or decree applicable to it and each contract, mortgage, lien, lease, indenture, instrument, agreement or document to which it is a party or bound, except where the necessity of compliance is contested in good faith by appropriate proceedings or noncompliance could not reasonably be expected to have a materially adverse effect on the Borrower' s ability to perform its obligations hereunder.

5.4 **Future Assurances**. Borrower shall execute and deliver to Bank, upon request, such documents and agreements as Bank may, from time to time, reasonably request to carry out the terms and conditions of this Agreement.

5.5 **Incorporation of Credit Agreement Financial Covenants**. Borrower and Bank hereby incorporate by reference and make a part hereof the Financial Covenants (currently Section 5.04) of the Second Amended and Restated Credit Agreement dated as of September 27, 2007 among Alliance Resource Operating Partners, L.P., as borrower, the Initial Lenders, Initial Issuing Banks and Swing Line Banks named therein, JPMorgan Chase Bank, N.A., as paying agent, Citicorp USA, Inc. and JPMorgan Chase Bank, N.A., as co-administrative agents and Citigroup Global Markets Inc. and J.P. Morgan Securities, Inc., as joint lead arrangers and joint book runners (as amended or restated from time to time, the "Operating Partners Credit Agreement").

6. **Events of Default and Remedies**.

6.1 **Events of Default**. The occurrence of any of the following events shall be a default (each an "**Event of Default**") hereunder: (a) the Borrower fails to reimburse the Bank for any Drawing within 5 days after the date due; (b) any representation or warranty made by the Borrower herein or in any written statement or certificate furnished by the Borrower to Bank at any time pursuant to this Agreement shall prove to have been untrue in any material respect when made unless such breach is cured within 30 days after Bank notifies Borrower in writing of such breach provided such breach is capable of being cured within such 30-day period; (c) the Borrower defaults in any material respect in the observance or performance of or breaches in any material respect any covenant or agreement herein and such default or breach continues unremedied for more than 30 days after written notice thereof has been provided by the Bank to the Borrower, (d) any other indebtedness for borrowed money of the Borrower to Bank in an outstanding principal amount of $1,000,000 or more in the aggregate shall be accelerated; (e) the Borrower commences, has commenced against it, or acquiesces in the commencement of any action or proceeding in bankruptcy or seeking reorganization, arrangement, readjustment of debts, or any other relief under the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, state, federal or foreign, now or hereafter existing, whether or not an order for relief has been entered therein and, in the case of any such action or proceeding commenced against the Borrower, such action or proceeding is not dismissed or stayed within 60 days after the commencement thereof; (f) the Borrower applies for or acquiesces in the appointment of, or has appointed against it, a receiver, custodian, trustee, sequestrator or similar officer for it or all or any part of its property; (g) the Borrower makes a general assignment for the benefit of creditors; (h) the Borrower files a certificate of dissolution under applicable state law, is liquidated, or takes any action or has any action taken against it in furtherance of dissolution or liquidation; and (i) one or more judgments, decrees, or orders for the payment of money in excess of $25,000,000 in the aggregate shall be rendered against the Borrower and the same remains unsatisfied, unvacated or unstayed for a period of 60 days after the entry thereof (and such liability shall not be adequately covered by insurance).

6.2 **Remedies**. Upon the occurrence and during the continuance of an Event of Default (other than the Events of Default described in clauses (e), (f), (g) or (h) of Section 6.1 above), the Bank may, upon three (3) Banking Days' prior written notice to or demand on the Borrower, (i) declare the amount then outstanding hereunder together with accrued but unpaid interest thereon and all other obligations due hereunder and under any of the Letter of Credit Documents, to be immediately due and payable, in which event such principal, interest and other obligations shall become immediately due and payable to the Bank without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement to the contrary notwithstanding and (ii) cease issuing Letters of Credit hereunder. Upon the occurrence of an event described in clause (e), (f), (g) or (h) of Section 6.1 above, the amount then outstanding hereunder together with accrued but unpaid interest thereon and all other obligations shall, without notice to or demand on the Borrower, automatically become immediately due and payable.

