

Alliance News



A periodic report to
our ESOP participants



NEWS

The Spencer Turbine Company Joins the Alliance Family

Alliance Holdings is pleased to announce the addition of The Spencer Turbine Company (www.spencerturbine.com) to its portfolio of subsidiary companies. Founded in 1892, Spencer Turbine is a leading U.S. manufacturer of air and gas handling equipment used worldwide in critical industrial, municipal, commercial and institutional applications. The company operates its modern 200,000 sq. ft. world headquarters, engineering center and manufacturing facility in suburban Windsor, Connecticut. All research, engineering and manufacturing operations are conducted at this centralized facility to assure total compliance with the company's stringent quality standards.



Spencer is recognized for its leadership in developing low to high pressure blowers and vacuum systems that meet the demands of continuous-duty chemical processing and wastewater treatment, combustion air delivery, pulp and paper processing, petroleum desulfurization, and pharmaceutical processing. Significant innovations include the first gas boosters approved for use in nuclear breeder reactors and Power Mizer® blowers that feature uniquely-shaped cast aluminum impellers for increased energy efficiency.

Spencer also pioneered the development of heavy-duty vacuum systems, including central and mobile vacuum systems for industrial and commercial applications.

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Alliance Helps "Light the Night"



Alliance Holdings has become a sponsor for The Leukemia & Lymphoma Society's "Light the Night" Walk.

The Leukemia & Lymphoma Society is the world's largest voluntary health organization dedicated to funding blood cancer research and providing education and patient services. Every five minutes someone is diagnosed with some form of blood cancer, more than 106,000 new cases are expected each year, more than 300 people a day.

The Light the Night is a national fundraising campaign to commemorate and celebrate lives touched by cancer. Light the Night is a 2-3 mile evening walk where participants carry illuminated balloons as a glowing symbol of hope. Before the Walk, participants are invited to share in food, live entertainment and fun!

We would like to invite your organizations to participate in a Light the Night Walk in your area. As a subsidiary of Alliance Holdings you would be joining in our company's commitment to our communities and its citizens. Your organization can participate by organizing teams of employees to raise funds and walk in the event.

There are more than 747,000 people in the United States and Canada who have blood cancer. Our participation in Light the Night will make an important difference in their lives.

For more information visit www.lightthenight.org.

The Spencer Turbine Company Joins the Alliance Family ...continued

From clean rooms in high tech manufacturing to the auto body shop around the corner, Spencer vacuum systems handle the big cleaning jobs and provide “vacuum utility” for vacuum hold-down, vacuum-assisted sanding, welding fume removal, hospital waste removal, and pneumatic conveying applications.

Solving the engineering problems that others avoid

Over a century ago, Ira Hobart Spencer started his company by solving a tedious engineering problem: manually pumping a wind supply for the pipe organ at his church every Sunday. In search of a better idea, he invented a water-powered hydraulic engine to pump air. The flourishing business of installing “water motors” for church organs eventually grew to include electric-powered systems. Spencer’s subsequent experiments on air handling and vacuum systems resulted in a multitude of new technologies and products.



Today, Spencer leads the industry with highly engineered, custom designs that meet the most demanding operating conditions, including the handling of corrosive and toxic gases at very high temperatures under extreme pressures. The company’s engineering center offers comprehensive customer testing including ASME code testing, UL certified leak testing and finite element analysis. Research and development services feature an extensive database on product and material conveying characteristics ranging from tennis balls and pharmaceutical capsules to powders used in manufacturing processes.

Please welcome Spencer’s 157 employees to the Alliance family!

Profile

The Spencer “CAT”



Spencer Turbine has earned a reputation as being innovative. In addition to the unique air handling solutions they offer, they have also taken a unique approach to employee communications.

In 1998 Spencer formed a Communications Advisory Team (CAT) designed to facilitate two-way communication between employees and management. The CAT is a volunteer group made up of three facilitators and seven employees from Spencer’s factory and office. In addition to communicating new policies and changes in existing policies they provide feedback regarding employee meetings that bring forth questions or concerns. The group also organizes employee and charity events.

“We have found that informed employees working together as a team create a more positive workforce. Many times employees are more comfortable talking to one of their peers about issues that they need clarified or more information on,” said Kathi Fenny, Spencer’s Human Resources Manager.

Current employees on the CAT (pictured above) include Jimmie Junious, Fan Fabricator (25 years of service); Lee Hammitt, Customer Service Specialist (15 years of service); Stuart Rowley, Shop Floor Control/Inventory Specialist (2 years of service); Fred Levy, Product Engineering Coordinator (20 years of service); Bruce Lescell, Process Planner (25 years of service); Linwood Johnson, Tester (29 years of service); and Ray Casiano, Assembler (3 years of service).

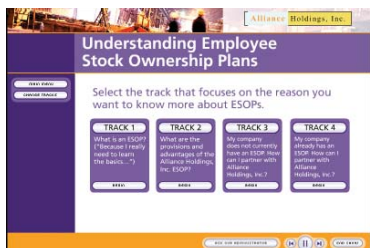
CAT facilitators are Barbara Woods, Human Resources Administrator (8 years of service); Kathi Fenny, Human Resources Manager (7 years of service); and David Earley, Senior Vice-President (19 years of service).

