

ALLIANCE RESOURCE PARTNERS LP

Form 10-Q/A

August 16, 2005

Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-Q/A**

---

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

For the quarterly period ended March 31, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 0-26823

---

**ALLIANCE RESOURCE PARTNERS, L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**73-1564280**  
(IRS Employer  
Identification No.)

**1717 South Boulder Avenue, Suite 600, Tulsa, Oklahoma 74119**

(Address of principal executive offices and zip code)

**(918) 295-7600**

(Registrant's telephone number, including area code)

---

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 9, 2005, 18,130,440 Common Units are outstanding.

---

**Table of Contents**

**TABLE OF CONTENTS**

**PART I**

**FINANCIAL INFORMATION**

	<b><u>Page</u></b>
ITEM 1. <b><u>FINANCIAL STATEMENTS (UNAUDITED)</u></b>	
ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES	
<u>Condensed Consolidated Balance Sheets as of March 31, 2005 and December 31, 2004</u>	2
<u>Condensed Consolidated Statements of Income for the three months ended March 31, 2005 and 2004</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2005 and 2004</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
ITEM 4. <b><u>CONTROLS AND PROCEDURES</u></b>	17
<b><u>FORWARD-LOOKING STATEMENTS</u></b>	18

**PART II**

**OTHER INFORMATION**

ITEM 6. <b><u>EXHIBITS</u></b>	20
--------------------------------	----

**Table of Contents**

**Explanatory Note**

This Amendment No. 1 on Form 10-Q/A is being filed to reflect the restatements of net income per limited partner unit and the pro forma disclosure related to common unit-based compensation.

Basic and diluted net income per limited partner unit and the pro forma disclosure related to common unit-based compensation have been restated for the three months ended March 31, 2005 and 2004 as discussed in Note 10 to the condensed consolidated financial statements included in Part I Item 1. We previously computed net income per limited partner unit without applying certain provisions of Emerging Issues Task Force Issue No. 03-6 ( EITF 03-6 ), Participating Securities and the Two-Class Method under FASB Statement No. 128 .

We previously disclosed pro forma information under Statement of Financial Accounting Standards ( SFAS ) No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, assuming compensation expense for the non-vested restricted units granted would be different under our accounting method (the intrinsic method of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees.* ) and the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS 123 ). Our previous disclosure has been restated since compensation expense for the non-vested restricted units granted is the same under the intrinsic method and the provisions of SFAS 123. For additional information regarding the restatements, see Notes 5, 6 and 10 to Financial Statements (Unaudited) included in Part I Item 1.

Except for the foregoing amended information, the Form 10-Q/A continues to describe conditions as of the date of the original Form 10-Q and the Partnership has not updated the disclosure contained herein to reflect events that occurred subsequently. Accordingly, the Form 10-Q/A should be read in conjunction with Partnership filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q, including any amendments of those filings.

The restatements have no impact on previously reported income before income taxes, net income, limited partners' interest in net income, the condensed consolidated balance sheets, or the condensed consolidated statements of cash flows.

The Partnership is also filing contemporaneously with this Form 10-Q/A, its annual report on Form 10-K/A for the year ended December 31, 2004.

**Table of Contents**

## PART 1

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	March 31, 2005	December 31, 2004
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 28,157	\$ 31,177
Trade receivables, net	75,577	56,967
Other receivables	11,659	1,637
Marketable securities	49,312	49,397
Inventories	18,645	13,839
Advance royalties	3,117	3,117
Prepaid expenses and other assets	3,180	4,345
	<u>          </u>	<u>          </u>
Total current assets	189,647	160,479
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Property, plant and equipment at cost	538,275	526,468
Less accumulated depreciation, depletion and amortization	(300,622)	(292,900)
	<u>          </u>	<u>          </u>
Total property, plant and equipment	237,653	233,568
<b>OTHER ASSETS:</b>		
Advance royalties	14,040	11,737
Coal supply agreements, net	2,042	2,723
Other long-term assets	4,017	4,277
	<u>          </u>	<u>          </u>
Total other assets	20,099	18,737
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 447,399</b>	<b>\$ 412,784</b>
	<u>          </u>	<u>          </u>

**LIABILITIES AND PARTNERS CAPITAL****CURRENT LIABILITIES:**

Accounts payable	\$ 40,790	\$ 30,961
Due to affiliates	9,386	10,338
Accrued taxes other than income taxes	12,605	10,742
Accrued payroll and related expenses	14,353	11,730
Accrued interest	1,662	5,402
Workers compensation and pneumoconiosis benefits	7,085	7,081
Other current liabilities	9,949	12,051
Current maturities, long-term debt	18,000	18,000
	<u>          </u>	<u>          </u>
Total current liabilities	113,830	106,305

**LONG-TERM LIABILITIES:**

Long-term debt, excluding current maturities	162,000	162,000
Accrued pneumoconiosis benefits	20,657	19,833
Workers compensation	27,121	25,994
Reclamation and mine closing	33,680	32,838
Due to affiliates	7,505	7,457
Other liabilities	3,228	3,170
	<u>          </u>	<u>          </u>
Total long-term liabilities	254,191	251,292
	<u>          </u>	<u>          </u>
Total liabilities	368,021	357,597
	<u>          </u>	<u>          </u>

**COMMITMENTS AND CONTINGENCIES****PARTNERS CAPITAL:**

Limited Partners - Common Unitholders 18,130,440 units outstanding	387,454	363,658
General Partners deficit	(302,809)	(303,295)
Unrealized loss on marketable securities	(145)	(54)
Minimum pension liability	(5,122)	(5,122)
	<u>          </u>	<u>          </u>
Total Partners capital	79,378	55,187
	<u>          </u>	<u>          </u>

<b>TOTAL LIABILITIES AND PARTNERS CAPITAL</b>	<b>\$ 447,399</b>	<b>\$ 412,784</b>
	<u>          </u>	<u>          </u>

See notes to condensed consolidated financial statements.