7. **Limitations on Bank Liability**.

Except as provided for in Section 1.2(f) of this Agreement, the Bank shall not be responsible to the Borrower for, and the Bank's rights and remedies against the Borrower shall not be impaired by:

(1) action or inaction of the Bank required or permitted under any law, order, or practice that is required or permitted to be applied to a Letter of Credit or this Agreement (including the law or any order of a jurisdiction where the Bank, any advising, transferring, confirming, or nominated bank or person, or the beneficiary is located and the practice stated in the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce ("**ICC**") Publication No. 600 ("**UCP 600**"), to the extent the UCP 600 is made applicable to a specific Letter of Credit, International Standby Practices, ICC Publication No. 590 ("**ISP98**"), to the extent the ISP98 is made applicable to a specific Letter of Credit, and the decisions, opinions, practice statements, and official commentary of the ICC Banking Commission, the International Financial Services Association, and the Institute of International Banking Law & Practice, as applicable).

(2) action or inaction of the Bank required or permitted under Ohio law, and, for any Letter of Credit, under ISP98, even if the Letter of Credit chooses other law or if such Letter of Credit chooses other practice,

(3) honor without regard to any non-documentary condition(s) in a Letter of Credit,

(4) honor or other recognition of a presentation or other demand that includes forged or fraudulent documents or that is otherwise affected by the fraudulent, bad faith, or illegal conduct

of the beneficiary or other person (excluding employees of the Bank and any processing agent engaged by the Bank), whether or not the Borrower is innocent and obtains no benefit,

(5) dishonor of any presentation that does not strictly comply or that is fraudulent, forged, or otherwise not entitled to honor,

(6) dishonor which is authorized by the Borrower or for which the Borrower is unwilling or unable to reimburse the Bank,

(7) payment to a nominated person that does not give value or that misrepresents the basis on which it claims reimbursement or otherwise wrongfully claims, receives, or retains a payment made by the Bank under a Letter of Credit, whether or not the Bank receives complying documents, claims a refund, or undertakes to recover the payment made by the Bank,

(8) non-notification to the Borrower of the Bank' s receipt of a presentation or claim for reimbursement under a Letter of Credit or of the Bank' s disposition thereof and, if the Bank in its sole discretion approaches the Borrower for a waiver of discrepancies, dishonor regardless of the Borrower' s waiver of discrepancies or request for honor, or

(9) retention of Letter of Credit proceeds based on a valid exercise of the Bank' s set off rights or on an apparently applicable attachment order, blocking regulation, or third-party claim notified to the Bank,

8. **Bank Discretion**.

a. The Bank may for the Borrower' s account at any time provide in the Letter of Credit or otherwise agree to do or do the following:

(1) send a Letter of Credit via the Society for Worldwide Interbank Financial Telecommunication **("SWIFT")** network and bind the Borrower directly and as indemnifier to the rules applicable to SWIFT messages (including rules obligating the Borrower or the Bank to pay bank charges),

(2) assert or waive or, with any necessary consent from the beneficiary or other person, amend any provision in a Letter of Credit or applicable practice that primarily concerns issuer operations (including (i) identification of a Letter of Credit in any presentation, (ii) marking of a Letter of Credit to reflect a transfer, payment, or other action, (iii) specification of the banking days and hours, manner, and place for the Bank' s receiving a presentation, effecting honor, and giving notice of dishonor under a Letter of Credit, (iv) duration of the period(s) for examination, approaching the Borrower for a waiver, or sending a notice of refusal, (v) disposition of the beneficiary' s documents after dishonor or while approaching the Borrower for a waiver, and (vi) replacement of a lost Letter of Credit or recognition of a successor beneficiary),

(3) discount an accepted draft or defer a payment undertaking incurred under a Letter of Credit, at the request of the beneficiary or other third party, without affecting the amount or due date of the Borrower' s obligations to reimburse or pay fees to the Bank, or to reimburse the Bank for the discounted draft amount or deferred payment,

