INTEGRAMED AMERICA INC
Form PRE 14A
April 09, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No. ______)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement

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

[ ] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Under Rule 14a-12

IntegraMed America, Inc.
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 20, 2010

Dear Stockholder:

It is my pleasure to invite you to the 2010 Annual Meeting of Stockholders of IntegraMed America, Inc. The meeting will be held at 10:00 a.m. (local time) on Tuesday, May 25, 2010, at the Company's corporate offices at Two Manhattanville Road, 3rd Floor, Purchase, New York 10577.

The following pages contain the formal Notice of Annual Meeting of Stockholders and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting, which is the election of seven directors named in the enclosed Proxy Statement for a term of one year and the approval to amend and restate our Certificate of Incorporation increasing the number of authorized shares of common stock, par value $0.01 per share, from 15,000,000 to 20,000,000. You will also have the opportunity to hear what has happened in our business in the past year and to ask questions. You will find detailed information about the Company in the enclosed 2009 Annual Report to Stockholders.

We hope you can join us on May 25, 2010. Whether or not you can attend, please read the enclosed Proxy Statement. When you have done so, please mark your votes on the enclosed Proxy Card, sign and date the Proxy Card, and return it in the enclosed envelope. Your vote is important to the Company, so please return your Proxy Card promptly.

Sincerely,

Jay Higham
President & Chief Executive Officer

INTEGRAMED AMERICA, INC.
Two Manhattanville Road
Purchase, New York 10577

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held May 25, 2010

To the Stockholders:

Notice is hereby given that the Annual Meeting of the Stockholders of IntegraMed America, Inc. (the "Company") will be held on Tuesday, May 25, 2010 at 10:00 a.m. local time, at the Company's headquarters, Two Manhattanville Road, 3rd Floor, Purchase, New York 10577. The meeting is called for the following purposes:

1. To elect seven directors named in the enclosed Proxy Statement for a term of one year;

2. To amend and restate the Company’s Restated Certificate of Incorporation increasing the number of authorized shares of common stock, par value $0.01 per share, from 15,000,000 to 20,000,000; and

3. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

Only stockholders of record at the close of business on Friday, March 26, 2010 are entitled to notice of, and to vote at, the meeting.

A copy of our Annual Report to Stockholders for the fiscal year ended December 31, 2009 is being provided with this Notice of Annual Meeting of Stockholders and Proxy Statement and is available online as indicated below.

All stockholders are cordially invited to attend the meeting. However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed Proxy Card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person even if the stockholder

has returned the Proxy Card.

Claude E. White
Vice President, General Counsel & Secretary

April 20, 2010

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 25, 2010 – Our Proxy Statement, Proxy Card and Annual Report to Stockholders are available at http://www.integramed.com under the heading “Investors –Annual Meeting”

INTEGRAMED AMERICA, INC.
Two Manhattanville Road
Purchase, New York 10577
914-253-8000

PROXY STATEMENT

For the Annual Meeting of Stockholders
To Be Held on Tuesday, May 25, 2010

Solicitation of Proxy

This Proxy Statement is furnished to stockholders of IntegraMed America, Inc. (the "Company") in connection with the solicitation by the Company's Board of Directors of proxies for use at the Annual Meeting of Stockholders of the Company ("Annual Meeting") to be held at the Company's principal executive offices at Two Manhattanville Road, Purchase, New York 10577 on Tuesday, May 25, 2010 at 10:00 a.m., and any postponements or adjournments of the Annual Meeting.

Mailing Date

The Annual Report of the Company for 2009, including financial statements, the Notice of Annual Meeting of Stockholders, this Proxy Statement, and the Proxy Card are first being sent or given to stockholders on or about April 20, 2010.

Who Can Vote — Record Date

The record date for determining stockholders entitled to notice of and to vote at the Annual Meeting is March 26, 2010. Each of the 11,703,400 shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company issued and outstanding on the record date is entitled to one vote at the Annual Meeting.

How to Vote

If at the close of business on March 26, 2010 your shares of Common Stock were registered directly in your name with the Company's transfer agent, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or you may vote by mailing in your Proxy Card. Whether or not you plan to attend the Annual Meeting in person, we urge you to complete, sign, date and mail your Proxy Card to ensure that your vote is counted.

If at the close of business on March 26, 2010 your shares of Common Stock were held in "street name", you must vote your shares of Common Stock in the manner prescribed by your broker. You are invited to attend the Annual Meeting; however, you may not vote your shares of Common Stock in person at the Annual Meeting unless you request and obtain a valid proxy from your broker.

In voting on the Directors, you may specify whether your shares should be voted for all, some, or none of the nominees for director.

If you do not specify on your proxy card how you want to vote your shares, we will vote them "FOR" the election of all nominees for director as set forth under "Election of Directors For a Term of One Year" and "FOR" the approval of the amendment to the Restated Certificate of Incorporation as set forth under "Approval to Amend and Restate the Restated Certificate of Incorporation."

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Revocation of Proxies

You may revoke your Proxy at any time before it is exercised in any of three ways:

(1) by submitting written notice of revocation to the Company's Secretary, which must be received prior to the Annual Meeting;

(2) by submitting a new Proxy by mail that is dated later in time and properly signed; or

(3) by voting in person at the Annual Meeting.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. A quorum will exist if the holders of a majority of the votes entitled to vote at the Annual Meeting are present, in person or represented by proxy. Broker "non-votes" and abstentions are counted as present at the Annual Meeting for purposes of determining whether a quorum exists. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Required Vote

Election of Directors. Persons receiving a plurality of the voted shares present in person or represented by proxy at the Annual Meeting will be elected directors, meaning the individuals receiving the greatest number of votes will be elected to serve as directors. Shares not voted (whether abstention, broker "non-votes" or otherwise) have no effect on the election. If any nominee is unable or declines to serve, proxies will be voted for the balance of those named and such person as shall be designated by the Board to replace any such nominee. However, the Board of Directors does not anticipate that this will occur.

Approval to Amend and Restate the Restated Certificate of Incorporation. The affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy is required to approve amending and restating the Company's Restated Certificate of Incorporation. As a result, shares not voted (whether abstention, broker "non-votes" or otherwise) will have the same effect as a vote "AGAINST" the amendment to the Company's Restated Certificate of Incorporation.

Effect of Not Casting Your Vote

If you hold your shares in "street name", it is critical that you cast your vote if you want it to count in the election of directors. In the past, if you held your shares in "street name" and you did not indicate how you wanted your shares voted in the election of directors, your broker was allowed to vote those shares on your behalf in the election of directors as it felt appropriate. Recent regulatory changes have been made to take away the ability of your broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in "street name" and you do not instruct your broker how to vote in the election of directors, no votes will be cast on your behalf. Your broker will also not have discretion to vote uninstructed shares on the proposal to approve amending and restating the Company's Restated Certificate of Incorporation. If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the proposals at the Annual Meeting.

Voting Results

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K within four business days of the Annual Meeting.

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Other Business

The Company does not intend to bring any business before the Annual Meeting other than that set forth in the Notice of Annual Meeting and described in this Proxy Statement. However, if any other business should properly come before the Annual Meeting, the persons named in the enclosed proxy card intend to vote in accordance with their best judgment on such business and any matters dealing with the conduct of the Annual Meeting pursuant to the discretionary authority granted by your proxy.

SECURITY OWNERSHIP

The following table sets forth, as of April 1, 2010, certain information concerning the stock ownership of all persons known by the Company to own beneficially 5% or more of the shares of Common Stock, each director, each executive officer named on the "Summary Compensation Table", and all directors and executive officers of the Company as a group. Except as indicated in the footnotes to this table, we believe that each person has sole voting and dispositive power with respect to all shares attributable to such person.

Beneficial Owners	Shares of Common Stock Beneficially Owned (1)		Percent of Common Stock Outstanding	
Peter R. Kellogg IAT Reinsurance Company Ltd. 120 Broadway New York, NY 1027	3,221,286	(2)	27.5	%
Blue TSV I, LTD c/o Maple Corporate Services Limited PO Box 309, Ugland House Grand Cayman E9 KY1- 1104	1,175,374	(3)	10.0	%
Officer and Director Stock Ownership				
Jay Higham	182,471	(4)	1.5	%
John W. Hlywak, Jr.	120,782	(4)	1.0	%

Pamela Schumann	27,173	(4)	*	
Joseph J. Travia, Jr.	44,912	(4)	*	
Daniel P. Doman	16,973		*	
Kush K. Agarwal	146,871		1.3	%
Gerardo Canet	44,777		*	
Wayne R. Moon	51,005	(4)	*	
Lawrence J. Stuesser	71,399	(4)	*	
Elizabeth E. Tallett	88,407	(4)	*	
Yvonne S. Thornton, M.D.	23,551		*	
All executive officers and directors as a group (16 persons)	872,961	(5)	7.3	%

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* Represents less than 1% of outstanding shares of Common Stock.

(1) For the purposes of this Proxy Statement, beneficial ownership is defined in accordance with the rules and regulations of the Securities and Exchange Commission (the "Commission") and generally means the power to vote and/or to dispose of the securities regardless of any economic interest therein.

(2) Based on a Form 4 filed with the Commission on March 2, 2010. Represents 202 shares of our Common Stock owned by Peter R. Kellogg and 3,221,084 shares of our Common Stock owned by IAT Reinsurance Company Ltd. ("IAT"). Peter R. Kellogg is the sole owner of IAT's voting stock.