Table of Contents

## ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except unit and per unit data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2005	2004
<b>SALES AND OPERATING REVENUES:</b>		
Coal sales	\$ 178,846	\$ 144,539
Transportation revenues	9,623	6,838
Other sales and operating revenues	7,158	6,447
<b>Total revenues</b>	<b>195,627</b>	<b>157,824</b>
<b>EXPENSES:</b>		
Operating expenses	119,393	104,328
Transportation expenses	9,623	6,838
Outside purchases	4,117	1,065
General and administrative	5,708	10,329
Depreciation, depletion and amortization	13,628	12,771
Interest expense (net of interest income and interest capitalized for the three months ended March 31, 2005 and 2004 of \$472 and \$110, respectively)	3,474	3,843
<b>Total operating expenses</b>	<b>155,943</b>	<b>139,174</b>
<b>INCOME FROM OPERATIONS</b>	<b>39,684</b>	<b>18,650</b>
<b>OTHER INCOME</b>	<b>105</b>	<b>314</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>39,789</b>	<b>18,964</b>
<b>INCOME TAX EXPENSE</b>	<b>710</b>	<b>739</b>
<b>NET INCOME</b>	<b>\$ 39,079</b>	<b>\$ 18,225</b>
<b>GENERAL PARTNERS INTEREST IN NET INCOME</b>	<b>\$ 1,685</b>	<b>\$ 365</b>
<b>LIMITED PARTNERS INTEREST IN NET INCOME</b>	<b>\$ 37,394</b>	<b>\$ 17,860</b>
<b>BASIC NET INCOME PER LIMITED PARTNER UNIT (1)</b>	<b>\$ 1.42</b>	<b>\$ 0.87</b>
<b>DILUTED NET INCOME PER LIMITED PARTNER UNIT (1)</b>	<b>\$ 1.39</b>	<b>\$ 0.84</b>

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

<b>DISTRIBUTIONS PAID PER COMMON AND SUBORDINATED UNIT</b>	\$ 0.75	\$ 0.5625
<b>WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING-BASIC</b>	18,130,440	17,903,793
<b>WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING-DILUTED</b>	18,496,414	18,439,099

(1) As restated, see Note 10.

See notes to condensed consolidated financial statements.



Table of Contents

## ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2005	2004
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	\$ 28,504	\$ 34,533
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(16,914)	(13,427)
Proceeds from sale of property, plant and equipment	193	254
Purchase of marketable securities	(9,727)	
Proceeds from marketable securities	9,721	3,615
Net cash used in investing activities	(16,727)	(9,558)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Distributions to Partners	(14,797)	(10,312)
Net cash used in financing activities	(14,797)	(10,312)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,020)	14,663
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	31,177	10,156
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 28,157	\$ 24,819
<b>CASH PAID FOR:</b>		
Interest	\$ 7,546	\$ 7,546
Income taxes to taxing authorities	\$ 250	\$

See notes to condensed consolidated financial statements.

**Table of Contents**

**ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. ORGANIZATION AND PRESENTATION**

Alliance Resource Partners, L.P., a Delaware limited partnership (the Partnership), was formed in May 1999, to acquire, own and operate certain coal production and marketing assets of Alliance Resource Holdings, Inc., a Delaware corporation (ARH) (formerly known as Alliance Coal Corporation), consisting of substantially all of ARH's operating subsidiaries, but excluding ARH.

The accompanying condensed consolidated financial statements include the accounts and operations of the Partnership and present the financial position as of March 31, 2005 and December 31, 2004, and the results of its operations and cash flows for the three months ended March 31, 2005 and 2004. All material intercompany transactions and accounts of the Partnership have been eliminated.

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

These condensed consolidated financial statements and notes are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and should be read in conjunction with the consolidated financial statements and notes included in the Partnership's Annual Report on Form 10-K/A for the year ended December 31, 2004.

**2. CONTINGENCIES**

The Partnership is involved in various lawsuits, claims and regulatory proceedings incidental to its business. The Partnership provides for costs related to litigation and regulatory proceedings, including civil fines issued as part of the outcome of these proceedings, when a loss is probable and the amount is reasonably determinable. Although the ultimate outcome of these matters cannot be predicted with certainty, in the opinion of management, the outcome of these matters, to the extent not previously provided for or covered under insurance, are not expected to have a material adverse effect on the Partnership's business, financial position or results of operations. Nonetheless, these matters or estimates that are based on current facts and circumstances, if resolved in a manner different from the basis on which management has formed its opinion, could have a material adverse effect on the Partnership's financial position or results of operations.

Mettiki Coal (WV), LLC has proposed a long-wall underground mine (the E-Mine) to be located primarily in Tucker County, West Virginia, which will eventually replace coal production at the Partnership's Mettiki Coal, LLC's existing long-wall mine (the D-Mine), located in Garrett County, Maryland. The proposed mine, which will be either a long-wall or continuous mining operation, is approximately 10 miles from Mettiki

## Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

Coal. In order to proceed with the development of the E-Mine, Mettiki Coal (WV) filed two separate permit applications with the West Virginia Department of Environmental Protection ( WVDEP ) concerning on-site disposal of scalp rock and underground mining, each requiring an associated water discharge permit. The Partnership was notified on April 16, May 13, May 26, and June 7, 2004, that WVDEP had issued the permits for on-site disposal of scalp rock, underground mining, water discharge related to the operation of the scalp rock disposal facility, and water discharge related to the operation of the underground mine, respectively.