(4) select any branch or office of the Bank or any affiliate of the Bank or of any other bank or financial institution or affiliate thereof to act as advising, transferring, confirming, and/or nominated bank or person under the law and practice of the place where it acts (if a Letter of Credit permits advice, transfer, confirmation, and/or nomination) or to act under contract with the Bank as letter of credit processing agent for the Bank in the Bank' s issuance of a Letter of Credit or processing of demands or in any other action that the Bank is required or permitted to take under any Letter of Credit,

(5) honor any presentation that substantially complies with the terms and conditions of a Letter of Credit, whether or not such Letter of Credit requires strict or literal compliance (including honor of a draft that is non-negotiable or informal, honor up to the amount available under such Letter of Credit of a demand claiming more than that amount, honor of documents that include inconsistent extraneous data, and allowance of a grace period of 1 Banking Day for timing requirements under such Letter of Credit), and

(6) provide for or submit to arbitration, mediation, DOCDEX (the ICC Banking Commission' s informal dispute resolution service), or the like for the resolution of some or all disputes with the beneficiary or other person.

b. Unless specifically committed to do so in a writing signed by the Bank, the Bank need not consent to any Letter of Credit amendment. If a Letter of Credit may be extended or terminated by a notice given or other action taken by the Bank (with or without the passage of time), then, whether or not requested to do so by the Borrower, the Bank shall have the right to give such notice or take such action, or to fail or refuse to do so. If the Bank gives such notice or takes such action at the Borrower' s request, then the Borrower shall obtain the beneficiary' s acknowledgement thereof and, in the case of Letter of Credit termination, request that the beneficiary return the original Letter of Credit. If the Bank fails or refuses to give a notice of non-extension or termination at the Borrower' s timely written request, then the Bank' s Letter of Credit fees shall be calculated as if the Bank had given such notice or taken such action.

c. If the beneficiary or another person claims that the Bank has wrongfully repudiated or dishonored, then the Bank shall have the right to defend or settle the claim, with or without joining Borrower in any proceeding or negotiation and without regard to whether the claimant asserts that the Bank is precluded from relying on a valid defense, and Borrower shall have the obligation to take all reasonable actions to mitigate damages and, if the Bank pays or settles (with the prior written consent of the Borrower, which consent shall not be unreasonably withheld, delayed or conditioned, in the case of any settlement of a claim), to (a) reimburse and indemnify the Bank, subject to the exclusions of indemnification specified in Section 14 of this Agreement except for those instances where (i) otherwise agreed to by the parties hereto or (ii) such settlement or payment provides that Borrower need not reimburse or indemnify Borrower to some extent, and (b) account for any benefits, and cooperate with the Bank as subrogee.

d. If goods arrive before the Bank receives and either honors or dishonors the relevant presentation under a commercial Letter of Credit, then, upon the Borrower' s request or the Bank' s good faith decision to protect its interest, the Bank may in its sole discretion issue for the Borrower' s account a separate guaranty, indemnity, or other undertaking to the carrier to induce delivery of the goods. If the Bank so issues its undertaking, then the Borrower shall be absolutely precluded from raising any defense or claim with respect to the Bank' s subsequent honor of the related documents (except by way of injunction action based on forgery or fraud in which the Bank is fully protected by injunction bond with respect to its undertaking to the carrier as well as its Letter of Credit). The Bank' s undertaking to the carrier, or any similar undertaking, shall be treated as arising out of this Agreement (and therefore covered by the provisions on Indemnity in this Agreement).

e. The Bank' s agreement to use, or its use of, its discretion in one or more instances shall not waive its right, with or without notice to the Borrower, to use its discretion differently in other similar instances and shall not establish a course of conduct on which the Borrower may rely in any other instances under the same or other Letter of Credit.

