

Alliance Holdings GP, L.P.
 Form 4
 September 18, 2008

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Alliance Management Holdings III, LLC

(Last) (First) (Middle)
 1717 SOUTH BOULDER AVENUE, SUITE 400
 (Street)

TULSA, OK 74119

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

Alliance Holdings GP, L.P. [AHGP]

3. Date of Earliest Transaction (Month/Day/Year)

09/16/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 ____ Officer (give title below) Other (specify below)
 Member of 13d group (over 10%)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Price | | | |
| Common Units | | | | | 549,020 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) | | |
|---|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|---------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount |
| Call option (obligation to sell) ⁽¹⁾ | \$ 30 | 09/16/2008 | | S | 266,505 | 07/01/2011 | 07/01/2013 | Common units | 266,505 |

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

Alliance Management Holdings III, LLC
 1717 SOUTH BOULDER AVENUE, SUITE 400
 TULSA, OK 74119

Member of 13d group (over 10%)

Signatures

/s/ Alliance Management Holdings III, LLC, by Mindy Kerber, pursuant to power of attorney dated March 5, 2007

09/18/2008

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

AMH III entered into option agreements to sell 266,505 common units of AHGP for an exercise price of \$30.00 per common unit, the (1) options are exercisable from July 1, 2011 through July 1, 2013. AMH III received consideration of \$3.36 per common unit for each option.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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