## Table of Contents

The appeal periods for the scalp rock permit and the two water discharge permits related to the operation of the scalp rock disposal facility and underground mine lapsed without any appeal being filed. Two appeals of the underground mining permit were filed on June 11 and 16, 2004, respectively. The West Virginia Surface Mine Board (SMB) consolidated the two appeals and held administrative hearings on October 19 and 20, 2004, December 7 and 8, 2004 and January 11 and February 7, 2005.

On March 8, 2005, the SMB issued a final order (the Final Order) concluding consideration of the consolidated appeals without a decision. The Final Order held that the SMB was unable to take any action relating to the issuance of the underground permit by WVDEP because its vote did not obtain the concurrence of at least four SMB members as required by West Virginia law. Consequently, the ultimate decision by the WVDEP to issue the underground permit was affirmed by operation of West Virginia law. In the Final Order, however, the SMB voted unanimously to require Mettiki Coal (WV) to increase the amount of a surety bond that serves as security for a portion of the reclamation plan approved by WVDEP as part of the underground permit.

Also, on March 8, 2005, Mettiki Coal (WV) filed an appeal of the Final Order with the Circuit Court of Tucker County, West Virginia (the Tucker County Court), on the ground that the SMB was wrong in ordering Mettiki Coal (WV) to increase the surety bond for part of the reclamation plan approved by WVDEP when the SMB, as a result of not obtaining the concurrence of at least four members, failed to affirm the decision by WVDEP to issue a final order approving the underground permit issued by WVDEP on May 13, 2004.

On March 10, 2005 the West Virginia Rivers Coalition, the West Virginia Highlands Conservancy, and Trout Unlimited West Virginia Council (collectively, the Appellants) filed an appeal of the Final Order with the Circuit Court of Kanawha County, West Virginia (the Kanawha County Court). The appeal requested that the Kanawha County Court (a) grant a stay of the WVDEP's approval of the E-Mine permit pending a decision by the Kanawha County Court, (b) set a briefing schedule and oral argument of the appeal and (c) reverse and vacate the WVDEP's approval of the underground permit.

On March 21, 2005, the Tucker County Court ordered the appeal pending before the Kanawha County Court be transferred to the Tucker County Court, the two appeals be consolidated for all subsequent proceedings and directed the SMB to file a certified record of the proceedings before the SMB with the Tucker County Court clerk. This certified record was transmitted to the Tucker County Court on April 8, 2005.

Notwithstanding the consolidated appeals pending before the Tucker County Court, on April 19, 2005, counsel for the Appellants submitted a letter to the U.S Department of Interior's Office of Surface Mining, Reclamation and Enforcement (OSM) requesting the Director of OSM evaluate, consistent with its statutory oversight responsibilities, the State of West Virginia's program in regard to the issuance of underground permits that will create acid mine drainage with no defined end point, particularly for the E-Mine. As part of their request, the Appellants asked the Director of OSM to initiate a federal monitoring and inspection review of the E-Mine. Under applicable federal regulations, a person may request the Director of OSM to evaluate the administration and enforcement of an approved state program. In those unusual instances when an interested party requests a program review, the Director of OSM evaluates those aspects of the implementation, administration, maintenance or enforcement of the state program identified by the complainant.

OSM issued a ten-day notice, dated April 21, 2005, to WVDEP advising a citizen's complaint had been received alleging, among other matters, the underground permit for the E-Mine will cause material harm on and off-site of the permit area to the hydrological balance. WVDEP has requested an extension of time in which to respond and its response is due on or before June 8, 2005. We expect OSM will complete

## Table of Contents

an evaluation of the citizen's complaint and WVDEP's response to the ten-day notice, and issue a determination on WVDEP's approved state program on or before the end of June 2005. Management believes the WVDEP's approval of the underground permit application will be ultimately upheld.

After the consolidation of the appeals before the Tucker County Court and subsequent to the request made by Appellants to the Director of OSM, the Appellants and Mettiki Coal (WV) voluntarily agreed to withdraw their respective appeals and moved the Tucker County Court to dismiss these appeals with prejudice. On April 26, 2005, the Tucker County Court granted the motion to dismiss and entered an order dismissing both appeals with prejudice.

On October 12, 2004, Pontiki Coal, LLC ( Pontiki ), one of the Partnership's subsidiaries and the successor-in-interest of Pontiki Coal Corporation as a result of a merger completed on August 4, 1999, was served with a complaint from ICG, LLC ( ICG ) alleging a breach of contract and seeking declaratory relief to determine the parties' rights under a coal sales agreement between Horizon Natural Resource Sales Company ( Horizon Sales ), as buyer, and Pontiki Coal Corporation, as seller, dated October 3, 1998, as amended on February 28, 2001 (the Horizon Agreement ). ICG has represented that it acquired the rights and assumed the liabilities of the Horizon Agreement effective September 30, 2004, as part of an asset sale approved by the U.S. Bankruptcy Court supervising the bankruptcy proceedings of Horizon Sales and its affiliates.

The complaint alleges that from January 2004 to August 2004, Pontiki failed to deliver a total of 138,111 tons of coal resulting in an alleged loss of profits for ICG of \$4.1 million. The Partnership has been unable to confirm ICG's calculation of the alleged shortfall of coal deliveries. The Partnership is aware that certain deliveries under the Horizon Agreement were not made during 2004 for reasons including, but not limited to, force majeure events at Pontiki and ICG's failure to provide transportation services for the delivery of coal as required under the Horizon Agreement. This litigation is in the preliminary stage and, although Pontiki and ICG have had several discussions concerning the potential settlement of this litigation matter, the Partnership does not believe that it is probable that a loss has been incurred. The Partnership also does not believe that this litigation has merit and intends to contest the litigation vigorously. The Partnership is unable, however, to predict the outcome of the litigation or reasonably estimate a range of possible loss given the current status of the litigation.

At certain of the Partnership's operations, property tax assessments for several years are under audit by various state tax authorities. The Partnership believes that it has recorded adequate liabilities based on reasonable estimates of any property tax assessments that may be ultimately assessed as a result of these audits.

