

Alliance News



A periodic report to
our ESOP participants



NEWS

Welcome to our first issue

by David Fenkell



We are pleased to launch this periodic newsletter to provide you with ongoing news and information about Alliance Holdings. As we continue to grow by adding new companies, communication to ESOP participants becomes more difficult. We encourage you to take this issue home, read it carefully, and share it with your families.

A key strength of the Alliance ESOP is *diversification*. The value of your retirement account is not tied to the fortunes of a single company. Instead, it's based on the ongoing performance of several companies in various industries.

One goal of this newsletter is to help you learn more about the other members of our growing family. We'll begin with a brief overview of the current operating companies. Future issues will cover individual companies in more depth.

We'll also use this newsletter to answer common questions about ESOPs. Sharon Kazaras is our ESOP administrator. If you read her *ESOP Insights* column in every issue, you'll have a far better understanding of this topic that's so important to all of us.

Our current operating company investments

The Sharon Companies

Sharon's principal products are steel stair and railing systems used in commercial, high rise residential and industrial construction projects. Significant projects using Sharon Companies' steel stair systems include the Washington, DC Convention Center; the Bellagio Hotel and Casino in Las Vegas, Nevada; Bank One Ballpark in Phoenix, Arizona; and Denver International Airport in Denver, Colorado.

Lazy Days R. V. Center

Lazy Days is the world's largest single-site recreational vehicle dealership. The company sells new and used RVs in a 150 acre park-like setting, which includes an RV park, near Tampa, Florida. It represents 14 manufacturers with 110 different models. In addition to the sale of new and used RVs, the company also profits from maintenance, repair and body shop services; finance and insurance; and RV park revenue.

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Our current operating company investments

Paradise Marine of Melbourne

Located on the East Coast of Florida in Brevard County, Paradise Marine sells family runabouts, cruisers and fishing boats. Their facilities have been constructed to resemble a land-based marina with a maximum amount of covered display space to make shopping more comfortable on hot or rainy days. In addition to new boat sales, it operates a full parts and service department.

Beacon Management Group

BMG is an international risk, claim, litigation and audit management company. Built around a core of experienced insurance professionals and trial attorneys, BMG serves clients in the insurance industry, self-insured entities, consultants and investors. The company uses its expertise to help clients manage claims and lawsuits. It also designs and helps implement various strategies to improve risks, increase efficiency and lower costs.

Alexander Marketing Services

AMS is an advertising agency that specializes in business-to-business communications. It helps clients market products and communicate with both external and internal audiences. Staffed with writers, graphic designers, and specialists in research, public relations and business media, the company creates print ads, web sites, direct mail programs, sales literature, newsletters and other tools to help clients communicate more effectively.

Today's Alliance Family

Five very different companies provide a strong foundation for growth

	The Sharon Companies	Lazy Days R.V. Center	Paradise Marine of Melbourne	Beacon Management Group	Alexander Marketing Services
Locations	Medina, OH Phoenix, AZ	Tampa, FL	Melbourne, FL	Philadelphia, PA	Grand Rapids, MI Schaumburg, IL
Founded	1963	1976	1995	2000	1965
Alliance's Investment	1999	1999	2000	2001	2001
Employees	100	550	7	5	49

Profile



Sharon Kazaras
Alliance Holdings
ESOP Administrator

This newsletter will introduce you to some of our people. A few of them work directly for Alliance Holdings, while others are employees of our operating companies.

We'll start with Sharon Kazaras, the administrator for the Alliance Holdings Employee Stock Ownership Plan. Sharon answers your ESOP questions in the *ESOP Insights* column of this newsletter.

Sharon holds a Bachelor of Arts (cum laude) and a Master of Science from the University of Pennsylvania. She has over 22 years of experience in all aspects of employee benefits consulting, including design, administration, funding and communication, and is a licensed Life and Health agent in Pennsylvania.

Before joining Alliance Holdings in September of 2000, Sharon was a manager in the Philadelphia tax division of Arthur Andersen LLP. She is a board member of the regional employee benefits association, serves as an adjunct faculty member at Villanova University, and is a frequent lecturer on topics of interest to the benefits community.

Sharon and her husband, Paul, recently celebrated their 25th wedding anniversary, and are the proud parents of Meredith (19), Allison (17), and two half-beagles, George and Austin. Sharon enjoys the challenge of finding creative solutions to managing our ESOP and helping participants by mail, phone, and e-mail.

ESOP Insights..



Employee Stock Ownership Plans (ESOPs) are an important part of the American economy and *fundamental* to Alliance Holdings. About 11,000 U.S. companies now have ESOPs, covering over 8.5 million employees.

