

Alliance News

A periodic report to
our ESOP participants



NEWS

The Alliance family now includes Trachte Building Systems, Inc.

Founded in 1901, Trachte Building Systems is the leading manufacturer and supplier of pre-engineered steel building systems for the self-storage industry. Trachte subsidiaries include Trac-Rite Door, a premier manufacturer of steel roll-up doors, and Fire Facilities Inc., the leading manufacturer of steel controlled-environment fire training towers. Headquartered in Sun Prairie, Wisconsin, Trachte Building Systems currently has 170 employees with annual sales over \$42 million.

A century ago, George and Arthur Trachte patented a steel-rolling machine to help manufacture their line of water tanks, feed troughs, oil storage tanks, and tractor fenders. Responding to the needs of the fledgling auto industry, Trachte soon introduced a garage featuring angled steel, iron framework and corrugated steel sheeting. These early structures eventually led to other Trachte innovations including steel warehouses, aircraft hangers and summer cottages. By the late 1960s, the company produced pre-engineered steel buildings and mansard systems for a number of national fast food chains including Kentucky Fried Chicken, A & W Root Beer and Wendy's.

Trachte entered the self-storage industry by pioneering one of the first all-steel mini-warehouses in the country. Now, tens of millions of square feet later, self-storage systems still comprise a substantial portion of the company's product line. These diverse product lines, backed by dedicated technical support and customer service, offer excellent business opportunities for operators of self-storage systems.

Experienced management, a deep and abiding respect for customers and employees alike, plus the ability to anticipate changing markets are the keys to Trachte's century-long success story. Trachte operates from a

Spotlight on THE SHARON COMPANIES



The Sharon Companies, Ltd. was founded by Robert W. Coles as Sharon Erectors in 1963. The company has grown to become the

number one quality stair system provider in the United States. Under the guidance of an experienced management team and an employee group that has over 750 years of combined experience, The Sharon Companies, Ltd. is poised to lead an exciting new chapter for growth and development. In 2001, annual sales exceeded \$15 million through its offices and factories in Medina, Ohio and Phoenix, Arizona. The firm was recently recognized as one of only three Medina, Ohio companies listed on the area's Business Growth Honor Roll.

Sharon "Drop In" Stair Systems provide architects, building owners and contractors with a more precise, cost-effective alternative to conventional site-built stairs.

The Alliance family now includes Trachte Building Systems, Inc. *continued*

long-term growth perspective as evidenced by Board Chairman and CEO Steve Pagelow, a veteran employee of 25 years, and President/COO Jeff Seefeldt, now in his 22nd year with the company. Steve Pagelow stated that flexibility is vital to keep a company viable and growing. "One key initiative a company has to do is adapt to change. We welcome change. If you don't, your company is going to disappear. We are really focused on our core competency—providing high added value in the quality products we produce. We're not just selling steel building packages. We're selling business opportunities."

Spotlight on THE SHARON COMPANIES *continued*

These unitized, quality engineered systems meet all applicable building codes throughout the U.S. and North America. Backed by accurate erection drawings, exceptional service and product dependability, it is no wonder that Sharon Stair Systems generate many repeat customers.

With over 150 projects per year, Sharon Stair Systems have been featured in many of the major architectural buildings throughout the United States. These structures include the Tennessee Titans NFL Stadium, Washington DC Convention Center and the River East Center in Chicago.

Presidents Gather for First Meeting

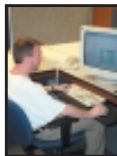
by David Fenkell



In late August, our operating company Presidents adjusted their busy schedules to briefly converge in Pennsylvania. This was their first opportunity to meet and interact with each other, a critical step for creating synergy among our companies.

Reporting to his staff on the meeting, Bob Milroy, President of Alexander Marketing Services,

Profile



**John Goff, Draftsperson
The Sharon
Companies Ltd.**

John Goff knows that stairs are complicated building components. They're difficult to design, manufacture and install. That's why he likes being where the action is...working as a computer aided designer (CAD) to develop stairway drawings for Sharon. John's plans and elevations are essential for showing the details: stair location, wall type, and where and how to connect every stair stringer, landing, tread, and railing. Because he is an authority on Federal, state and local building codes for each project site, John also works with structural engineers to certify stairway load handling capabilities.

John typically produces a set of 10 drawings for a 4 to 5 story building, and as many as 100 drawings for a 30 to 50 story structure. Larger jobs, like the Disney Grand California Hotel, can take 500 hours of drafting time.

A veteran employee of 17 years, John began his career at Sharon on the shop floor as a welder. He then advanced his skills to learn CAD and began working in the Sharon design and engineering group where he has been a key employee for the last 4 years. John lives in Lodi, Ohio, a short drive from the Sharon Medina facility. In his leisure time he enjoys skateboarding.

wrote "I was impressed by the knowledge and quality of the leaders of the other Alliance companies."

The meeting did a lot to open doors and stimulate cooperation. A similar meeting among the Chief Financial Officers (CFOs) is being planned. Meetings such as this and other steps we take to build synergy will be covered in future issues.

ESOP 101

The Basics



DID YOU KNOW...that there are approximately 11,500 ESOPs in place in the U.S., covering 8.5 million employees (8% of the workforce)?