(3) Based on a Form 4 filed with the Commission on September 8, 2009.

(4) Includes exercisable options to purchase shares of our common stock within 60 days of April 1, 2010 as follows: Wayne R. Moon — 10,156; Lawrence J. Stuesser — 10,156; Elizabeth E. Tallett — 10,156; Jay Higham — 17,834; John W Hlywak, Jr. — 8,917; Daniel P. Doman — 7,350; Pamela Schumann — 8,917; and Joseph J. Travia, Jr. — 8,917.

(5) Includes 88,377 exercisable options to purchase shares of our common stock within 60 days of April 1, 2010, including 5,974 exercisable options held by an executive officer not named above. The address for each of our executive officers is c/o IntegraMed America, Inc., Two Manhattanville Road, Purchase, NY 10577.

Proposal 1

ELECTION OF DIRECTORS FOR A TERM OF ONE YEAR

Each of the nominees is currently a director of the Company. The Board of Directors recommends that the persons named below be elected as directors of the Company and it is intended that your proxy will be voted for the election as directors of the seven persons named below, unless your proxy contains contrary instructions. The Company has no reason to believe that any of the nominees will not be a candidate or will be unable to serve. However, in the event that any nominee should become unable or unwilling to serve as a director, your proxy will be voted for the election of such person or persons as shall be designated by the Board of Directors.

The following sets forth the names and ages of the seven nominees for election to the Board of Directors, their respective principal occupations or employments during the past five years, the period during which each has served as a director of the Company and additional information considered in connection with the nomination of the directors for election as directors at the Annual Meeting.

Kush K. Agarwal (62) became a director of the Company effective August 8, 2007. He served as President of Vein Clinics of America, Inc., which was acquired by the Company on August 8, 2007, since joining Vein Clinics of America in August 1987 until he resigned on May 15, 2008. Mr. Agarwal currently serves as a Board member for Pardada Pardadi Educational Society, a non-profit organization working for rural development in India through the empowerment of rural women. Mr. Agarwal has a Master of Science in Industrial Administration from Carnegie-Mellon University, a Master of Science in Applied Analysis and Operations Research from the State University of New York and a Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology. Mr. Agarwal's extensive expertise, experience and background in developing and managing healthcare service businesses, including his prior position as President of Vein Clinics of America, provides the Board of Directors with valuable insight regarding the development and management of the Company's business and operations.

Gerardo Canet (63) served as Chief Executive Officer of the Company from February 14, 1994 to December 31, 2005 and has been a director of the Company since February 14, 1994. Mr. Canet resigned as Chief Executive Officer effective December 31, 2005, but continues to serve as Chairman of the Board and a consultant to the Company. Mr. Canet has been a director of Dendreon Corporation since December 1996. He earned a B.A. in Economics from Tufts University and an M.B.A. from Suffolk University. Mr. Canet's extensive knowledge of our business and his current position as our Chairman of the Board and former position as Chief Executive Officer of the Company, brings

substantial value to the Board.

Jay Higham (51) became President and Chief Executive Officer of the Company, effective January 1, 2006 and was President and Chief Operating Officer of the Company since June 2004. He was appointed a director of the Company, effective January 24, 2006. In October 1994, Mr. Higham joined the Company as Vice President of Marketing and Development and in January 1999, was promoted to Senior Vice President of Marketing and Development. Mr. Higham currently serves as a board member of Stamford Health System, a non-profit health care system in Stamford, Connecticut and as a board member of Nixon Uniform Services, Inc., a medical apparel and linen rental company based in New Castle, Delaware. Mr. Higham earned a B.S. in Psychology from the University of Rochester and an M.H.S.A. from George Washington University. As a result of his current position as President and Chief Executive Officer of the Company, Mr. Higham brings to the Board an extensive knowledge of the Company's business and operations.

Wayne R. Moon (70) became a director of the Company in May 2001. Mr. Moon joined Kaiser Foundation Health Plan, Inc. in 1970 and was subsequently elected President, Chief Operating Officer and Director. In September 1993, Mr. Moon was appointed President and Chief Executive Officer of Blue Shield of California and a member of its Board of Directors and, later, Chairman. Mr. Moon retired from Blue Shield in January 2000. Until recently, he served as Chairman of the Board of RelayHealth, Inc. He serves on various corporate and civic boards, including Varian, Inc. and the California State Automobile Association. Mr. Moon earned a B.B.A. and a Masters in Hospital Administration from the University of Michigan. Mr. Moon has extensive experience and knowledge of the health care industry, particularly health insurance and health related companies, and finance. In light of Mr. Moon's particular health care industry and finance experience and knowledge, his insight is extremely relevant to the Company's business and operations and makes him a valuable asset to the Board of Directors, the Audit Committee, the Compensation Committee and the Governance and Nominating Committee (where he serves as Chairperson).

Lawrence J. Stuesser (68) became a director of the Company in April 1994. Since June 1999, Mr. Stuesser has been a private investor. From June 1996 to May 1999, Mr. Stuesser was the President and Chief Executive Officer and a director of Computer People Inc., the U.S. subsidiary of London-based Delphi Group plc, of which he was also a director. Mr. Stuesser was a director of American Retirement Corporation from May 1997 to July 2006 and served as the Chair of its audit committee. Early in his career, Mr. Stuesser qualified as a certified public accountant and served as an audit manager with Alexander Grant & Company, an accounting firm. Mr. Stuesser holds a B.B.A. in accounting from St. Mary's University. Mr. Stuesser's brings to the Board significant experience with regard to the Company's business, accounting and financial matters, as well as previous experience as Chief Executive Officer of a healthcare company and as a member of the board of directors of a public company This experience makes him a valuable asset to the Board of Directors, the Audit Committee (where he serves as Chairperson and "audit committee financial expert"), the Compensation Committee and the Governance and Nominating Committee.

Elizabeth E. Tallett (61) became a director of the Company in June 1998. Since July 2002, Ms. Tallett has been a Principal of Hunter Partners, LLC, which provides management services to developing life sciences companies. Ms. Tallett is a director of The Principal Financial Group, Inc., Varian, Inc., Coventry Health Care, Inc. and Meredith Corp. Inc. Ms. Tallett graduated from Nottingham University with degrees in Mathematics and Economics. The Board considered Ms. Tallett's extensive knowledge of the Company's business and industry, accounting and financial matters, as well as previous experience as a member of the board of directors of a public company. This experience makes her a valuable asset to the Board of Directors, the Audit Committee, the Compensation Committee (where she serves as Chairperson) and the Governance and Nominating Committee.

Yvonne S. Thornton, M.D., M.P.H. (62) became a director of the Company in January 2006. Dr. Thornton is a double board-certified specialist in obstetrics, gynecology and maternal-fetal medicine. Currently, Dr. Thornton is a perinatal consultant at Westchester Medical Center in New York. Dr. Thornton is a former Professor of Clinical Obstetrics and Gynecology at Cornell (Weill) Medical College and Vice-Chair of the Department of OB/GYN and Director of Maternal-Fetal Medicine at Jamaica Hospital Medical Center in New York City, where she served from 2002 to 2005. Dr. Thornton is a Diplomate of the American Board of Obstetrics and Gynecology, a Fellow of the American College of Surgeons and an Oral Examiner for the American Board of Obstetrics and Gynecology. After graduating with honors from Monmouth College in New Jersey, she received her M.D. with honors from Columbia University College of Physicians and Surgeons. Dr. Thornton also received her Executive Masters (M.P.H.) degree in Health Policy and Management from Columbia University. Dr. Thornton's extensive clinical and medical experience provides the Board of Directors with a medical proficiency that is very relevant to the Company's business and operations and makes her a valuable asset to the Board of Directors, the Audit Committee, the Compensation Committee and the Governance and Nominating Committee.

The Board of Directors recommends a vote "FOR" each nominee listed above. Your proxy will be voted in accordance with the choice specified thereon, or, if no choice is properly indicated, in favor of the nominees listed above.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Directors are elected by the Company's stockholders at each annual meeting or, in the case of a vacancy, are appointed by the directors then in office, to serve until the next annual meeting of stockholders or until their successors are elected and qualified. During 2009, the Board of Directors held four regular meetings. Each director attended at least 75% of the aggregate of all meetings of (i) the Board of Directors and (ii) the committees thereof on which each director served during 2009. In 2009, the independent directors of the Board of Directors met four times in executive session.

The Board of Directors has determined that Messrs. Moon and Stuesser, Ms. Tallett and Dr. Thornton are independent directors in accordance with Rule 5605(a)(2) of the NASDAQ Listing Rules because none of them is believed to have any relationships that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as a director. In addition, our Board of Directors has also determined that Mr. Sarason Liebler, who ceased being a member of our Board of Directors on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines, was an independent director in accordance with NASDAQ Listing Rule 5605(a)(2). Our Board of Directors considered the $57,533 of consulting fees that were paid by us to Mr. Liebler in 2008 when determining his independence.

The Board of Directors has risk oversight responsibility for the Company and administers this responsibility both directly and with assistance from its committees. The Board of Directors oversees the Company’s risk management process through regular discussions of the Company’s risks with senior management both during and outside of regularly scheduled Board of Directors meetings. In addition, the Audit Committee assists the Board of Directors by administering the Company’s risk management process with respect to risks relating to the Company’s accounting and financial controls.