Sharon Kazaras, our ESOP Administrator, will use this newsletter column to answer some of the more common questions about ESOPs. Please e-mail your questions to her at kazaras@allianceholdings.com.

Question

Do ESOP plans differ in the extent to which employees participate in management decisions? How do participants in the Alliance Holdings ESOP participate in management decisions? What can Alliance Holdings ESOP participants do to make our company stronger, more competitive, and more profitable? By doing so, how will the ESOP plan benefit? How will we benefit?

Answer

Participants in the Alliance Holdings, Inc. Employee Stock Ownership Plan and Trust (the "Alliance ESOP") participate in the decision-making processes of the Alliance Holdings portfolio companies in the context of the customary employer-employee relationship.

Some other ESOP companies have ESOP committees composed of representatives elected by employees. These committees

meet periodically with company management to provide employee input. Typically, the companies that have these committees are much larger than the companies in the Alliance Holdings family.

Given the smaller size of our portfolio companies, we feel it is more appropriate for individual employees to work within the existing decision-making processes of their companies and departments. Employees should continue to voice any concerns affecting revenue and profit to their employer's management. If each of us performs our job to the best of our ability, all Alliance ESOP participants will benefit through increased value in our Alliance ESOP accounts.

Question

What happens after an Alliance Holdings portfolio company pays off its loan for the ESOP purchase? If the company continues to be profitable, can accelerated payments be made on the loan so it can be retired sooner? Is there a benefit to retiring the loan sooner (beyond the obvious benefit of saving money on the interest)? Is there a drawback to paying off the loan early? How, if at all, is our loan status affected by future acquisitions? If our company and its assets are subject to being pledged for future acquisitions, will our loan ever be paid off?

Answer

Once a portfolio company pays off its loan, the Alliance Holdings shares issued to the ESOP relating to that loan will have been fully allocated to Alliance ESOP participants. However, because there is a portfolio of companies, employees will continue to receive share allocations as Alliance ESOP loans for the purchase of employer stock relating to the acquisitions of other companies are repaid, even after loans associated with their employer are repaid.

Companies in the Alliance Holdings family can and have made accelerated payments on ESOP loans to maximize the shares allocated to employees. By law, the maximum allocation to your account per year is the lesser of 25 percent of your compensation, or \$30,000. (For 2002, the maximum has increased to 100% of your compensation up to \$40,000.) Alliance Holdings has made allocations of slightly less than such limitation. This slight departure from the maximum ensures that contributions do not exceed the limit due to small calculation errors.

The drawback of early loan repayment is the reduction in cash available for other purposes. Management and the board of directors of each operating company decide whether to use excess cash for working capital, capital improvements, or debt repayments.

Last minute news!

Computer Methods Corporation joins Alliance family

As we were about to go to press with the first newsletter, our growing family expanded again. On January 22, 2002 Computer Methods Corporation (CMC) became an employee-owned operating company of Alliance Holdings.

Founded in 1977, CMC began with three divisions. In this transaction, CMC divested all ties with two of the divisions, leaving its former Software Services division as the sole operating entity. This allowed the founder to sell the company to CMC employees, who are now participants in the Alliance Holdings ESOP.

According to Dan Manville, President/CEO, "Being a service business means the business IS the employees. While many competitors addressed recent economic challenges with cuts in employee salary and benefits, CMC found an opportunity to reward the employees for their outstanding service. As the economy improves and business begins to increase, CMC will be in a strong position to attract and maintain quality personnel."

Describing itself as The Solutions Company®, CMC develops and delivers computer hardware/software solutions to meet specific customer needs. Located in Livonia, Michigan, CMC employs 137 people. Nearby Ford Motor Company is its largest client.

In addition to its major role in the automotive industry, CMC serves manufacturing, warehousing, distribution, utilities, government and finance markets. CMC's consultants specialize in requirements analysis, system design, application development, systems integration, quality assurance, process improvement and database design.

A recent example of CMC's efforts relates to the introduction of Electric Customer Choice in the utility business. Government-mandated changes required that customers be offered a choice on their utility provider. This mandate also called for extensive billing detail. CMC worked with Consumers Energy to meet these requirements while at the same time building a state-of-the-art platform which will be used as a basis for further development in the customer billing arena.

CMC is a Microsoft Certified Solution Provider and also maintains business alliances and partnerships with other leading companies, including Oracle.

This company was an excellent find for Alliance Holdings. In David Fenkell's words, "We're excited about the addition of CMC to the Alliance family. CMC has a track record of success that fits well into Alliance's diversified company base. With the streamlining of CMC's operational focus, we expect the company to continue to experience strong growth in the future."

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