What is an ESOP? An ESOP is a retirement plan designed to invest primarily in employer securities and give participants an indirect equity ownership in the company. An ESOP includes a trust that can be created only by an employer, and the shares of employer stock in an ESOP are owned by the trust for the benefit of all participants and not directly by the participants. Since stock is allocated to accounts based on a contribution by the participant's employer, the participant bears no cost for this benefit.

Is the ESOP subject to any governmental rules? In order for an ESOP to enjoy certain tax-favored advantages, it must comply with various provisions of the Internal Revenue Code and the Employee Retirement and Income Security Act of 1974 ("ERISA" for short).

Are there different kinds of ESOPs? ESOPs come in two basic varieties: leveraged and non-leveraged (that is, with or without debt). The Alliance Holdings, Inc. ESOP is a "leveraged" ESOP because it has certain financial arrangements called "exempt loans," the loan proceeds of which have been used solely to purchase employer stock.

How does Alliance's leveraged ESOP work? The Alliance ESOP has loans from various lending institutions the proceeds of which were used to buy Alliance stock and the stock of its operating companies. Some of the shares of stock are held as collateral

for the loans. The various employers in the Alliance group make yearly contributions to the Alliance ESOP, which in turn repays interest and principal on such loans. Shares are then released from the Alliance ESOP loan suspense accounts (where they are held as collateral) and allocated to individual participant accounts.

How are an ESOP's shares valued? If the sponsoring company is publicly held, the value of the shares is established every day by the stock market. Because Alliance is privately held, however, the shares of stock held in the Alliance ESOP are valued each year as of December 31 by an independent appraiser hired by the Alliance ESOP trustee.

When are shares owned by an ESOP distributed? Distribution of shares owned by an ESOP is made according to the ESOP plan and trust document, in accordance with the various provisions of the Code and ERISA. First, the shares of stock allocated to a participant's account must "vest." Vesting is a process whereby an increasing percentage of a participant's accounts become nonforfeitable over the period of his or her employment. Second, a participant must have a distribution event, such as retirement, death, disability, or termination of employment. Depending upon provisions in the ESOP plan and trust document, distributions may be delayed for several years until the exempt loans used to purchase such shares are paid off.

How are ESOP shares distributed? Distributions of participants' ESOP accounts are generally made in the form of shares of employer stock. Fractional shares may be distributed in cash.

What can a participant do with the stock received as a distribution? ESOP plan and trust documents of non-publicly traded companies (such as Alliance) contain a provision called a "put" option, which requires the participant's employer to purchase the employer stock from the participant after distribution. Once any restrictions have been removed, a participant can:

- Sell the shares to the participant's employer and receive a check for the proceeds less any applicable tax withholding.
- Roll the shares into an Individual Retirement Account (IRA) or into another employer's qualified plan, if that plan accepts rollovers, and have such IRA or qualified plan exercise the put option.

What are a participant's rights regarding the voting of shares? The shares of company stock in an ESOP are actually owned by the ESOP trustee. Therefore, participants generally do not have the right to vote directly. However, in certain situations participants may direct the ESOP trustee to vote their allocated shares. For example, if Alliance were to merge into another corporation or sell substantially all of its assets, the Alliance ESOP participants could direct the Alliance ESOP trustee as to the voting on such matters with respect to their allocated shares of Alliance Stock.

Additional ESOP questions of a general nature may be submitted to the "ESOP Insights" column.

ESOP

Insights...

Beneficiary Designation Forms— What are they and why do I need to fill one out?

What is a beneficiary?

Your beneficiary is the person or persons you can designate who will receive your retirement benefit in the event of your death.

Why do I need to designate a beneficiary?

You need to have a designated beneficiary on record with our office so, if you die, the plan can pay out your ESOP benefit in accordance with your wishes. If you do not designate a beneficiary, your vested ESOP account balance will be paid to your estate and, therefore, be part of your probate estate.

How does my marital status affect my beneficiary designation?

If you're married, your spouse is considered to be your beneficiary for your vested ESOP account, unless you name a different beneficiary (and your spouse consents to your naming another individual). If you're single, you can name anyone as your beneficiary.

Can I name my estate as beneficiary?

It's usually not advisable to name your estate because the proceeds will have to pass through probate and payment of them will be held up. If you name a specific individual, the proceeds will be paid directly to him or her upon your death without delay.

Can I change my beneficiary designation?

You may change your beneficiary at any time. If you have experienced a change in your life, such as the arrival of a new family member, a marriage or divorce, or the death of a loved one, you may wish to update your beneficiary designation.

Your new designation will become effective as soon as it is received by the ESOP administrator. It is your responsibility to keep your beneficiary designation up-to-date.

What's the difference between a "primary" and a "contingent" beneficiary?

Your primary beneficiary is the person first entitled to your vested account at your death. If your primary beneficiary dies before you (and thus before any proceeds are paid), your contingent beneficiary takes his or her place. If both your primary and contingent beneficiaries die before you, your estate would receive your vested account balance.

Can I have more than one primary and/or contingent beneficiary?

Yes. You can designate the percentage payable to each individual beneficiary.

Where can I get help in completing my beneficiary designation?

Because your vested ESOP account is part of your assets for estate planning purposes, it's important to consult your tax, legal, or other advisor.

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Watch Us Grow!

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