### 3. TUNNEL RIDGE ACQUISITION

In January 2005, the Partnership acquired 100% of the limited liability company member interests of Tunnel Ridge, LLC for approximately \$500,000 and the assumption of reclamation liabilities from ARH, a company owned by management of the Partnership. Tunnel Ridge controls through a coal lease agreement with Alliance Resource GP, LLC (the Special GP ) an estimated 70 million tons of high-sulfur coal in the Pittsburgh No. 8 coal seam. The Tunnel Ridge reserve area encompasses approximately 50,571 acres of land located in Ohio County, West Virginia and Washington County, Pennsylvania. Under the terms of the coal lease, beginning on January 1, 2005, Tunnel Ridge has paid and will continue to pay the Special GP an advance minimum royalty of \$3.0 million per year. The advance royalty payments are fully recoupable against earned royalties.

The acquisition was reviewed by the Board of Directors of Alliance Resource Management GP, LLC (the Managing GP ), the managing general partner of the Partnership, and its Conflicts Committee. Based upon their reviews, it was determined that this transaction reflected market-clearing terms and



## Table of Contents

conditions. As a result, the Board of Directors of the Partnership's Managing GP and its Conflicts Committee approved the Tunnel Ridge acquisition as fair and reasonable for the Partnership and its limited partners.

### 4. MINE FIRE INCIDENTS

#### *MC Mining Mine Fire*

On December 26, 2004, MC Mining, LLC's (MC Mining) Excel No. 3 mine was temporarily idled following the occurrence of a mine fire (the MC Mining Fire Incident). The fire was discovered by mine personnel near the bottom of the Excel No. 3 mine slope late in the evening of December 25, 2004.

Under a firefighting plan developed by MC Mining, in cooperation with mine emergency response teams from the U.S. Department of Labor's Mine Safety and Health Administration (MSHA) and Kentucky Office of Mine Safety and Licensing, the four portals at the Excel No. 3 mine were temporarily capped to deprive the fire of oxygen. A series of boreholes was then drilled into the mine from the surface, and nitrogen gas and foam were injected through the boreholes into the fire area to further suppress the fire. As a result of these efforts, the mine atmosphere was rendered substantially inert, or without oxygen, and the Excel No. 3 mine fire was effectively suppressed. MC Mining then began construction of temporary and permanent barriers designed to completely isolate the mine fire area. Once the construction of the permanent barriers was completed, MC Mining began efforts to repair and rehabilitate the Excel No. 3 mine infrastructure. On February 21, 2005, the repair and rehabilitation efforts had progressed sufficiently to allow initial resumption of production. Production is gradually increasing to anticipated levels, but continues to be adversely impacted by inefficiencies attributable to or associated with the MC Mining Fire Incident.

The Partnership maintains commercial property (including business interruption and extra expense) insurance policies with various underwriters, which policies are renewed annually in October and provide for self-retention and various applicable deductibles, including certain monetary and/or time element forms of deductibles (collectively, the 2005 Deductibles) and 10% co-insurance (2005 Co-Insurance). The Partnership believes such insurance coverage will cover a substantial portion of the total cost of the disruption to MC Mining's operations. However, until the claim is resolved ultimately, through either the claim adjustment process, settlement, or litigation, with the applicable underwriters, the Partnership can make no assurance of the amount or timing of recovery of insurance proceeds.

The Partnership made an initial estimate of certain costs primarily associated with activities relating to the suppression of the fire and the initial resumption of operations. Operating expenses for the 2004 fourth quarter were increased by \$4.1 million to reflect an initial estimate of certain minimum costs attributable to the MC Mining Fire Incident that are not reimbursable under the Partnership's insurance policies due to the application of the 2005 Deductibles and 2005 Co-Insurance.

On April 6, 2005, the Partnership submitted to a representative of the underwriters a preliminary estimate of the expenses and losses (including business interruption losses) incurred by MC Mining and other affiliates arising from or in connection with the MC Mining Fire Incident (the MC Mining Insurance Claim). The accounting for any future payments, if any, made to the Partnership by the underwriters will be subject to the accounting methodology described below. Currently, the Partnership continues to evaluate its potential insurance recoveries under the applicable insurance policies in the following areas:

1.

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

Fire Brigade/Extinguishing/Mine Recovery Expense; Expenses to Reduce Loss; Debris Removal Expenses; Demolition and Increased Cost of Construction; Expediting



---

**Table of Contents**

Expenses; and Extra Expenses incurred as a result of the fire - These expenses and other costs (e.g. professional fees) associated with extinguishing the fire, reducing the overall loss, demolition of certain property and removal of debris, expediting the recovery from the loss, and extra expenses that would not have been incurred by the Partnership but for the MC Mining Fire Incident are being expensed as incurred with related actual and/or estimated insurance recoveries recorded as they are considered to be probable, up to the amount of the actual cost incurred.

2. Damage to MC Mining mine property - The net book value of property destroyed, which is currently estimated at \$104,000, was written off in the first quarter of 2005 with a corresponding amount recorded as an estimated insurance recovery, since such recovery is considered probable. Any insurance proceeds from the claims relating to the MC Mining mine property (other than amounts relating to the matters discussed in 1. above) that exceed the net book value of such damaged property are expected to result in a gain. The anticipated gain will be recorded when the MC Mining Insurance Claim is resolved and/or proceeds are received.
  
3. MC Mining mine business interruption losses - The Partnership has submitted to a representative of the underwriters an initial business interruption loss analysis for the period of December 24, 2004 through March 31, 2005. Expenses associated with business interruption losses are expensed as incurred, and estimated insurance recoveries of such losses are recognized to the extent such recoveries are considered to be probable, up to the actual amount incurred. Recoveries in excess of actual costs incurred will be recorded as gains when the MC Mining Insurance Claim is resolved and/or proceeds are received.