9. <u>Borrower' s Responsibility for Letter of Credit Text and Practice</u>.

a. The Borrower is responsible for preparing or approving the text of a Letter of Credit as submitted to and as issued by the Bank and as received by the beneficiary. The Bank' s recommendation or drafting of text, or the Bank' s use or, provided any change or Letter of Credit form has been approved by the Borrower, the Bank' s non-use or refusal to use text submitted by the Borrower shall not affect the Borrower' s ultimate responsibility for the final text. The Borrower is responsible for the Bank' s failure to apply, or to observe standard practice as applied to, any Letter of Credit terms or conditions that (i) are erroneous, ambiguous, inconsistent, insufficient, ineffective, or illegal, (ii) require the Bank to respond to a demand in fewer than 3 Banking Days, or (iii) require the Borrower to sign, issue, or present a document.

b. The Borrower is responsible for knowing applicable letter of credit law and practice. UCP 600 and ISP98 may be viewed on the United Nations website: http://www.uncitral.org/uncitral/en/other organizations texts.html. They and other published letter of credit law and practice materials are available from the Bank and from other sources: http://www.ifsaonline.org/Publications/Docs/Reasonable Time Statement of Practice .pdf, www.iccbooksusa.com, and www.liblp.org

10. Limitations on Remedies.

a. Except as may be expressly provided in this Agreement, the Bank shall not be liable to the Borrower in contract, tort, or otherwise for any special, indirect, consequential, or punitive damages.

b. The Borrower must take all reasonable actions to mitigate and reduce the amount of damages to be claimed against the Bank.

c. If the Bank honors a presentation under or in connection with a Letter of Credit for which the Borrower claims it is not obligated to reimburse or indemnify the Bank, the Borrower shall nonetheless pay to the Bank the amount the Bank paid, without prejudice to the Borrower' s claims against the Bank to recover any Bank fees and costs paid by the Borrower with respect to the honored presentation plus any direct damages that the Borrower is unable to avoid or reduce. Damages attributable to honor of a presentation that appears on its face to be non-complying are indirect damages, for which the Bank is not responsible, unless the discrepancies in the presentation reflect corresponding defects in the beneficiary' s performance in the underlying transaction or if the Bank' s honoring of such non-complying presentation results from the Bank' s negligence or willful misconduct. Damages attributable to a change in the market value of any goods, services, document of title, instrument, foreign currency, or other property for which payment is supported by a Letter of Credit, except changes resulting from the beneficiary' s changed credit standing or occurring while the Bank wrongfully retains the documents, are indirect damages, and damages attributable to honor of a forged or fraudulent presentation are indirect damages for which the Borrower is responsible to the Bank, whether or not the presentation appears on its face to be complying.

d. The Borrower' s aggregate remedies against the Bank for honoring a presentation or retaining honored documents in breach of the Bank' s obligations to the Borrower (whether arising under this Agreement, applicable letter of credit practice or law, or any other agreement or law) are limited to the aggregate amounts paid by the Borrower to the Bank with respect to the honored presentation and, subject to Borrower' s obligations pursuant to Section 10.b above, the amount wrongfully paid to the beneficiary under a Letter of Credit.

e. In any dispute or litigation between the Borrower and the Bank, the Borrower must pay the Bank' s reasonable attorney' s fees, expert witness fees, and other expenses of litigation or dispute resolution, except to the extent the Borrower prevails in obtaining an award of damages disputed by the Bank. The Borrowers' prevailing in an action based on forgery or fraud of the beneficiary or other presenter does not relieve the Borrower from its obligation to pay the Bank' s fees and expenses in contesting the entry or maintenance of injunctive relief.

