

Alliance News



A periodic report to
our ESOP participants



NEWS

Alliance launches *Next Step* communications program to help accelerate growth



Our current operating companies had to learn about Alliance Holdings the hard way. Sit through numerous meetings. Ask a lot of questions. Take a ton of notes. And try to make sense of a business model that's unlike anything you've ever seen before.

Watching smart people struggle to comprehend our offering, we finally realized that what we were doing was a little like trying to teach college chemistry without a textbook.

Clearly, it was time to organize and improve the way we communicate our benefits. Fortunately, that's a key strength of Alexander Marketing Services, an existing member of the Alliance family.

AMS helped us develop an integrated set of marketing communications materials around a unified theme: The Next Step for Mature ESOP Companies.

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Spotlight on ALEXANDER MARKETING SERVICES



It was 1965 when Jim Alexander decided to open an advertising agency. Since Jim's degree was in mechanical engineering—

and his first client made specialized pumps for the chemical industry—it was clear from the beginning that this would be a different kind of ad agency.

Instead of writing jingles and creating TV commercials, Alexander Marketing Services focused on the art and science of business-to-business communications. Today, clients include divisions of global companies like Dow Chemical and Siemens. Ads created by AMS can be found in national and international trade publications like Chemical Engineering, Pharmaceutical Technology, Building Operating Management, and Government Product News.

AMS writers and artists excel at communicating effective selling messages in ads, brochures and direct mail campaigns aimed at engineers, scientists, and business managers. In recent years, web sites and other electronic media have become a large part of the agency's offering.

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Alliance launches *Next Step* communications program to help accelerate growth *continued*

We now have four colorful brochures that support different phases in our marketing program, a totally new web site, plus a graphically consistent template for building customized business presentations. Each piece of the program helps business executives better understand the advantages we offer and our plans for the future. With these new materials carrying more of the educational load, our corporate staff can now concentrate more efficiently on the details that are unique to each prospective company.

Our new focus on industrial and construction manufacturing

Among other things, the Next Step program clarifies our criteria for future acquisitions. We're now focusing on companies whose primary business is manufacturing of construction or industrial products. Building a portfolio of diverse but similar companies will provide more opportunities for knowledge sharing and synergistic growth.

Visit our new web site at www.allianceholdings.com



If you haven't been to our site lately, be sure to check it out. The new site was built entirely with Flash technology. This requires some loading time, depending on the speed of your connection. But after the animated introduction, which highlights our Next Step theme, you can move quickly through the rest of the site. There you'll find a traditional menu-driven structure—with just enough animation to be “cool”—but without detracting from readability or our ability to update content.



Spotlight on ALEXANDER MARKETING SERVICES

continued

Several years prior to his retirement, Jim found a win-win solution for himself and his employees. He set up an ESOP, which borrowed money to buy his stock in the company. As the loan was repaid from company profits, the stock was distributed to employees.

Eventually, the company began to receive inquiries from large consumer agencies looking to acquire a successful business-to-business agency. AMS managers evaluated the alternatives and chose the best next step for the company's growth. On July 1, 2001, AMS became part of the Alliance Holdings family.

Keeping the same name allowed Alexander Marketing Services to continue enhancing its reputation. In March, 2003, AMS was named by BtoB Magazine as one of the top 50 business-to-business agencies in the country.

Headquartered in Grand Rapids, Michigan, the company also maintains a Chicago-area branch office in Buffalo Grove, Illinois.

ESOP Insights...



A Short History of the ESOP

The employee stock ownership plan (ESOP) concept was developed in the 1950s by lawyer and investment banker Louis Kelso, who argued that the capitalist system would be stronger if all workers, not just a few stockholders, could share in owning capital-producing assets. However, few companies took up Kelso's ideas because an ESOP's authority to borrow money to buy stock for participants was based on IRS rulings and had no clear statutory authorization.

In 1973, Kelso convinced Senator Russell Long, chairman of the tax-writing Senate Finance Committee, that tax benefits for

ESOPs should be permitted and encouraged under employee benefit law. Soon, federal legislation promoting ESOPs appeared, most importantly the Employee Retirement Income Security Act of 1974 (ERISA), which governs employee benefit plans and established a statutory framework for ESOPs.

In the following years, the number of ESOPs expanded dramatically now that sharing ownership was in the economic self-interest of company owners. From time to time since then, Congress has modified the laws governing ESOPs, most notably in the Tax Reform Acts of 1984 and 1986, the

Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Economic Growth and Tax Relief Reconciliation Act of 2001.