Pursuant to the accounting methodology described above, the Partnership has recorded \$9.2 million as an offset to operating expenses during the three months ended March 31, 2005, which amount represents the current estimated insurance recovery of actual costs incurred, net of the 2005 Deductibles and 2005 Co-Insurance. The Partnership continues to discuss the MC Mining Insurance Claim and the determination of the total claim amount with representatives of the underwriters. The MC Mining Insurance Claim will continue to be developed as additional information becomes available and the Partnership has completed its assessment of the losses (including the methodologies associated therewith) arising from or in connection with the MC Mining Fire Incident. At this time, based on the magnitude and complexity of the MC Mining Insurance Claim, the Partnership is unable to reasonably estimate the total amount of the MC Mining Insurance Claim as well as its exposure, if any, for amounts not covered by its insurance program.

*Dotiki Mine Fire*

On February 11, 2004, Webster County Coal, LLC's ( Webster County Coal ) Dotiki mine was temporarily idled for a period of twenty-seven calendar days following the occurrence of a mine fire that originated with a diesel supply tractor (the Dotiki Fire Incident ). As a result of the firefighting efforts of MSHA, the Kentucky Department of Mines and Minerals, and Webster County Coal personnel, Dotiki successfully extinguished the fire and totally isolated the affected area of the mine behind permanent barriers. Initial production resumed on March 8, 2004. For the Dotiki Fire Incident, the Partnership had commercial property insurance that provided coverage for damage to property destroyed, interruption of business operations, including profit recovery, and expenditures incurred to minimize the period and total cost of disruption to operations.

On September 10, 2004, the Partnership filed a third and final proof of loss with the applicable insurance underwriters reflecting a settlement of all expenses, losses and claims incurred by Webster

**Table of Contents**

County Coal and other affiliates arising from or in connection with the Dotiki Fire Incident (the Dotiki Insurance Claim ) in the aggregate amount of \$27.0 million, inclusive of a \$1.0 million self-retention, a \$2.5 million deductible (collectively, the 2004 Insurance Deductibles ) and 10% co-insurance (the 2004 Co-Insurance ).

At March 31, 2004, the Dotiki Insurance Claim was in the early stages of being developed and the Partnership had recorded a recoverable insurance receivable of \$2.9 million, net of the 2004 Insurance Deductibles and the 2004 Co-Insurance. The recognized net insurance receivable was reflected as an offset to operating expenses for the Partnership's first quarter 2004 financial results.

5. NET INCOME PER LIMITED PARTNER UNIT

A reconciliation of net income and weighted average units used in computing basic and diluted earnings per unit is as follows (in thousands, except per unit data):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income	\$ 39,079	\$ 18,225
Adjustments:		
General partners' priority distributions	(922)	
General partners' 2% equity ownership	(763)	(365)
Limited partners' interest in net income	\$ 37,394	\$ 17,860
Additional earnings allocation to general partner (a)	(11,655)	(2,373)
Net income available to limited partners (a)	25,739	15,487
Weighted average limited partner units - basic	18,130	17,904
Basic net income per limited partner unit (a)	\$ 1.42	\$ 0.87
Weighted average limited partner units - basic	18,130	17,904
Units contingently issuable:		
Restricted units for Long-Term Incentive Plan	298	476
Directors' compensation units	18	15
Supplemental Executive Retirement Plan	50	44
Weighted average limited partner units, assuming dilutive effect of restricted units	18,496	18,439
Diluted net income per limited partner unit (a)	\$ 1.39	\$ 0.84

(a) Basic and diluted net income per limited partner unit have been restated to reflect the application of EITF 03-6. The dilutive effect of EITF 03-6 on basic net income per limited partner unit was \$0.64 and \$0.13 for the three months ended March 31, 2005 and 2004, respectively. The dilutive effect of EITF 03-6 on diluted net income per limited partner unit was \$0.63 and \$0.13 for the three months ended March 31,

## Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

2005 and 2004, respectively. See Note 10 to the condensed consolidated financial statements for further discussion of this matter.

The Partnership's net income for partners' capital purposes is allocated to the general partners and limited partners in accordance with their respective partnership percentages, after giving effect to any priority income allocations for incentive distributions, if any, to the Partnership's Managing GP, the holder of the incentive distribution rights pursuant to the Partnership Agreement, which are declared and paid following the close of each quarter. For purposes of computing basic and diluted net income per limited partner unit, in periods when the Partnership's aggregate net income exceeds the aggregate distributions for such periods, an increased amount of net income is allocated to the general partner for the additional pro forma priority income attributable to application of EITF 03-6.

**Table of Contents**

The Managing GP is entitled to receive incentive distributions if the amount the Partnership distributes with respect to any quarter exceeds levels specified in the Partnership Agreement. Under the quarterly incentive distribution provisions of the Partnership Agreement, generally, the Managing GP is entitled to receive 15% of the amount the Partnership distributes in excess of \$0.55 per unit, 25% of the amount the Partnership distributes in excess of \$0.625 per unit and 50% of the amount the Partnership distributes in excess of \$0.75 per unit.

**6. COMMON UNIT-BASED COMPENSATION**

The Partnership accounts for the compensation expense of the non-vested restricted units granted under the Long-Term Incentive Plan ( LTIP ) using the intrinsic value method prescribed in Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees* ( APB No. 25 ) and the related Financial Accounting Standards Board ( FASB ) Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. Compensation cost for the non-vested restricted units is recorded on a pro-rata basis, as appropriate, given the cliff vesting nature of the grants, based upon the current market value of the Partnership's Common Units at the end of each period.