11. **Borrower Status.**

The undersigned Borrower represents, warrants and covenants on a continuing basis, except as otherwise provided in this Agreement, that

(1) it acts for itself and for no other person in requesting issuance of any Letter of Credit for its account,

(2) it may be identified in a Letter of Credit as the "Borrower", "account party", or "customer" at whose request and on whose instruction and for whose account the Letter of Credit is issued, it being understood that a Letter of Credit issued hereunder may be issued for the account of the Borrower but in respect of an obligation of Borrower or any subsidiary thereof,

(3) it alone (acting through any of the individuals identified in this Agreement as its authorized agents) may authorize the Bank to issue, amend, pay, or otherwise act under any Letter of Credit, and

(4) it alone has standing to enforce this Agreement or otherwise to assert the rights and remedies of a Borrower, including to sue for an injunction against honor of any Letter of Credit.

12. **Additional Borrowers.**

a. If this Agreement is signed by another person as an additional Borrower or if an application requesting issuance of a particular Letter of Credit is signed by another person, or if a particular Letter of Credit names another person as a Borrower with that other person' s consent, then that other person shall thereby become jointly and severally obligated as a Borrower under this Agreement to the same extent as the (first) undersigned Borrower, as applied to every or the particular Letter of Credit, as the case may be; provided, however, that any Letter of Credit that names therein, or is issued to secure an obligation of, a subsidiary of the Borrower shall not result in such subsidiary becoming jointly and severally obligated as a Borrower under this Agreement unless such subsidiary has specifically agreed in writing (other than in such Letter of Credit) to become so jointly and severally obligated as a Borrower under this Agreement. The additional Borrower thereby assumes the payment obligations and other responsibilities of the Borrower, makes the warranties of the Borrower (which may require that the Borrower and/or additional Borrower obtain waivers with respect to some of the warranties in the preceding paragraph), accepts the consequences of an Event of Default as applied to itself, accepts the binding effect on it of action or omission by, or notice to, another Borrower, and waives all defenses based on suretyship. **EACH ADDITIONAL BORROWER ACCEPTS FOR ITSELF the limitations on remedies, governing law, forum, jurisdiction, and JURY WAIVER in this Agreement.**

b. The (first) undersigned Borrower (i) assures the Bank that any other person that signs as an additional Borrower or that is named in a Letter of Credit as Borrower shall be obligated to the Bank as provided above, (ii) accepts the effect on it of action or omission by, or notice to, another Borrower, and (iii) waives all defenses based on suretyship. The (first) undersigned Borrower waives any objections it may have if the Bank, in the Bank' s discretion, recognizes an additional Borrower as having the right, alone or with the (first) undersigned Borrower, to act as the Borrower with respect to the affected Letter of Credit.

13. **Successors and Assigns; Expanded Meaning of "Bank".**

a. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Bank and their respective permitted successors and assigns. The Borrower shall not assign its obligations under this Agreement, and no such assignment shall be effective to release the Borrower of liability or to obligate the Bank to recognize the purported assignee, except to the extent the Bank may expressly consent in a signed writing.

b. For purposes of this Agreement, the "Bank" includes Fifth Third Bank, an Ohio banking corporation, with International Trade Services and SWIFT membership, in Cincinnati, Ohio, together with its parent Fifth Third Bancorp, whose principal office is located in Cincinnati, Ohio, and any subsidiary or controlled affiliate of Fifth Third Bancorp located in the United States including any branch or office thereof located in the United States that is controlled by Fifth Third Bancorp that either (i) maintains a customer relationship with, and receives this Agreement from, the undersigned Borrower or (ii) acts as issuer and is named as such in any Letter of Credit. Each such Bank may delegate and assign part or all of its obligations and rights to the other(s), in addition to such Bank' s rights to request others to act as a nominated person or as a letter of credit processing agent. The Borrower acknowledges that Fifth Third Bank, 38 Fountain Square Plaza, Cincinnati, Ohio may appropriately act as issuer or as letter of credit processing agent (with or without disclosure in the Letter of Credit) for an affiliated Bank issuer of any Letter of Credit.

c. With the prior written consent of the Borrower (which consent shall not be unreasonably withheld, delayed or conditioned), the Bank may grant participations in or assign its rights and obligations under this Agreement, in whole or in part, to one or more domestic banks or financial institutions which shall, to the extent the Bank so notifies the Borrower, be substituted for the Bank with respect to the assigned rights. The Bank may disclose credit and other information regarding the Borrower (and any non-Borrower guarantor) and this Agreement to any permitted (actual or prospective) assignee or participant; provided such assignee or participant agrees to keep confidentially any non-public information of the Borrower or its subsidiaries.