There are now about 11,000 ESOPs and similar plans (stock bonus plans) covering over 8.5 million employees. ESOPs are found in publicly traded and closely held companies of every size; however, most such companies have over 15 or so employees due to the costs of setting up and administering an ESOP.

Source: The National Center for Employee Ownership

Profile



Chris Beaudoin
Senior Account Manager
Alexander Marketing Services

With 24 years of service, Chris has contributed to Alexander Marketing's growth from a regional industrial agency to a national business-to-business powerhouse.

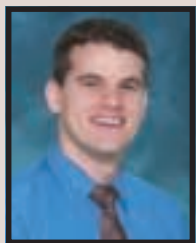
Chris holds a degree in Scientific and Technical Communication from Michigan Technological University. It's an unusual degree and it gives him a conversance with technology that's rare in the advertising business.

Most of Chris's work has focused on serving chemical industry accounts like The Dow Chemical Company and Reilly Industries. These involve products like water-soluble polymers, catalysts, chemical intermediates, solvents, antimicrobials, and surfactants. Chris also serves ESPEC North America, a world-class manufacturer of environmental test chambers.

Most of the day-to-day work, says Chris, "isn't pure chemistry as much as it is a blend of physics and marketing. You've got to be able to interpret very specialized performance data and understand which market segments should care...and why. That's how you create selling tools with real conviction and persuasive power."

Around the agency, Chris is the go-to guy when other staffers need help understanding complex technologies. If he doesn't have firsthand knowledge of a subject, he knows where and how to find the answers.

Away from work, Chris and his wife Leslie are occupied full-time with raising their two children, ages four and five. Their interests include international food, camping, music, film, and muscle-powered boats.



Welcome Jeremy Smith

In 2003 we added a fresh face to our corporate staff. Jeremy Smith's title is Manager, Financial Analysis; but he also plays a key role in due diligence and marketing.

Jeremy began his career as a market research analyst for a company that forecasts the sales potential of new product launches. He then joined an investment bank in Manhattan, where he gained considerable experience with middle market mergers and acquisitions, financial restructurings, and corporate valuations. A graduate of Emory University, Jeremy has been married less than two years.

While Jeremy's professional life has focused on minimizing risk, he's a bit of a risk-taker at home. Born and raised in Cleveland, and still living in Ohio, Jeremy publicly roots for the Chicago Bears and the Chicago Bulls.

Alliance Holdings retains top ESOP advisor

Alliance Holdings is forming a board of advisors and has named Ronald Ludwig, considered by many to have been the dean of America's ESOP lawyers, as the first member of the board.

Before retiring from the practice of law in San Francisco (1973-99), Mr. Ludwig was nationally acknowledged as a leading legal authority on employee stock ownership plans. He has written and lectured extensively on ESOPs and employee ownership issues over the past 30 years. He has testified on numerous occasions before the U.S. Senate Committee on Finance and the U.S. House of Representatives Committee on Ways and Means regarding ESOP legislation and before the Internal Revenue Service regarding ESOP regulations. He currently serves as a member of the Boards of Directors for several ESOP companies.

After receiving degrees from Duke University (A.B. in Political Science, 1965) and the University of Michigan Law School (J.D., 1968), Mr. Ludwig became a Tax Law Specialist with the Internal Revenue Service, National Office Pension Trust Branch (1968-69) and practiced employee benefit law in Washington, DC (1970-73). He also

served as an Adjunct Professor ("Pensions and Deferred Compensation") at Georgetown University Law Center, in Washington, DC (1971-73), and as a Lecturer in the LL.M. Tax Program ("Employee Retirement Plans") at Golden Gate University School of Law, in San Francisco (1981-84). He served on the Advisory Committee for the U.S. General Accounting Office studies on ESOPs (1984-86).

Mr. Ludwig was a founding member of The ESOP Association (Washington, DC), where he served as Chair of the Legal Advisory Committee (1978-86), Special Counsel to the Executive Committee (1986-94), member of the Legislative & Regulatory Advisory Committee (since 1986) and a founding member of the Steering Committee of the California/Western States Chapter (1988-99). In 1992, The ESOP Association awarded him its Life Service Award.

Since 1989, Mr. Ludwig has served on the Editorial Advisory Board of The Journal of Employee Ownership Law and Finance, published by the National Center for Employee Ownership (Oakland, CA), which he joined as a member in 1981. He is also on the Board of Counselors of the Center for Economic and Social Justice (Washington, DC).

New Manager of Human Resources

As we go to press in January 2004, Barbie L Paul just became our Manager of Human Resources. With a strong background in employee benefits management, retirement plans, and general human resource issues, Barbie fills a critical position at Alliance Holdings. Learn more about Barbie in our next issue.

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