Our Board of Directors has no policy with regard to the separation of the offices of Chairman of the Board and Chief Executive Officer. The current leadership structure separates these two offices.

Stockholders may communicate directly with the directors. All communications should be sent in care of the Secretary of the Company at the Company’s address at Two Manhattanville Road, Purchase, New York 10577 and should prominently indicate on the outside of the envelope that it is intended for the Board of Directors, for non-employee directors or a particular committee of the Board. If no director or committee is specified, the communication will be forwarded to the entire Board.

The Company does not have a policy requiring the directors to attend stockholder meetings; however, all of our directors attended the 2009 annual meeting of stockholders. It is expected that all of our directors will attend the 2010 Annual Meeting.

Committees Of The Board

The Board of Directors maintains three standing Committees: Audit Committee, Compensation Committee, and Governance and Nominating Committee whose members are set forth below:

Audit	Compensation**	Governance and Nominating**
Wayne R. Moon	Wayne R. Moon	Wayne R. Moon*
Lawrence J. Stuesser*	Lawrence J. Stuesser	Lawrence J. Stuesser

Elizabeth E. Tallett	Elizabeth E. Tallett*	Elizabeth E. Tallett
Yvonne S. Thornton, M.D.	Yvonne S. Thornton, M.D.	Yvonne S. Thornton, M.D.

*Committee Chairperson
**Mr. Sarason Liebler served as a member of the Compensation Committee and the Governance and Nominating Committee until May 12, 2009, when he ceased being a member of the Board, the Compensation Committee and the Governance and Nominating Committee because he had reached the mandatory retirement age of 72 under the Company's corporate governance guidelines.

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Audit Committee

The Audit Committee is charged by the Board of Directors to (i) study, review and evaluate the Company's accounting, auditing and financial reporting practices, including the internal controls and audit functions, (ii) assess the Company's compliance with legal and regulatory requirements, and (iii) select the independent auditors and review their qualifications, independence and performance, while being the focal point for communications between the Board of Directors, management and the independent auditors. More specifically, the Audit Committee pre-approves all audit and non-audit services to be performed by the independent auditors, reviews the scope and results of the audit of the Company's financial statements, reviews financial statements and periodic filings with the Commission, and discusses the same with management.

Each Audit Committee member is an independent director, as defined in NASDAQ Listing Rule 5605(a)(2). Our Board of Directors has determined that in addition to being independent, Mr. Stuesser is an "audit committee financial expert" as such term is defined in Item 407 of Regulation S-K promulgated by the Commission. Our Board of Directors has adopted a written charter for the Audit Committee. A copy of the Audit Committee charter is available to stockholders at the Company's website http://www.integramed.com under the heading "Investors – Board Committees."

The Audit Committee held four regular meetings and four telephonic meetings in 2009.

Compensation Committee

The Compensation Committee, under a delegation of authority from the Board of Directors, reviews and makes decisions with respect to salaries, wages, bonuses, equity awards and other benefits and incentives for executive officers of the Company. The Compensation Committee held four regular meetings in 2009.

The Compensation Committee has a charter, a copy of which is available to stockholders at the Company's website http://www.integramed.com under the heading "Investors – Board Committees."

Compensation Committee Interlocks and Insider Participation

From January 1, 2009 through May 12, 2009, the members of the Compensation Committee were Ms. Tallett (chairperson), Messrs. Liebler, Moon and Stuesser and Dr. Thornton. Mr. Liebler ceased being a member of our board of directors and the Compensation Committee on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines. After May 12, 2009, the remaining members continued as the members of the Compensation Committee. All of the individuals listed above are, or, in the case of Mr. Liebler, were, independent directors, as defined in NASDAQ Listing Rule 5605(a)(2). None of the individuals listed above has ever been an officer or employee of us or any of our subsidiaries. During 2009, none of our executive officers served on the Compensation Committee or board of directors of any other entity that had any executive officer who also served on the Compensation Committee of our Board of Directors or our Board of Directors.

Governance and Nominating Committee

The Board of Directors maintains a Governance and Nominating Committee consisting of independent directors as defined by NASDAQ Listing Rule 5605(a)(2). The primary purpose of the Governance and Nominating Committee is to provide oversight on the broad range of issues surrounding the composition and operation of the Board of Directors, including identifying individuals qualified to become Board members, recommending to the Board director nominees for the next annual meeting of stockholders, and recommending to the Board a set of corporate governance principles applicable to the Company. Although the Governance and Nominating Committee has not adopted a formal diversity

policy, it evaluates each prospective director in the context of the Board as a whole, with the objective of recommending directors that as a group can best promote the success of the Company, represent the stockholder interests and fulfill the Board's legal and fiduciary responsibilities through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Governance and Nominating Committee also considers the director's past attendance at meetings and participation in and contributions to the Board and its Committees. Set forth above under "Election of Directors for a Term of One Year," with respect to each nominee for director, is the specific experience, qualifications, attributes and skills that led the Governance and Nominating Committee to conclude that such nominee should serve as a director of the Company from the Annual Meeting until the 2011 annual meeting of stockholders or until his or her successor is elected or qualified. The Governance and Nominating Committee also provides assistance to the Board in the areas of Committee selection, evaluation of the overall effectiveness of the Board and management, and review and consideration of developments in corporate governance practices. The Committee's goal is to assure that the composition, practices, and operation of the Board contribute to value creation and effective representation of the Company stockholders. The Governance and Nominating Committee held four meetings in 2009.

The Governance and Nominating Committee will consider candidates for board membership whose qualifications, including business experience and skills, lend themselves to advancing the Company's best interests. There are no minimum qualifications. Stockholders may recommend candidates for consideration by the Governance and Nominating Committee by writing to the "Chairperson, Governance and Nominating Committee, c/o IntegraMed America, Inc., Two Manhattanville Road, Purchase, New York 10577." Such recommendations for the 2011 annual meeting of stockholders must be received by the Company between January 25, 2011 and February 24, 2011. The Governance and Nominating Committee will evaluate candidates recommended by stockholders in the same manner as candidates identified by any other source. The Governance and Nominating Committee's process for identifying and evaluating nominees for director, including nominees recommended by stockholders, includes background and reference checks, together with personal interviews.

The Governance and Nominating Committee has a charter, a copy of which is available to stockholders at the Company's website http://www.integramed.com under the heading "Investors – Board Committee."

DIRECTOR COMPENSATION

In 2009, non-employee directors of the Company were paid an annual retainer of $30,000 and a fee of $2,000 for each regularly scheduled meeting of the Board attended and for any special or committee meeting not coinciding with a regularly scheduled Board meeting. The chairpersons of the Compensation Committee and the Governance and Nominating Committee were paid $7,000 each for serving as chairperson and the Chairperson of the Audit Committee was paid $10,000 for serving as chair of the Audit Committee. Directors were also reimbursed for reasonable travel expenses incurred in attending meetings. Additionally, non-employee directors were granted, as part compensation for services rendered, 6,531 shares of Common Stock, with a market value of $6.89 per share, or $45,000, based on the closing price per share of the Company's Common Stock on the date of the grant which was January 2, 2009 as reported by the NASDAQ Global Market, with vesting upon grant. Directors who are also executive officers are not compensated for their services as directors.

The Company's philosophy regarding director compensation is to recognize that in order to attract and retain directors who are willing to contribute time and talent to the Company, it is important to compensate competitively such persons. With that philosophy in mind, the Company attempts to provide fair cash compensation for a company of its size and also provide directors with "skin in the game" by awarding, as part compensation, stock in the Company. With Common Stock as part of a director's compensation, the resulting objective is to enable directors to align their interests with stockholders and appreciate the importance of improving stock performance and providing investors with long-term gains. Directors are not paid for their roles on Committees, other than as serving as Chairperson and for attending meetings of such Committees not coinciding with a regularly scheduled meeting of the Board of Directors. Committees meet in conjunction with Board meetings and accordingly, the Company believes there should not be additional compensation for Committee involvement, unless a meeting of such Committee does not coincide with a regularly scheduled meeting of the Board of Directors. Because Committee chairpersons are expected to interact more with management, they are compensated for the additional time.

Directors are required to own Company Common Stock equal to five times the annual retainer fee in effect for the year of a director's first appointment or election; however, a director has five years to achieve this requirement. Once this requirement is met, a director need not adjust the number of shares owned based on the fluctuation of the market price of the Company Common Stock. As of the date of this Proxy Statement, all directors have met this requirement.

The following table sets forth a summary of the compensation paid or accrued by the Company during the year ended December 31, 2009 for the Company's directors, but excludes any management director whose compensation is reflected on the "Summary Compensation Table" for Named Executive Officers (as defined below):

DIRECTOR COMPENSATION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Name	Fees Earned or Paid in Cash	Stock Awards (1)	All Other Compensation (2)	Total
Kush Agarwal	$38,000	$45,000		$83,000
Gerardo Canet	$63,000	$45,000	$ 36,000	$144,000
Sarason Liebler(3)	$19,000	$45,000	_	$64,000
Wayne R. Moon	$45,000	$45,000		$90,000
Lawrence J. Stuesser	$48,000	$45,000		$93,000
Elizabeth E. Tallett	$45,000	$45,000		$90,000
Yvonne Thornton, M.D.	$38,000	$45,000		$83,000

(1) Represents the grant of 6,531 shares of Common Stock to each of the directors as indicated above on January 2, 2009, with a fair market value of $6.89 per share. All of these grants vested immediately.