14. **Indemnity**. Borrower shall, to the fullest extent permitted by law, indemnify, defend, pay and hold Bank harmless from and against any and all Third Party Claims and Damages which Bank may incur or be subject to as a consequence, direct or indirect, of any breach by Borrower of any warranty, covenant, term or condition in, or the occurrence of any default by Borrower under this Agreement or any other Letter of Credit Document, except to the extent that any of the foregoing shall have resulted from the negligence or willful misconduct of the Bank.

15. **Notices**. Except as expressly provided herein any notice or other communication given hereunder shall be in writing and shall be delivered against receipt, or mailed by registered or certified mail return receipt requested, postage prepaid, or transmitted by facsimile with confirmation of successful transmittal thereof and addressed to the party to be notified as follows, or to such other address as such party may designate by like notice:

If to Bank, to:

FIFTH THIRD BANK
38 Fountain Square Plaza
Cincinnati, Ohio 45263
Fax: 513-534-5947
Attn: Large Corporate Accounts MD 109055

If to Borrower, to

Alliance Resource Partners, L.P.
1717 South Boulder Avenue, Suite 400
Tulsa, Oklahoma 74119
Fax: 918-295-7357
Attn: Chief Financial Officer

16. **Complete Agreement; Modification and Waivers**. The Letter of Credit Documents are and shall be the complete agreement between the parties regarding the transactions described herein and shall supersede any and all oral or other written agreement relating to such transactions (including, for the avoidance of doubt, any agreement entitled "Agreement Setting Forth Terms and Conditions for Irrevocable Standby Letter of Credit and Security Agreement" at any time executed and delivered by Borrower or any officer on behalf of Borrower to the Bank prior to the date hereof). In entering into this Agreement and the transactions embodied in the Letter of Credit Documents, the Borrower has not relied on any agreement, representation, warranty or statement by Bank that are not expressly set forth in this Agreement. The Letter of Credit Documents may not be modified, waived, supplemented or amended, except by a writing signed by the Borrower and the Bank.

17. **Severability**. If any clause or provision of the Letter of Credit Documents, or any part thereof shall be held invalid or unenforceable, in whole or in part, in any jurisdiction, such invalidity or unenforceability shall attach only to such clause or provision, or such part thereof and shall not in any manner affect any other clause or provision in any jurisdiction

18. **Cost and Expenses**. Borrower will pay or reimburse Bank on demand for any and all reasonable out-of-pocket charges, costs, taxes and expenses incurred by Bank or for its account in implementing and enforcing the Letter of Credit Documents, including, without limitation, reasonable fees and disbursements of Bank' s outside legal counsel, except as otherwise provided herein, including Section 1.2(g) and 10.e hereof).

19. **UNCOMMITTED FACILITY. THIS IS AN UNCOMMITTED FACILITY AND NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN OR ANY COURSE OF DEALING BETWEEN BANK AND BORROWER, THE DECISION AS TO WHETHER OR NOT TO ISSUE ANY LETTERS SHALL BE IN BANK' S SOLE AND ABSOLUTE DISCRETION.**

20. **GOVERNING LAW; BINDING EFFECT. THE LETTER OF CREDIT DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OHIO, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE TERMS AND PROVISIONS OF THE LETTER OF CREDIT DOCUMENTS SHALL INURE TO THE BENEFIT OF AND BE BINDING ON BORROWER AND BANK AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS; PROVIDED, HOWEVER THAT BORROWER MAY NOT ASSIGN ANY OF ITS INTEREST OR OBLIGATIONS THEREUNDER WITHOUT THE PRIOR WRITTEN CONSENT OF BANK.**