Consistent with the disclosure requirements of Statement of Financial Accounting Standards ( SFAS ) No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, and amendment of SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS No. 123 ), the following table demonstrates that compensation cost for the non-vested restricted units granted under the LTIP is the same under the intrinsic value method and the provisions of SFAS No. 123 (in thousands, except per unit data):

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income, as reported	\$ 39,079	\$ 18,225
Add: compensation expenses related to Long-Term Incentive Plan units included in reported net income	489	3,917
Deduct: compensation expense related to Long-Term Incentive Plan units determined under fair value method for all awards	(489)	(3,917)
Net income, pro forma	\$ 39,079	\$ 18,225
General partners' interest in net income, pro forma	\$ 1,685	\$ 365
Limited partners' interest in net income, pro forma	\$ 37,394	\$ 17,860
Earnings per limited partner unit:		
Basic, as reported	\$ 1.42	\$ 0.87
Basic, pro forma	\$ 1.42	\$ 0.87
Diluted, as reported	\$ 1.39	\$ 0.84
Diluted, pro forma	\$ 1.39	\$ 0.84

Earnings per limited partner unit, basic and diluted as reported and basic and diluted, pro forma for the three months ended March 31, 2005 and 2004 have been restated. See Note 10 to the condensed consolidated financial statements for further discussion of this matter.

The total accrued liability associated with the Long-Term Incentive Plan as of March 31, 2005 and December 31, 2004 was \$10,502,000 and \$10,013,000, respectively, and is included in the current and long-term due to affiliates liabilities in the condensed consolidated balance sheets. See Recent Accounting Pronouncements discussion below concerning the impact of SFAS No. 123R, share-based payment on accounting for the Long-Term Incentive Plan.

**Table of Contents**

## 7. COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COSTS

Components of the net periodic costs for each of the periods presented are as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Service cost	\$ 813	\$ 705
Interest cost	417	357
Expected return on plan assets	(483)	(421)
Prior service cost	13	12
Net loss	50	35
<b>Net periodic benefit cost</b>	<b>\$ 810</b>	<b>\$ 688</b>

The partnership previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute \$2,700,000 to the Pension Plan in 2005. The Partnership typically makes a single contribution to its Pension Plan in the third quarter of a year. As of March 31, 2005, the Partnership had made no contributions to the Pension Plan in 2005.

## 8. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs*. SFAS No. 151 is an amendment of Accounting Research Bulletin ( ARB ) No. 43, chapter 4, paragraph 5 that deals with inventory pricing. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expenses, freight, handling costs, and spoilage. Under previous guidance, paragraph 5 of ARB No. 43, chapter 4, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs might be considered to be so abnormal, under certain circumstances, as to require treatment as current period charges. SFAS No. 151 eliminates the criterion of so abnormal and requires that those items be recognized as current period charges. Also, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. The Partnership is analyzing the requirements of SFAS No. 151 and believes that its adoption will not have a significant impact on the Partnership's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock Based Compensation*, and supersedes APB No. 25. Among other items, SFAS No. 123R eliminates the use of APB No. 25 and the intrinsic value method of accounting, and requires companies to recognize in their financial statements the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards.

In April 2005, the Securities and Exchange Commission issued a rule that amends the implementation dates for the Partnership's adoption of SFAS No. 123R from the third quarter of 2005 to the first quarter of 2006. SFAS No. 123R permits companies to adopt its requirements using either a modified prospective method, or a modified retrospective method. Under the modified prospective method, compensation cost is

## Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R, for all share-based payments granted after the effective date of the rule and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the effective date of SFAS No. 123R. Under the modified retrospective method, the requirements are the same as under the modified prospective method, but also permits entities to restate financial statements of previous periods based on pro forma disclosures made in accordance with SFAS No. 123. The Partnership is currently evaluating the appropriate transition method.

## Table of Contents

As permitted by SFAS No. 123, the Partnership currently accounts for unit-based payments to employees using the APB No. 25 intrinsic method and related FASB Interpretation No. 28 based upon the current market value of the Partnership's common units at the end of each period. The Partnership has recorded compensation expense of \$489,000 and \$3,917,000 for the three months ended March 31, 2005 and 2004, respectively. SFAS No. 123R does not permit entities to continue to use the intrinsic method, the Partnership has not yet determined which model it will use to measure the fair value of restricted unit-based compensation upon the adoption of SFAS No. 123R or the effect the adoption will have on the Partnership's results of operations, financial condition or cash flows.

In March 2005, the FASB Emerging Issues Task Force (EITF) issued EITF No. 04-06 Accounting for Stripping Costs in the Mining Industry and concluded that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. EITF No. 04-06 does not address the accounting for stripping costs incurred during the pre-production phase of a mine. EITF 04-06 is effective for the first reporting period in fiscal years beginning after December 15, 2005 with early adoption permitted. The effect of initially applying this consensus should be accounted for in a manner similar to a cumulative-effect adjustment. Since the Partnership has historically adhered to the accounting principles similar to EITF 04-06, the Partnership does not believe that adoption of EITF 04-06, effective January 1, 2006, will have a material impact on its consolidated financial statements.

## 9. SUBSEQUENT EVENTS

On April 20, 2005, the Partnership adopted Amendment No. 1 (Amendment No. 1) which amends the Partnership Agreement. The effective date of Amendment No. 1 is January 1, 2005. Amendment No. 1 amends the provisions of the Partnership Agreement relating to priority allocations of gross income or gain with respect to the holders of incentive distribution rights and the general partners. Amendment No. 1 provides that, in addition to allocating this gross income or gain to the holders of incentive distribution rights in an amount equal to the incentive distributions received by such holders, a certain additional portion of gross income or gain should be allocated to the general partners of the Partnership.

On April 21, 2005, the Partnership declared a quarterly distribution, for the quarterly period ended March 31, 2005, of \$0.75 per unit, totaling approximately \$14.8 million (which includes the Managing GP's portion of incentive distributions), on all of its Common Units outstanding, payable on May 13, 2005, to all unitholders of record as of May 6, 2005.