(2) Pursuant to his consulting agreement, dated February 2, 2009, effective January 1, 2009, Mr. Canet agreed to provide us with consulting services two days per month during the period from January 1, 2009 through December 31, 2009 and received an amount from us equal to $36,000 in 12 equal installments of $3,000 per month.

(3) Mr. Liebler ceased being a member of our Board of Directors on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines.

At December 31, 2009, our directors, as a group, excluding Mr. Higham, held outstanding options to purchase 40,624 shares of our Common Stock and also held an aggregate of 39,186 shares of our Common Stock pursuant to stock awards made during 2009.

BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS

The following sets forth the business experience of the executive officers of the Company:

Jay Higham (51) Mr. Higham’s business experience is set forth under the business experience of Company directors.

John W. Hlywak, Jr. (62) joined the Company in July 1999 as its Senior Vice President and Chief Financial Officer and was named Executive Vice President and Chief Financial Officer in March 2006. Mr. Hlywak is a C.P.A. and has a B.S. degree in Accounting from Widener University.

Daniel P. Doman (48) joined the Company in August of 2007 with the acquisition of Vein Clinics of America, Inc (“VCA”). Since May 2008, he has served as the President of the Company’s Vein Clinics Division. Previously, Mr. Doman was the Chief Financial Officer of VCA from April 2006 to May 2008. Prior to joining VCA, from April 2003 to March 2006 he was Managing Director of Health Dimension Group, a national, integrated senior living and healthcare management and consulting firm. He has a Bachelor’s degree in accounting and finance from Loyola University of Chicago.

Angela Gizinski (60) joined the Company in April 2006 as Vice President, Human Resources. For more than 3 years prior to joining the Company, Ms. Gizinski was Director, Human Resources with Sara Lee Branded Apparel, now known as Hanesbrands, Inc. Ms. Gizinski has an Associate’s Degree from Bay Path Junior College and a BA in Human Resource Management from Fairfield University.

Vijay Reddy (43) serves as the Company’s Vice President, Information Systems. Before joining the Company in 2003 as Manager of Technical Operations, Mr. Reddy was Director of Infrastructure & Technology for Lifetime Television in New York. He also has held management positions in Information Systems with Martha Stewart Living Omnimedia, Conde Nast Publications, Viacom and Schlumberger. Mr. Reddy has a Bachelor's degree in Computer Science from St. John's University, and he is a certified IEEE Computer Systems Engineer.

Pamela Schumann (44) was appointed President of the Company’s Consumer Services Division in September 2007. Prior to that, she served as the Company’s Vice President, Consumer Services. She joined the Company in 2001 to help launch the Company's consumer services initiative. Ms. Schumann received her BA in Marketing from the University of Maryland's Robert H. Smith School of Business.

Timothy P. Sheehan (33) joined us in January 2010 as our Vice President, Finance. Prior to joining us, Mr. Sheehan was Chief Financial Officer and director with Scale Finance LLC, a financial services consulting organization in North Carolina, from August 2008 to December 2009. From September 2006 to August 2008, he held the position of Vice President, Corporate Development at Minrad International, and from May 2004 to September 2006 he was an Associate at KeyBanc Capital Markets, a Cleveland, Ohio based middle-market investment bank. Mr. Sheehan has a B.S. in Accounting and a B.S. in Finance from Virginia Polytechnic Institute and State University and an M.B.A. from Wake Forest University, in addition to being a certified public accountant

Scott Soifer (47) joined the Company in January 2005 as Vice President, Marketing and Development and was promoted to Executive Vice President, Operations and Administration in July 2008 and Executive Vice President, Chief Administrative Officer in March 2010For more than 12 years prior to joining the Company, Mr. Soifer was an Associate Partner at Accenture (formerly Andersen Consulting), specializing in healthcare strategy, focused primarily on the health insurance sector. Mr. Soifer has a Bachelor’s degree in Computer Science from the University of California at Santa Barbara and an MBA from the Kellogg School of Management at Northwestern University.

Joseph J. Travia, Jr. (57) was appointed President of the Company's Fertility Centers Division in September 2007 and served in that capacity through December 2009. Prior to that, and effective January 1, 2010, he served as Senior Vice President, Operations, Eastern Region. He joined the Company in 2000 as its Vice President and Executive Director of Reproductive Science Center in New England. Mr. Travia is a CPA and earned a B.S. in Management from Boston College and an M.B.A. from Babson College.

Claude E. White (61) joined the Company in March 1995 as General Counsel and Assistant Secretary. In January 1998, Mr. White became Corporate Secretary, in addition to General Counsel, and in May, 2002 became a Vice President. Mr. White received his B.A. degree in Political Science from Rutgers College and his J.D. degree from Rutgers School of Law.

COMPENSATION DISCUSSION AND ANALYSIS

Overview and Objectives

The goal of our compensation program is to attract, motivate and retain executives with the skills and experience necessary to help us achieve our strategic objectives and advance the long-term interests of our stockholders. The program is designed to support a performance oriented environment and to motivate and reward the achievement of annual and long-term corporate and divisional financial and operational objectives. In addition, the Board of Directors requires that our Chief Executive Officer own shares of the Company's common stock equivalent to 2 times annual base salary and our Executive Vice President and Chief Financial Officer own shares of the Company's stock equivalent to 1.5 times annual base compensation. The Board of Directors has determined that such a requirement serves to align senior executives' interests with the stockholders. Both our Chief Executive Officer, Mr. Higham, and our Chief Financial Officer, Mr Hlywak, have met and continue to meet this requirement.

A significant percentage of our executive compensation is weighted toward incentive cash bonus tied to the financial and operational performance of the Company and its Divisions. . When we achieve these targeted performance level, executive compensation can be substantially increased. When we do not achieve targeted performance levels, the compensation that can be realized by our executives will be substantially reduced. We believe this is an effective means of aligning our executives' financial interests with the interests of our stockholders.

Elements and Allocation of Compensation

There are three main compensation elements that support our compensation philosophy- base salary, annual cash bonuses and equity grants. The Compensation Committee, with the recommendation of our President and Chief Executive Officer has determined that executive compensation should be allocated primarily to base salary and the cash bonus. Base salary serves to attract and retain competent executives in what is an increasingly competitive marketplace. Cash bonuses under our Bonus Plans serve to help achieve the Company's annual strategic objectives by motivating our executives to achieve the financial and operational milestones that support those objectives. Equity grants serve the Company's long-term strategic plan by incenting our executives to achieve long-range goals since generally the equity grants vest over a period of time and will become more valuable to the executive as the price of our Common Stock increases.

In determining the overall compensation for Mr. Higham and Mr. Hlywak for 2009, in 2008 the Compensation Committee reviewed the CEO and CFO overall compensation of a health care services peer group of ten companies with market capitalization of less than $150,000,000 (the "Peer Group"). The Peer Group consisted of Allion Healthcare Inc., Capital Senior Living Corporation, HealthTronics, Inc., LCA -Vision Inc., Life Sciences Research, Inc., Metropolitan Health Networks, Inc., Novamed, Inc., Quadramed Corporation., TLC Vision Corporation., and NightHawk Radiology.

Base Salary

Base salaries for our named executive officers are reviewed annually based upon the executive's responsibilities and a comparison to competitive market levels for the executive's job function. Base salaries are also reviewed at the time of a promotion or a significant change in responsibility. Among the factors considered for salary increases are individual and corporate performance, individual level of responsibility, contributions to the Company's overall success, and current competitive market levels.

Cash Bonuses

A significant part of an executive's compensation is the cash bonus under our Executive Incentive Compensation Plans (the "Bonus Plans"). The Compensation Committee approves a separate Bonus Plan annually for our Corporate Personnel, the Consumer Services and Fertility Centers Divisions and the Vein Clinics Division.The performance goals contained in these plans are both financial and non-financial. The Compensation Committee assigns a maximum cash bonuses as a percentage of each Executive's salary ("Bonus Eligibility) which is 75% of base salary for our President and Chief Executive Officer, 50% of base salary for Division Presidents and Executive Vice Presidents, 40% of base salary for Senior Vice Presidents and 30% of salary for Vice Presidents.

The Bonus Plans consist of two parts: Payouts under Part I are based on the Company achieving certain financial results tied to the Company's budget at the Corporate and Division levels. Payouts under Part II are a combination of achieving common Company and Division business development and operational goals, plus individual performance goals. The maximum payout for each individual under Part I was 60% of the Bonus Eligibility and the maximum payout for each individual under Part II was 40% of Bonus Eligibility.

Part I- Bonus Plan.

For 2009, the following table set forth the performance target under Part 1 as approved by the Compensation Committee, the actual results relative to the performance target and the payout percentage to Corporate and Division personnel as a result of performance achieved:

	Performance Target	Actual Performance	Percent of Part I Bonus Earned
Consumer Services/Fertility Centers Contribution	$ 17,818,000	$ 16,790,000	10 %
Vein Clinics Contribution	$ 3,496,000	$ 4,100,000	40 %
Company Income Before Tax for Corporate Personnel	$ 7,703,000	$ 7,825,000	40 %

Percentage of Bonus Eligibility (60% maximum) earned under Part I for 2009 by the Named Executive Officers were as follows:

Jay Higham-	40%
John Hlywak-	40%

Daniel Doman-	40%
Pamela Schumann-	10%
Joseph Travia -	10%

Part II- Bonus Plan

Part II of the Bonus Plans set both business development and operational common milestones for Corporate and each Division, and individual milestones that related to business development and operational efficiencies. For 2009, 10% of each Executive's Bonus Eligibility was based on common milestones at either the Corporate or Division level and 30%, was based on individual milestones for a total of 40% of the Bonus Eligibility.