“The CAT has evolved over the years to be a pivotal link in the communication chain. They have worked hard to enhance the channels of communication between all levels of the company by creating new ways of receiving and providing information. They have become an integral part of the way information is disseminated,” said Fenny.

ESOP *Insights...*



New Interactive Web Tutorial Introduced



Alliance Holdings is pleased to announce that an interactive tutorial program is now available through the company's website at www.allianceholdings.com.

The presentation is designed

to make sure that potential and existing Alliance operating companies and their employees all have access to the latest details and benefits of our ESOP program. Segmented into four different tracks, Alliance's interactive tool addresses the many different perspectives of those considering or involved in our ESOP, in a format that's easy to understand and use. The viewer is able to navigate at their own pace through each track or with the help of the navigational tool.

The first track of the tutorial provides the basics of employee stock ownership plans including the way they are set up, how they operate, and the tax incentives that may be realized through an ESOP. The second track is specifically designed for existing employee owners in the Alliance family of companies.

This track provides insightful answers to questions relating to the unique structure of Alliance Holdings, the definition of a holding company, who is eligible to participate in the Alliance ESOP, annual allocations, and employee vesting.

The third and fourth tracks of the tutorial speak to employers who are looking to partner with Alliance. Companies who do not currently have an ESOP will find many answers to their questions in track three, while track four is designed for companies that currently have an ESOP in place. Both tracks present a number of significant benefits that being a part of the Alliance ESOP would offer.

Development of this tutorial is particularly noteworthy because our ESOP is so uniquely designed that general information available about other types of ESOPs is occasionally not applicable. Unlike other programs, we offer a diversified ESOP, allowing members to participate in the ownership of all of the Alliance companies.

A View of the Market

By Ken Wanko – Director, Acquisitions



As you know, Alliance Holdings recently purchased The Spencer Turbine Company, making Spencer the 7th company under the Alliance umbrella. What you may not know is that a significant portion of Alliance's stated growth strategy is to acquire additional strong companies throughout the country.

Because we have this stated strategy, many of you may ask why we are not acquiring more companies in a shorter amount of time.

The answer to this consists of various parts, including our aversion to undue risk and highly selective investment criteria. However, the most critical aspect to our ability to acquire new companies is the state of the Mergers & Acquisitions market.

Over the past few years, the M&A market has heated up and prices for good companies have increased. Prices for companies typically go up and down based on the strength of the overall economy, availability of lower priced credit (debt), and the sheer number of buyers out there.

The economy, though far from hot, has been in an expansion mode since 2003. This expansion has allowed many companies to increase their sales and profits, thereby making them much more valuable to any prospective acquirers.

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A View of the Market

The credit markets have been just as kind to prospective acquirers as they have to prospective homeowners. Just as you may have been able to buy that “dream” house with little money down two years ago, acquirers have enjoyed the same availability of credit to finance purchases of companies. This not only allows acquirers to pay more, it also allows them to put less of their own money into acquisitions so they can acquire many more companies.

Finally, there are simply more buyers in the market. Many of you have become familiar with the term “private equity”, especially since the latest string of acquisitions including the purchase of Chrysler by Cerberus Capital. These groups are private investment funds that acquire companies with the hopes of earning a high return on the investment. Because these groups provided their investors with strong returns through the 1990’s, more money has flowed into these groups with the number of funds expanding tremendously. The flip side is there just aren’t that many more companies to buy. Therefore, more buyers are chasing the same number of companies causing prices to go up.

With all of this said, it is easy to see why Alliance is not trying to buy every company we review. It is our belief that prices for many companies are outside of a “normal” value range and that it will be impossible to generate the investment returns that are necessary to justify the risk of an acquisition. Because of this, and because Alliance has the luxury of being selective, it is easy to understand why we sometimes wait until we find the “diamond in the rough”, like Spencer.

Alliance Profile

Kathleen Wheeler, Assistant Controller



Most of us would rank important moments like moving, starting a new job, and the decision to get married among life’s most stressful events.

For Kathleen Wheeler, an assistant controller with Alliance Holdings, though, change is nothing new. Part of an Air Force family, Kathleen has had the opportunity to grow up all over the world. So the decisions she made to move, take a job with Alliance Holdings, and marry her fiancé Danny may have been a lot less stressful for her than for some of us.

Kathleen joined Alliance Holdings in November 2005. She is responsible for consolidating and preparing monthly financials for Alliance and its subsidiaries, as well as providing audit and general accounting support. Having previously worked primarily for professional service groups, Kathleen has found it interesting to learn more about how a holding company works.

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Portfolio Companies

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Web Site: www.accordindustries.com
A leading manufacturer of concrete poles for transmission, distribution, lighting, and communication

Alexander Marketing Services

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Fax: 616-957-3514
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Marketing agency specializing in business-to-business communications

The Sharon Companies, Ltd.

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Designers and producers of commercial steel stair and railing systems

Southern Manufacturing

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Telephone: 800-866-5699
Web Site: www.southern-manufacturing.com
A recognized leader in standard and custom metal fabrication for traffic control enclosures

The Spencer Turbine Co.

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Fax: 860-688-0098
Web Site: www.spencerturbine.com
A premier manufacturer of blowers and vacuum systems used in critical industrial, municipal, and commercial applications

Trachte Building Systems, Inc.

314 Wilburn Road
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Universal 100 Products

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Manufacturer of over 200 PVC pipe products, including 40 P.E.P.™ Purple Environmental Pipe