On April 19, 2005, counsel for the West Virginia Rivers Coalition, the West Virginia Highlands Conservancy, and Trout Unlimited (West Virginia Council (the Appellants)) submitted a letter to OSM requesting the Director of OSM evaluate, consistent with its statutory oversight responsibilities, the State of West Virginia's program in regard to the issuance of underground permits that will create acid mine drainage with no defined end point, particularly for the E-Mine. OSM issued a ten-day notice, dated April 21, 2005, to WVDEP advising a citizen's complaint had been received alleging, among other matters, the underground permit for the E-Mine will cause material harm on and off-site of the permit area to the hydrological balance. WVDEP requested an extension of time in which to respond and its response is due on or before June 8, 2005. We expect OSM will complete an evaluation of the citizen's complaint and the response by WVDEP to the ten-day notice, and issue a determination on WVDEP's approved state program on or before the end of May 2005. Management believes the WVDEP's approval of the underground permit application will be ultimately upheld.

On April 26, 2005, two consolidated litigation matters concerning the underground permit for E-Mine that had been filed in state court in West Virginia were dismissed with prejudice, by mutual agreement of Mettiki (WV) and the Appellants. For a discussion of the underground mine permit process for the E-Mine, please read Note 2. Contingencies above.





**Table of Contents**

## 10. RESTATEMENTS

*Net Income Per Limited Partner Unit*

Subsequent to the issuance of its condensed consolidated financial statements for the three months ended March 31, 2005, the Partnership determined that in periods in which aggregate net income exceeds the Partnership's aggregate distributions, the Partnership is required to present earnings per unit as if all the earnings for the period were distributed, regardless of the pro forma nature of the allocation or whether the earnings would actually have been distributed during the period. This requirement reflects a consensus reached by the FASB in Emerging Issues Task Force Issue No. 03-6 ( EITF 03-6 ), Participating Securities and the Two-Class Method under FASB Statement No. 128 . EITF 03-6 addresses the computation of earnings per share by entities that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the entity when, and if, it declares dividends on its common stock. As a result, basic and diluted net income per limited partner unit for the three months ended March 31, 2005 and 2004, have been restated to reflect the pro forma distribution assumption required by EITF 03-6.

EITF 03-6 does not impact the Partnership's overall net income or other financial results, however, for periods in which aggregate net income exceeds the Partnership's aggregate distributions for such period, it will have the impact of reducing the earnings per limited partner unit. This result occurs as a larger portion of the Partnership's aggregate earnings, as if distributed, is allocated to the incentive distribution rights held by the Managing GP, even though the Partnership makes cash distributions on the basis of cash available for distributions, not earnings, in any given accounting period. In accounting periods in which aggregate net income does not exceed the Partnership's aggregate distributions for such period, EITF 03-06 does not have any impact on the Partnership's earnings per unit calculation.

Basic and diluted net income per limited partner unit is calculated by dividing net income after deducting the amount allocated to the general partners' interests, (which includes the Managing GP's actual priority allocations paid and the pro forma priority allocations) by the weighted average number of outstanding limited partner units during the period. Partnership net income is first allocated to the Managing GP based on the amount of priority allocations. The remainder is then allocated between the limited partners and the general partners based on percentage ownership in the Partnership.

The correction of the error decreased basic and diluted net income per limited partner unit as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>As Previously Reported:</b>		
Basic net income per limited partner unit	\$ 2.06	\$ 1.00
Diluted net income per limited partner unit	\$ 2.02	\$ 0.97
<b>After Application of EITF 03-6:</b>		
Basic net income per limited partner unit	\$ 1.42	\$ 0.87
Diluted net income per limited partner unit	\$ 1.39	\$ 0.84
<b>Difference:</b>		

Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

Basic net income per limited partner unit	\$ (0.64)	\$ (0.13)
Diluted net income per limited partner unit	\$ (0.63)	\$ (0.13)

**Table of Contents***Common Unit-Based Compensation*

Subsequent to the issuance of the financial statements, the Partnership determined that the Partnership's pro forma limited partner unit based compensation disclosure was incorrect. The original disclosure assumed compensation expense for the nonvested common units would be calculated utilizing a fair value model. The amounts have been restated to correctly calculate such common unit based compensation for nonvested common units based on an intrinsic value model. The correction of the error affected the pro forma disclosure, which also considers the impact of EITF 03-06, as follows:

As Previously Reported:

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income, as reported	\$ 39,079	\$ 18,225
Add: compensation expenses related to Long-Term Incentive Plan units included in reported net income	489	3,917
Deduct: compensation expense related to Long-Term Incentive Plan units determined under fair value method for all awards	(1,079)	(1,143)
Net income, pro forma	\$ 38,489	\$ 20,999
General partners' interest in net income, pro forma	\$ 1,673	\$ 420
Limited partners' interest in net income, pro forma	\$ 36,816	\$ 20,579
Earnings per limited partner unit:		
Basic, as reported	\$ 2.06	\$ 1.00
Basic, pro forma	\$ 2.03	\$ 1.15
Diluted, as reported	\$ 2.02	\$ 0.97
Diluted, pro forma	\$ 1.99	\$ 1.12

**Table of Contents**

Restated:

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income, as reported	\$ 39,079	\$ 18,225
Add: compensation expenses related to Long-Term Incentive Plan units included in reported net income	489	3,917
Deduct: compensation expense related to Long-Term Incentive Plan units determined under fair value method for all awards	(489)	(3,917)
Net income, pro forma	\$ 39,079	\$ 18,225
General partners' interest in net income, pro forma	\$ 1,685	\$ 365
Limited partners' interest in net income, pro forma	\$ 37,394	\$ 17,860
Earnings per limited partner unit:		
Basic, as reported	\$ 1.42	\$ 0.87
Basic, pro forma	\$ 1.42	\$ 0.87
Diluted, as reported	\$ 1.39	\$ 0.84
Diluted, pro forma	\$ 1.39	\$ 0.84