Percentage of Bonus Eligibility (40% maximum) earned under Part II by the Named Executive Officers were as follows:

Jay Higham-	40%
John Hlywak-	30%
Daniel Doman-	40%
Pamela Schumann-	5 %
Joseph Travia -	35%

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The total percentage of Bonus Eligibility earned for 2009 by the Named Executive Officers under Parts I and II and the percentage of their total compensation that the bonuses represented was as follows*:

	Total Percentage of Bonus Eligibility Earned	Bonus payout as a Percentage of total Compensation
Jay Higham	80 %	29 %
John Hlywak	70 %	23 %
Daniel Doman	80 %	27 %
Pamela Schumann	15 %	6 %
Joseph Travia	45 %	16 %

*See Summary Compensation Table on page 17 for Bonus amounts earned and total compensation earned.

Equity Awards

Equity Awards create a direct link between an executive's compensation and stockholder returns by linking a portion of total executive compensation to the performance of the Company's stock. Historically, our executive compensation structure emphasized cash components over long-term incentive components, due primarily to the low trading volume of our Common Stock. As we have grown and the Company has improved financial performance, it has become more feasible to increase the emphasis on long-term incentives by increasing the equity portion of our overall compensation. Stock incentives are typically granted annually to the executive officers; or in the case of new executives, at the time they join the Company. Moreover, stock incentives may be granted in connection with promotions, to retain executive talent or to create focus on specific performance objectives. The Compensation Committee considers the same factors described under "Base Salaries" above when awarding stock grants. Under the Company's 2007 Long-Term Compensation Plan, the Compensation Committee may grant stock options, restricted stock or restricted stock units. On January 1, 2009, the Compensation Committee granted restricted stock pursuant to the Company's 2007 Long-Term Compensation Plan of 13,607 shares to Mr. Higham, and 5,080 shares of the Company's Common Stock to each of the other Named Executive Officers. These restricted stock awards vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Additionally, on January 1, 2009, Messrs. Higham and Hlywak were awarded Restricted Stock Units pursuant to which they would be granted 13,607 and 5,080 shares, respectively, of restricted stock in the event for the fiscal year 2009, the Company achieved Earnings Before Income Taxes, Depreciation and Amortization greater than $17,140,768. Because this Earnings Before Income Taxes, Depreciation and Amortization threshold was achieved for 2009, Messrs. Higham and Hlywak were awarded Restricted Stock Grants in the amount of 13,607 and 5,080 shares, respectively, in March 2010. The shares vest over three years at a rate of 8.33% per 90-day period.

The Compensation Committee may, from time to time, retain the services of a compensation consultant to advise and assist it in the performance of its functions. During 2009, the Compensation Committee did not engage the services of

a compensation consultant.

Perquisites

We provide our President and Chief Executive Officer, Jay Higham, with a leased vehicle that is maintained at our expense. The total 2009 expenses related to the leased vehicle was $13,420.

401(k) Defined Contribution Plan

We maintain a 401(k) Plan that allows executives, as well as our other employees, to make elective salary deferrals in accordance with Internal Revenue Service regulations. In March 2010, we provided a discretionary match of 25% of an individual's maximum contribution of $16,500, up to 1.5% of an individual's compensation of $245,000 or less for the year ended December 31, 2009, for a maximum match of $3,675 per individual. For our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer and our other Named Executive Officers, we contributed the maximum match of $3,675 for the year ended December 31, 2009.

Retirement Benefits

No retirement benefits are provided to our executives.

Severance and Change of Control Arrangements

Jay Higham Employment Agreement

On October 10, 2005, we entered into an employment agreement with Jay Higham to serve as our President and Chief Executive Officer, effective January 1, 2006. Pursuant to the employment agreement, Mr. Higham was appointed as one of our directors on January 24, 2006. The employment agreement provides that Mr. Higham receive an annual base salary of $275,000, subject to increases. Under the employment agreement, Mr. Higham was granted shares of our common stock with a value of $400,000 based on the closing price of our Common Stock as reported on the NASDAQ Global Market on the first trading day of January 2006. The number of shares of our Common Stock granted to Mr. Higham was 32,000 and such shares of Common Stock vest over a 10-year period. Pursuant to the employment agreement, we may terminate Mr. Higham's employment without cause on 30 days' prior notice, in which event Mr. Higham will receive, as severance pay, 12 months' base salary, plus Mr. Higham's annual bonus, without regard to the condition precedents established for the bonus payment, in one lump sum payment. Under the employment agreement, if we had terminated Mr. Higham effective December 31, 2009, based on his 2009 compensation, he would have been paid an aggregate of $681,490, $389,423 of which represents his 2009 base salary and $292,067 of which represents twice the full amount of his accrued 2009 bonus.

The employment agreement further provides that if, within one year after our "Change of Control" (as defined in the employment agreement), Mr. Higham's employment is terminated by Mr. Higham for "Good Reason" (as defined in the employment agreement) or by us without cause, Mr. Higham will be paid a lump sum amount equal to his base salary for a 24-month period, plus twice the full amount of Mr. Higham's annual bonus based on his then current base salary, without regard to the condition precedents established for the bonus payment. Based on this change of control provision, if we had experienced a "Change of Control" in 2009 and Mr. Higham's employment had been terminated effective December 31, 2009, for either "Good Reason" by Mr. Higham or without cause by us, Mr. HiTD> 355 355

Vesting of Long-Term Incentive Plan

(791) (791)

Common unit-based compensation under Long-Term Incentive Plan

842 842

General Partners contribution

31 31

Distributions on common unit-based compensation

(283) (283)

Distribution to Partners

(26,180) (13,658) (39,838)

Balance at March 31, 2009

$636,240 $(294,604) $(19,544) $1,056 $323,148 **Alliance Resource Partners, L.P. Limited Partners Capital General Partners Accumulated Other Comprehensive Income (Loss) Noncontrolling Interest Total Partners Capital**

January 1, 2008

$607,777 $(290,669) $109 $507 $317,724

Net income

34,007 9,156 141 43,304

Vesting of Long-Term Incentive Plan

(1,181) (1,181)

Common unit-based compensation under Long-Term Incentive Plan

657 657

Common control acquisitions

(9,809) (9,809)

General Partners contribution

50 50

Distributions on common unit-based compensation

(203) (203)

Distribution to Partners

(21,382) (8,884) (30,266)

Balance at March 31, 2008

$619,675 $(300,156) $109 $648 $320,276

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12. SUBSEQUENT EVENTS

On April 27, 2009, we declared a quarterly distribution for the quarter ended March 31, 2009, of $0.73 per unit, totaling approximately $41.0 million (which includes our managing general partner s incentive distributions), on all common units outstanding, payable on May 15, 2009 to all unitholders of record as of May 8, 2009.

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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 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., also referred to as our managing general partner.

References to SGP mean Alliance Resource GP, LLC, the special general partner of Alliance Resource Partners, L.P., also referred to as our special general partner.

References to Intermediate Partnership mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P., also referred to as our intermediate partnership.

References to Alliance Coal mean Alliance Coal, LLC, the holding company for the operations of Alliance Resource Operating Partners, L.P., also referred to as our operating subsidiary.

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

References to AGP mean Alliance GP, LLC, the general partner of Alliance Holdings GP, L.P.

Summary

We are a diversified producer and marketer of coal primarily to major U.S. utilities and industrial users. We began mining operations in 1971 and, since then, have grown through acquisitions and internal development to become what we believe to be the fifth largest coal producer in the eastern U.S. We operate eight mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia. We are constructing two new mining complexes, one in Kentucky and one in West Virginia, and also operate a coal loading terminal on the Ohio River at Mt. Vernon, Indiana. As is customary in the coal industry, we have entered into long-term coal supply agreements with many of our 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, Gibson County Coal, LLC s Gibson North mining complex, Hopkins County Coal LLC s Elk Creek mining complex, White County Coal LLC s (White County Coal) Pattiki mine and Warrior Coal, LLC s (Warrior) mining complex, the Gibson County Coal (South), LLC (Gibson South) property, certain properties of Alliance Resource Properties, LLC (Alliance Resource Properties) and a mining complex currently under construction at River View Coal, LLC (River View). We are in the process of permitting the Gibson South property for future mine development.

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

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Northern Appalachian segment is comprised of Mettiki Coal, LLC mining complex, Mettiki Coal (WV) LLC s Mountain View mining complex, two small third-party mining operations, a mining complex currently under construction at Tunnel Ridge, LLC (Tunnel Ridge) and the Penn Ridge Coal, LLC (Penn Ridge) property. We are in the process of permitting the Penn Ridge property for future mine development.

Other and Corporate segment includes marketing and administrative expenses, the Mt. Vernon dock activities, coal brokerage activity, Mid-America Carbonates, LLC, (MAC) and Matrix Design Group, LLC (Matrix Design) and certain properties of Alliance Resource Properties.