21. **CONSENT TO JURISDICTION. BORROWER AGREES THAT THE STATE AND FEDERAL COURTS IN THE COUNTY WHERE BANK IS LOCATED SHALL HAVE EXCLUSIVE JURISDICTION OVER ALL MATTERS ARISING OUT OF THIS AGREEMENT. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING IN SUCH COURTS, AGREES THAT VENUE WILL BE PROPER IN SUCH COURTS FOR ALL SUCH MATTERS AND WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS ISSUED THEREIN. BORROWER AGREES THAT SERVICE OF SUCH SUMMONS OR COMPLAINT OR OTHER PROCESS OR PAPER MAY BE MADE BY REGISTERED OR CERTIFIED MAIL (RETURN RECEIPT REQUESTED) ADDRESSED TO THE BORROWER AT THE ADDRESS SET FORTH IN SECTION 15.**

22. **WAIVER OF JURY TRIAL. BORROWER AND BANK WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN ANY COURT ARISING ON, OUT OF, UNDER, BY VIRTUE OF, OR IN ANY WAY RELATING TO THE LETTER OF CREDIT DOCUMENTS, OR THE TRANSACTIONS OCCURRING IN CONNECTION HEREWITH. BORROWER AND BANK CONFIRM THAT THE FOREGOING WAIVER IS INFORMED AND VOLUNTARY.**

23. **Execution in Counterparts**. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto authorized as of the date first written above.

FIFTH THIRD BANK

By:	/s/ Ashley Colmenero
Print Name:	Ashley Colmenero
Its:	Assistant Vice President

ALLIANCE RESOURCE PARTNERS, L.P.

By: **ALLIANCE RESOURCE MANAGEMENT GP, LLC,**
its Managing General Partner

By:	/s/ Cary Marshall
Print Name:	Cary Marshall
Its:	Vice President-Corporate Finance and Treasurer

EXHIBIT A

Pricing Grid

Consolidated Debt to Consolidated Cash Flow Ratio*	Standby LC Fee Per Annum (in basis points)
1.5:1.0 or greater	190
1.0:1.0 or greater but less than 1.50:1.0	145
0.50:1.0 or greater but less than 1.0:1.0	125
Less than 0.50:1.0	100

*Calculated pursuant to the terms of the Operating Partners Credit Agreement

EXHIBIT B

Outstanding Letters of Credit

1. Letter of Credit issued for the benefit of the Illinois Industrial Commission in the face amount of $3,425,000 and assigned Letter of Credit No. S200471.

2. Letter of Credit issued for the benefit of Travelers Casualty and Surety Company in the face amount of $5,000,000 and assigned Letter of Credit No. S402238.

3. Letter of Credit issued for the benefit of the Kentucky Department of Workers Claims in the face amount of $17,671,696 and assigned Letter of Credit No. S403286.

Exhibit 31.1

CERTIFICATION

I, Joseph W. Craft III certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Holdings GP, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the quarterly period ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting;

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

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

Date: August 9, 2010

/s/ Joseph W. Craft III

Joseph W. Craft III
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION

I, Brian L. Cantrell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance Holdings GP, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the quarterly period ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting;
5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 9, 2010

/s/ Brian L. Cantrell

Brian L. Cantrell

Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Alliance Holdings GP, L.P. (the "Partnership") on Form 10-Q for the three and six months ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph W. Craft III, President and Chief Executive Officer of Alliance GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By:

/s/ Joseph W. Craft III

Joseph W. Craft III
President and Chief Executive Officer
of Alliance GP, LLC
(the general partner of Alliance Holdings GP, L.P.)

Date: August 9, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Alliance Holdings GP, L.P. (the "Partnership") on Form 10-Q for the three and six months ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Partnership.

By:

/s/ Brian L. Cantrell

Brian L. Cantrell
Senior Vice President and Chief Financial Officer
of Alliance GP, LLC
(the general partner of Alliance Holdings GP, L.P.)

Date: August 9, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.