## Table of Contents

### ITEM 4. CONTROLS AND PROCEDURES

#### Restatement of Previous Filings

In August 2005, we identified adjustments that were required to be recorded in prior periods relating to the way we (a) compute basic and diluted earnings per limited partner and (b) present the disclosures required by Statement of Financial Accounting Standards No. 148,

Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of FASB Statement No. 123 associated with our Long Term Incentive Plan. Descriptions of these adjustments follow:

The Partnership determined that in periods in which aggregate net income exceeds the Partnership's aggregate distributions, the Partnership is required to present net income per limited partner unit as if all the earnings for the period were distributed, regardless of the pro forma nature of the allocation or whether the earnings would or could actually have been distributed during the period. This requirement reflects a consensus reached by the FASB in Emerging Issues Task Force Issue No. 03-6 ( EITF 03-6 ), Participating Securities and the Two-Class Method under FASB Statement No. 128 . EITF 03-6 addresses the computation of earnings per share by entities that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the entity when, and if, it declares dividends on its common stock.

Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of FASB Statement No. 123 (SFAS 148) amends the disclosure requirement of SFAS 123 to require more prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Partnership's previous disclosure incorrectly provided pro forma information assuming compensation expense for the non-vested restricted units granted would be different under the intrinsic method of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and a fair value model under the provisions of SFAS123.

After management's initial review of our accounting under EITF 03-6 and SFAS 148, on August 13, 2005, management recommended to the Audit Committee that, upon completion of our analysis of the impact of the items described above, our previously filed financial statements be restated to reflect the correction of these items. The Audit Committee agreed with this recommendation. On August 15, 2005, upon completion of our analysis, the Audit Committee approved our restated financial statements that were included in Amendment No. 1 to each of our Form 10-K/A for the year ended December 31, 2004 and this Form 10-Q/A, each of which was filed with the SEC on August 15, 2005.

#### Evaluation of Disclosure Controls and Procedures

In connection with the restatement, we reevaluated our disclosure controls and procedures. We concluded that the restatement of our financial statements to correctly apply EITF 03-6 and SFAS 148, constituted a material weakness in our internal control over financial reporting. Solely as a result of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2005.

#### Remediation of Material Weakness in Internal Control

## Edgar Filing: ALLIANCE RESOURCE PARTNERS LP - Form 10-Q/A

During August 2005, we have performed an extensive review of our accounting under EITF 03-6 and SFAS 148 in an effort to ensure that the restated financial statements reflect all necessary adjustments. We have designed and are in the process of designing new internal control procedures to help remediate the issues and to ensure future compliance with accounting pronouncements. We believe we have taken the steps necessary to remediate this material weakness relating to our compliance with accounting standards; however, we cannot confirm the effectiveness of our internal controls with respect to our application of accounting standards until we have conducted sufficient testing. Accordingly, we will continue to monitor vigorously the effectiveness of these processes, procedures and controls and will make any further changes management determines appropriate.

### Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal controls performed during the first quarter 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q/A contains forward-looking statements. These statements are based on our beliefs as well as assumptions made by, and information currently available to, us. When used in this document, the words anticipate, believe, continue, estimate, expect, forecast, may, project, will, and similar expressions identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to various risks, uncertainties and assumptions. Specific factors which could cause actual results to differ from those in the forward-looking statements include:

competition in coal markets and our ability to respond to the competition;

fluctuation in coal prices, which could adversely affect our operating results and cash flows;

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

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

customer bankruptcies and/or cancellations of, 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 and other factors;

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

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;

risk of major mine-related accidents or interruptions;



results of litigation;

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

difficulty obtaining commercial property insurance, and risks associated with our 10.0% participation (excluding any applicable deductible) in the commercial insurance property program; and

Nonconventional source fuel tax credits are subject to a pro-rata phaseout or reduction based on the annual average wellhead price per barrel for all domestic crude oil (the reference price) as determined by the Secretary of the Treasury. We could experience a reduction of revenues associated with nonconventional source fuel facilities if nonconventional source fuel tax credits become unavailable to the owners of the nonconventional source fuel facilities we service as a result of the rise in the wellhead price per barrel of crude oil above specified levels.

If one or more of these 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 our Annual Report on Form 10-K/A for the year ended December 31, 2004. 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.

**Table of Contents**

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

in this Quarterly Report on Form 10-Q/A;

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 persons acting on our behalf.

**Table of Contents**

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS

- 4.1 Amendment No.1 dated as of April 20, 2005 to the First Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P. (Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Commission on April 21, 2005, File No. 000-26823).
- 10.1 Amendment No. 1 dated January 17, 2005 to the Agreement for Supply of Coal between Virginia Electric and Power Company and Mettiki Coal, LLC. (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed with the Commission on January 19, 2005, File No. 000-26823).
- 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 August 15, 2005, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.
- 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 August 15, 2005, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.
- 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 August 15, 2005, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.
- 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 August 15, 2005, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Tulsa, Oklahoma, on August 15, 2005.

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*

/s/ Brian L. Cantrell

---

Brian L. Cantrell  
*Senior Vice President*

*and Chief Financial Officer*

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
4.1	Amendment No.1 dated as of April 20, 2005 to the First Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P. (Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Commission on April 21, 2005, File No. 000-26823).
10.1	Amendment No. 1 dated January 17, 2005 to the Agreement for Supply of Coal between Virginia Electric and Power Company and Mettiki Coal, LLC. (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed with the Commission on January 19, 2005, File No. 000-26823).
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 August 15, 2005, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.
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 August 15, 2005, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 furnished herewith.
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 August 15, 2005, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.
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 August 15, 2005, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.