Results of Operations

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

We reported Net Income of ARLP of $72.5 million for the three months ended March 31, 2009 (2009 Quarter) compared to $43.2 million for the three months ended March 31, 2008 (2008 Quarter). This increase of $29.3 million was principally due to improved contract pricing resulting in a record average coal sales price of $48.59 per ton sold. We had tons sold of 6.4 million compared to 7.0 million tons sold for the 2008 Quarter and tons produced were comparable for each of the 2009 and 2008 Quarters at 6.9 million. Increased operating expenses during the 2009 Quarter primarily reflect the increase in labor and labor-related expenses, as well as higher sales-related expenses, material and supply costs and maintenance costs and other factors described below.

	Three Months Ended March 31,			
	2009	2008	2009	2008
	(in thousands)		(per ton sold)	
Tons sold	6,427	6,994	N/A	N/A
Tons produced	6,871	6,865	N/A	N/A
Coal sales	$ 312,260	$ 269,158	$ 48.59	$ 38.48
Operating expenses and outside coal purchases	$ 201,136	$ 195,521	$ 31.30	$ 27.96

Coal sales. Coal sales for the 2009 Quarter increased 16.0% to $312.3 million from $269.2 million for the 2008 Quarter. The increase of $43.1 million in coal sales reflected the benefit of record average coal sales prices (contributing $65.0 million in additional coal sales) partially offset by lower sales volumes (reducing coal sales by $21.9 million). Record average coal sales prices increased $10.11 per ton sold to $48.59 per ton in the 2009 Quarter as compared to the 2008 Quarter, primarily as a result of improved contract pricing across all operations as well as increased price realizations on coal sales of purchased tons in the Central Appalachian and Northern Appalachian regions.

Operating expenses. Operating expenses increased 2.0% to $196.4 million for the 2009 Quarter from $192.6 million for the 2008 Quarter. The increase of $3.8 million resulted from an increase in operating expenses associated with the specific factors listed below partially offset by decreased operating expenses associated with a reduction of 637,000 produced tons sold:

Labor and benefit expenses per ton produced increased to $10.97 per ton in the 2009 Quarter from $9.38 per ton in the 2008 Quarter. This increase of $1.59 per ton represents pay rate increases and higher benefit expenses, particularly increased health care costs and retirement expenses, and the impact of increased headcount as we continue to hire and train new employees for the River View and Tunnel Ridge mine development projects;

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Material and supplies, and maintenance expenses per ton produced increased 1.4% and 17.8%, respectively, to $9.27 and $3.51 per ton, respectively, in the 2009 Quarter from $9.14 and $2.98 per ton, respectively, in the 2008 Quarter. The respective increases of $0.13 and $0.53 per ton produced resulted from increased costs for certain products and services used in the mining process, higher maintenance costs for various equipment categories and reduced product recovery, among other factors;

Expenses incurred during the 2009 Quarter relating to our River View and Tunnel Ridge organic growth projects increased $1.0 million over the 2008 Quarter; and

Production taxes and royalties expenses (which were incurred as a percentage of coal sales and coal volumes) increased $2.0 million in the 2009 Quarter as compared to the 2008 Quarter as a result of increased average coal sales prices, partially offset by reduced tons sold.

General and administrative. General and administrative expenses for the 2009 Quarter increased to $9.7 million compared to $8.8 million in the 2008 Quarter. The increase of $0.9 million was primarily due to higher salary and benefit costs related to increased staffing levels and higher 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 and Matrix Design, and other outside services and administrative services revenue from affiliates. Other sales and operating revenues increased to $6.1 million for the 2009 Quarter from $3.8 million for the 2008 Quarter. The increase of $2.3 million was primarily attributable to increased revenues from transloading revenues and Matrix Design product sales.

Outside coal purchases. Outside coal purchases increased to $4.8 million for the 2009 Quarter from $2.9 million in the 2008 Quarter. The increase of $1.9 million was primarily attributable to an increase in outside coal purchases in the Central Appalachian region to supply attractive opportunities in the spot market.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to $27.4 million for the 2009 Quarter from $23.3 million for the 2008 Quarter. The increase of $4.1 million was primarily attributable to additional depreciation expense associated with continuing capital expenditures related to infrastructure improvements, efficiency projects, reserve acquisitions and expansion of production capacity.

Interest expense. Interest expense, net of capitalized interest increased to $8.0 million for the 2009 Quarter from $3.0 million for the 2008 Quarter. The increase of $5.0 million was principally attributable to increased interest expense resulting from the 2008 financing activities, partially offset by reduced interest expense resulting from our August 2008 principal repayment of $18.0 million on our original senior notes issued in 1999. The 2008 financing activities are discussed in more detail below under Debt Obligations.

Interest income. Interest income increased to $0.6 million for the 2009 Quarter from $0.1 million for the 2008 Quarter. The increase of $0.5 million resulted from increased interest income earned on short-term investments purchased with funds received from the 2008 financing activities, which are discussed in more detail below under Debt Obligations.

Transportation revenues and expenses. Transportation revenues and expenses each increased to $10.9 million for the 2009 Quarter, which was comparable to $10.6 million for the 2008 Quarter. The cost of transportation services are passed through to our customers. Consequently, we do not realize any gain or loss on transportation revenues.

Income before income taxes. Income before income taxes increased 71.3% to $73.1 million for the 2009 Quarter compared to $42.6 million for the 2008 Quarter. The increase of $30.5 million reflects the impact of the changes in revenues and expenses described above.

Income tax expense (benefit). Income tax expense for the 2009 Quarter was $0.4 compared to an income tax benefit of $0.7 million for the 2008 Quarter. The income tax expense for the 2009 Quarter was primarily due to operating income of Matrix Design, which is owned by our subsidiary, Alliance Services, Inc. (ASI). The income tax benefit for the 2008 Quarter was primarily due to operating losses of Matrix Design.

Net income attributable to noncontrolling interest. The noncontrolling interest represents a 50% third-party interest in MAC. The third-party s portion of MAC s net income was $129,000 and $141,000 for the 2009 Quarter and the 2008 Quarter, respectively**.** For more information about MAC, please read Item 1. Financial Statements (Unaudited) Note 11. Noncontrolling Interest of this Quarterly Report on Form 10-Q.

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Segment Adjusted EBITDA. Our 2009 Quarter Segment Adjusted EBITDA increased $39.8 million, or 51.3%, to a record $117.5 million from the 2008 Quarter Segment Adjusted EBITDA of $77.7 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 March 31,			
	2009	**2008**	**Increase/(Decrease)**	
Segment Adjusted EBITDA				
Illinois Basin	$ 90,758	$ 57,450	$ 33,308	58.0%
Central Appalachia	16,818	11,122	5,696	51.2%
Northern Appalachia	6,712	8,998	(2,286)	(25.4)%
Other and Corporate	3,212	(26)	3,238	(1)
Elimination		120	(120)	(1)
Total Segment Adjusted EBITDA (2)	$ 117,500	$ 77,664	$ 39,836	51.3%
Tons sold				
Illinois Basin	4,963	5,365	(402)	(7.5)%
Central Appalachia	764	845	(81)	(9.6)%
Northern Appalachia	700	784	(84)	(10.7)%
Other and Corporate				
Elimination				
Total tons sold	6,427	6,994	(567)	(8.1)%
Coal sales				
Illinois Basin	$ 221,530	$ 183,903	$ 37,627	20.5%
Central Appalachia	53,787	49,110	4,677	9.5%
Northern Appalachia	36,493	36,145	348	1.0%
Other and Corporate	450		450	(1)
Elimination				
Total coal sales	$ 312,260	$ 269,158	$ 43,102	16.0%
Other sales and operating revenues				
Illinois Basin	$ 637	$ 573	$ 64	11.2%
Central Appalachia	128	161	(33)	(20.5)%
Northern Appalachia	774	1,046	(272)	(26.0)%
Other and Corporate	9,360	3,945	5,415	(1)
Elimination	(4,749)	(1,915)	(2,834)	(1)
Total other sales and operating revenues	$ 6,150	$ 3,810	$ 2,340	61.4%
Segment Adjusted EBITDA Expense				
Illinois Basin	$ 131,409	$ 127,026	$ 4,383	3.5%
Central Appalachia	37,096	38,149	(1,053)	(2.8)%
Northern Appalachia	30,555	28,193	2,362	8.4%
Other and Corporate	6,599	3,972	2,627	66.1%
Elimination	(4,749)	(2,036)	(2,713)	(1)
Total Segment Adjusted EBITDA Expense (3)	$ 200,910	$ 195,304	$ 5,606	2.9%

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

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(2) Segment Adjusted EBITDA is defined as net income before net interest expense, income taxes, depreciation, depletion and amortization, net income attributable to noncontrolling interest and general and administrative expenses. Consolidated EBITDA 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 our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support its indebtedness;
- our 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 and Net Income of ARLP (in thousands):

	Three Months Ended March 31,	
	2009	**2008**
Segment Adjusted EBITDA	$ 117,500	$ 77,664
General and administrative	(9,734)	(8,831)
Depreciation, depletion and amortization	(27,350)	(23,294)
Interest expense, net	(7,350)	(2,890)
Income tax (expense) benefit	(426)	655
Net income	$ 72,640	$ 43,304
Net income attributable to noncontrolling interest	(129)	(141)
Net Income of ARLP	$ 72,511	$ 43,163

(3) Segment Adjusted EBITDA Expense includes operating expenses, outside coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to our customers, and consequently we do not realize any gain or loss on transportation revenues. Segment Adjusted EBITDA Expense is used as a supplemental financial measure by our management to assess the operating performance of our 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.

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The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to Operating expense (in thousands):

	Three Months Ended March 31,	
	2009	2008
Segment Adjusted EBITDA Expense	$ 200,910	$ 195,304
Outside coal purchases	(4,760)	(2,903)
Other income	226	217
Operating expense (excluding depreciation, depletion and amortization)	$ 196,376	$ 192,618

Illinois Basin Segment Adjusted EBITDA, as defined in reference (2) to the table above, increased 58.0% to $90.8 million as compared to $57.5 million in the 2008 Quarter. The $33.3 million increase was primarily attributable to improved contract pricing reflecting a higher average coal sales price of $44.64 per ton during the 2009 Quarter compared to $34.28 per ton for the 2008 Quarter. The benefit of the higher average coal sales price was partially offset by reduced tons sold due to weather disruptions in western Kentucky, particularly at the Dotiki, Warrior and Elk Creek mines, as well as unplanned customer outages during the 2009 Quarter. Total Segment Adjusted EBITDA Expense, defined in reference (3) to the above table, for the 2009 Quarter increased 3.5% to $131.4 million from $127.0 million in the 2008 Quarter, primarily as a result of cost increases described above under consolidated operating expenses and the impact of weather disruptions which were partially offset by lower costs due to reduced tons sold during the 2009 Quarter. On a per ton sold basis, Segment Adjusted Expense for the 2009 Quarter increased $2.80 to $26.48 per ton as compared to the 2008 Quarter Segment Adjusted EDITDA of $23.68 per ton.

Central Appalachia Segment Adjusted EBITDA, as defined in reference (2) to the table above, increased 51.2% to $16.8 million for the 2009 Quarter compared to $11.1 million in the 2008 Quarter. The increase of $5.7 million was primarily the result of improved contract pricing, resulting in an increase in the average coal sales price of $12.33 per ton to $70.41 per ton in the 2009 Quarter, as compared to $58.08 per ton in the 2008 Quarter. Segment Adjusted EBITDA Expense per ton sold during the 2009 Quarter of $48.56 was an increase of $3.44 per ton as compared to $45.12 per ton sold in the 2008 Quarter, reflecting higher costs per ton resulting from lower production and cost increases described above under consolidated operating expenses, as well as offsetting favorable impacts from certain decreases in compliance related costs, workers compensation costs and reduced outside coal purchase cost per ton during the 2009 Quarter as compared to the 2008 Quarter (for a definition of Segment Adjusted EBITDA Expense, see reference (3) to the above table).

Northern Appalachia Segment Adjusted EBITDA, as defined in reference (2) to the table above, decreased 25.4% to $6.7 million for the 2009 Quarter as compared to $9.0 million in the 2008 Quarter. The decrease was the result of lower tons sold and higher Segment Adjusted EBITDA Expense per ton sold during the 2009 Quarter of $43.65 per ton, an increase of $7.67 per ton as compared to $35.98 per ton in the 2008 Quarter (for a definition of Segment Adjusted EBITDA Expense, see reference (3) to the above table). The increase in Segment Adjusted EBITDA Expense per ton sold reflects the impact of less favorable mining conditions and reduced recovery during the 2009 Quarter, higher contract mining and purchased coal costs and increased maintenance costs on longwall equipment, as well as the other cost increases described above under consolidated operating expenses. Coal sales benefited from a higher average coal sales price of $52.13 per ton for the 2009 Quarter as compared to $46.12 per ton for the 2008 Quarter partially offset by a 10.7% decrease in tons sold reflecting lower contract shipments.

Other and Corporate Segment Adjusted EBITDA, as defined in reference (2) to the above table, increased to $3.2 million in the 2009 Quarter from a loss of $26,000 in the 2008 Quarter, primarily due to increased Matrix Design product sales and service revenues and Mt. Vernon transloading revenues. The increase in Segment Adjusted EBITDA Expense, as defined in reference (3) to the above table, primarily reflects increased expenses associated with higher outside services revenue and product sales.

Liquidity and Capital Resources

Liquidity

We have historically satisfied our working capital requirements and funded our 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. We believe that the current cash on hand along with cash generated from operations and our borrowing capacity will be sufficient to meet our working capital requirements, anticipated capital expenditures (other than major capital improvements or acquisitions), scheduled debt payments and distribution payments. Our ability to satisfy our obligations and planned expenditures will depend upon our future operating performance and access to financing sources, which will be affected by prevailing economic conditions generally and in the coal industry specifically, some of which are beyond our control. Based on our recent operating results, current cash position, anticipated future cash flows and sources of financing that we expect to have available, we do not anticipate any significant liquidity constraints in the foreseeable future. However, to the extent operating cash flow is materially lower than expected, including the impact of increases in interest rates, 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, 2008.

Cash Flows

Cash provided by operating activities was $75.3 million for the 2009 Quarter compared to $66.4 million for the 2008 Quarter. The increase in cash provided by operating activities was principally attributable to an increase in net income partially offset by unfavorable changes in cash flow for certain operating assets such as trade receivables and inventory.

Net cash used in investing activities was $67.3 million for the 2009 Quarter compared to $43.1 million for the 2008 Quarter. The increase in cash used for investing activities was primarily attributable to an increase in capital expenditures related to the continuing mine development at the River View and Tunnel Ridge growth projects, partially offset by an absence of acquisitions of coal reserves and other assets in the 2009 Quarter as compared to $13.3 million in such acquisitions in the 2008 Quarter. Additionally, timing differences related to payment of accounts payable and accrued liabilities for the 2009 Quarter capital expenditures partially offset the increases in capital expenditures in the 2009 Quarter.

Net cash used in financing activities was $41.0 million for the 2009 Quarter compared to $8.5 million for the 2008 Quarter. The increase in cash used in financing activities was primarily attributable to increased distributions paid to partners in the 2009 Quarter and the benefit in the 2008 Quarter of net borrowings of $22.0 million under our revolving credit facility.

Capital Expenditures

Capital expenditures increased to $85.6 million in the 2009 Quarter from $34.0 million in the 2008 Quarter. See Cash Flows above concerning this increase in capital expenditures. Our anticipated total capital expenditures for the year ending December 31, 2009 are estimated in a range of $375 to $425 million. Management anticipates funding remaining 2009 capital

requirements with our cash and cash equivalents ($212.0 million as of March 31, 2009), cash flows provided by operations and borrowing available under our revolving credit facility as discussed below. The terms of our credit facility require us to seek a waiver from our lenders if our Intermediate Partnership incurs capital expenditures, excluding acquisitions, in excess of $328.9 million in 2009. We have not yet sought to obtain a waiver or to amend our credit facility. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common units and several other factors over which we have limited control, as well as our financial condition and results of operations.

Debt Obligations

ARLP Credit Facility. On September 25, 2007 our Intermediate Partnership entered into a $150.0 million revolving credit facility (ARLP Credit Facility), which matures in 2012. Borrowings under the ARLP Credit Facility bear interest based on a floating base rate plus an applicable margin. The applicable margin is based on a leverage ratio of our Intermediate Partnership, as computed from time to time. For London Interbank Offered Rate (LIBOR) borrowings, the applicable margin under the ARLP Credit Facility ranges from 0.625% to 1.150% over LIBOR. Outstanding letters of credit reduce amounts available under the ARLP Credit Facility. At March 31, 2009, we had $13.9 million of letters of credit outstanding with $136.1 million available for borrowing under the ARLP Credit Facility. We had no borrowings outstanding under the ARLP Credit Facility as of March 31, 2009. We incur an annual commitment fee of 0.175% 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 our $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. Although we have not made any borrowing requests since the bankruptcy filing by Lehman, we do not know if Lehman could, or would, fund its share of the commitment if requested. In the event Lehman, or any other financial institution in our syndicate, does not fund our future borrowing requests, our borrowing availability under the ARLP Credit Facility could be reduced. The obligations of the lenders under our credit facility are individual obligations and the failure of one or more lenders does not relieve the remaining lenders of their funding obligations.

Senior Notes. Our Intermediate Partnership has $108.0 million principal amount of 8.31% senior notes due August 20, 2014, payable in six remaining equal annual installments of $18.0 million with interest payable semi-annually (Senior Notes).

Series A Senior Notes. On June 26, 2008, our Intermediate Partnership entered into a Note Purchase Agreement (the 2008 Note Purchase Agreement) with a group of institutional investors in a private placement offering. We 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, we 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 proceeds from the Series A and Series B Senior Notes (collectively, the 2008 Senior Notes) were used to repay $21.5 million outstanding under the ARLP Credit Facility and pay expenses associated with the offering. The remaining proceeds were placed in short-term investments pending their use to fund the development of the River View and Tunnel Ridge mining complexes

and for other general working capital requirements. We incurred debt issuance costs of approximately $1.7 million associated with the 2008 Senior Notes, 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, Senior Notes and 2008 Senior Notes (collectively, ARLP Debt Arrangements) are guaranteed by all of the direct and indirect subsidiaries of our Intermediate Partnership. The ARLP Debt Arrangements contain various covenants affecting our Intermediate Partnership and its subsidiaries restricting, among other things, the amount of distributions by our 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 our Intermediate Partnership to maintain (i) a minimum debt to cash flow ratio of not more than 3.0 to 1.0, (ii) a ratio of cash flow to interest expense during the four most recently ended fiscal quarters of not less than 4.0 to 1.0 and (iii) maximum annual capital expenditures, excluding acquisitions, of $328.9 million for the year ending December 31, 2009. The debt to cash flow ratio, cash flow to interest expense ratio and actual capital expenditures were 1.5 to 1.0, 10.9 to 1.0 and $85.6 million, respectively, for the three months ended March 31, 2009. Regarding the 2009 maximum annual capital expenditures requirement, see Capital Expenditures above. We were in compliance with the covenants of the ARLP Debt Arrangements as of March 31, 2009.

Other. In addition to the letters of credit available under the ARLP Credit Facility discussed above, we also have agreements with two banks to provide additional letters of credit in an aggregate amount of $31.0 million to maintain surety bonds to secure certain asset retirement obligations and our obligations for workers compensation benefits. At March 31, 2009, we had $29.0 million in letters of credit outstanding under agreements with these two banks. Our special general partner guarantees $5.0 million of these outstanding letters of credit.

Related-Party Transactions

We have continuing related-party transactions with our managing general partner, AHGP and our special general partner and its affiliates. These related-party transactions relate principally to the provision of administrative services to AHGP and Alliance Resource Holdings II, Inc. and their respective affiliates, a time sharing agreement concerning use of aircraft and mineral and equipment leases with our special general partner and its affiliates, and guarantees from our special general partner for letters of credit.

Please read our Annual Report on Form 10-K for the year ended December 31, 2008, 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 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141R, *Business Combinations*. SFAS No. 141R applies to all business combinations and establishes guidance for recognizing and measuring identifiable assets acquired, liabilities assumed, noncontrolling interests in the acquiree and goodwill. Most of these items are recognized at their full fair value on the acquisition date, including acquisitions where the acquirer obtains control but less than 100% ownership in the acquiree. SFAS No. 141R also requires expensing restructuring and acquisition-related costs as incurred and establishes disclosure

requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for business combinations with an acquisition date in fiscal years beginning after December 15, 2008. Because we did not complete any business acquisitions during the 2009 Quarter, the adoption of SFAS No. 141R on January 1, 2009 did not have an effect on the accompanying condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which establishes accounting and reporting standards for noncontrolling ownership interests in subsidiaries. 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. Consolidated net income now includes earnings attributable to both the parent and the noncontrolling interests. Earnings per unit is based on earnings attributable to only the parent company and did not change upon adoption of SFAS No. 160. SFAS No.160 provides guidance on accounting for changes in the parent s ownership interest in a subsidiary, including transactions where control is retained and where control is relinquished. SFAS No. 160 also requires additional disclosure of information related to amounts attributable to the parent for income from continuing operations, discontinued operations and extraordinary items and reconciliations of the parent and noncontrolling interests equity of a subsidiary. SFAS No. 160 is applied prospectively to transactions involving noncontrolling interests, including noncontrolling interests that arose prior to the effective date, as of the beginning of 2009, the year of adoption. However, the presentation of noncontrolling interests within partners capital and the inclusion of earnings attributable to the noncontrolling interests in consolidated net income requires retrospective application to all periods presented. For more information, please read Item 1. Financial Statements (Unaudited) Note 11. Noncontrolling Interest of this Quarterly Report on Form 10-Q.

In March 2008, the FASB issued Emerging Issues Task Force (EITF) No. 07-4, *Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships*, which considers whether the IDR of a master limited partnership represents a participating security when considered in the calculation of earnings per unit under the two-class method. The EITF considers whether the partnership agreement contains any contractual limitations concerning distributions to IDR holders that would impact the amount of earnings to allocate to the IDR holders for each reporting period. If distributions are contractually limited to the IDR holders share of currently designated available cash for distributions as defined under the partnership agreement, undistributed earnings in excess of available cash should not be allocated to the IDR holders. We believe our partnership agreement contractually limits our distributions to available cash and therefore, undistributed earnings are no longer allocated to the IDR holder as provided under EITF No. 07-4. Accordingly, the adoption of EITF No. 07-4 impacts our presentation of earnings per unit in periods when Net Income of ARLP exceeds the aggregate distributions because undistributed earnings are no longer allocated to the IDR holder as previously prescribed under the provisions of EITF No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share.* For more information, please read Item 1. Financial Statements (Unaudited) Note 6. Net Income of ARLP per Limited Partner Unit of this Quarterly Report on Form 10-Q.

Also on January 1, 2009; we adopted the provisions of the FASB issued Staff Position (FSP) No. EITF No. 03-6-1 *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. This FSP affects entities that accrue cash dividends on share-based payment awards during the awards service period when the dividends are not required to be returned if the employees forfeit the award. The FSP requires that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and are considered participating securities. Because the awards are considered participating securities, the issuing entity is required to apply the two-class method of computing basic and diluted earnings per share. Based on the requirements of FSP No. EITF No. 03-6-1, we now include outstanding unvested awards under our Long-Term Incentive Plan in our calculation of basic weighted average limited partner units outstanding. For more information, please read Item 1. Financial Statements (Unaudited) Note 6. Net Income of ARLP per Limited Partner Unit of this Quarterly Report on Form 10-Q.

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New Accounting Standards Issued and Not Yet Adopted

In December 2008, the FASB issued FSP SFAS No. 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*. FSP SFAS No. 132(R)-1 amends SFAS No. 132(R), *Employer s Disclosures about Pensions and Other Postretirement Benefits,* to require more detailed annual disclosures about employers plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. The provisions of FSP SFAS No. 132(R)-1 are effective for fiscal years ending after December 15, 2009. We are currently evaluating the requirements of FSP SFAS No. 132(R)-1. However, we do not anticipate that the adoption of FSP SFAS No. 132(R)-1 will have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* FSP SFAS No. 107-1 and APB No. 28-1 amend SFAS No. 107, *Disclosures about Fair Values of Financial Instruments,* to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. FSP SFAS No. 107-1 and APB No. 28-1 also amend APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in all interim financial statements. FSP SFAS No. 107-1 and APB No. 28-1 are effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. We are currently evaluating the requirements of FSP SFAS No. 107-1 and APB No. 28-1. However, we do not anticipate that the adoption of FSP SFAS No. 107-1 and APB No. 28-1 will have a material impact on our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have 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 to principally reflect changes in specified price indices or items such as taxes, royalties or actual production costs.

Almost all of our transactions are denominated in U.S. dollars and, as a result, we do not have material exposure to currency exchange-rate risks. We do not have any interest rate or commodity price-hedging transactions outstanding.

Borrowings under the ARLP Credit Facility 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. We had no borrowings outstanding under the ARLP Credit Facility as of March 31, 2009.

As of March 31, 2009, the estimated fair value of the Senior Notes and the 2008 Senior Notes was approximately $412.7 million. The fair values of long-term debt are estimated using discounted cash flow analyses, based upon our current incremental borrowing rates for similar types of borrowing arrangements as of March 31, 2009. 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, 2008.

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 March 31, 2009. 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 ARLP 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 March 31, 2009, 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 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 our ability to respond to the competition;
- sustained decreases in coal prices, which could adversely affect our operating results and cash flows;
- decreases in spot market prices for coal;
- risks associated with the expansion of our operations and properties;
- 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;
- the impact and duration of the current worldwide economic downturn;
- liquidity constraints, including those resulting from the cost or unavailability of financing due to current credit market conditions;
- customer bankruptcies or cancellations or breaches to existing contracts;
- customer delays or defaults in making payments;
- fluctuations in coal demand, prices and availability due to labor and transportation costs and disruptions, equipment availability, governmental regulations, including those related to carbon emissions, and other factors;
- legislation, regulatory and court decisions and interpretations thereof, including to issues related to climate change and miner health and safety;

our productivity levels and margins that we earn on our coal sales;

greater than expected increases in raw material costs;

greater than expected shortage of skilled labor;

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 our surety bonds for mine reclamation as well as workers compensation and black lung benefits;

coal market s share of electricity generation;

prices of fuel that compete with or impact coal usage, such as oil or natural gas;

replacement of coal reserves;

a loss or reduction of direct or indirect benefits from certain state and federal tax credits;

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difficulty obtaining commercial property insurance, and risks associated with our participation (excluding any applicable deductible) in the commercial insurance property program; and

other factors, including those discussed in Part II. Item 1A. Risk Factors and Item 1. Legal Proceedings.

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 risk factors described in Risk Factors below. The risk factors 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 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.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 3. Contingencies to the Unaudited Condensed Consolidated Financial Statements included in 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, 2008.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008 which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q are not our only risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial based on current knowledge and factual circumstances, if such knowledge or facts change, also may materially adversely affect our business, financial condition and/or operating results in the future.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1*	Amendment No. 2 to Letter of Credit Facility Agreement between Alliance Resource Partners, L.P. and Bank of the Lakes, National Association, dated April 13, 2009.
31.1*	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 8, 2009, 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 Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 8, 2009, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32.1**	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 8, 2009, 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 Resource Management GP, LLC, the managing general partner of Alliance Resource Partners, L.P., dated May 8, 2009, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith.
** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Tulsa, Oklahoma, on May 8, 2009.

ALLIANCE RESOURCE PARTNERS, L.P.

By: Alliance Resource Management GP, LLC
its managing 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