

**ALLIANCE HOLDINGS, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

**SUMMARY PLAN DESCRIPTION**

**FOR EMPLOYEES OF:**

**ACCORD INDUSTRIES, LLC  
A.H.I., INC.  
A.H.III, INC.  
ALLIANCE HOLDINGS, INC.  
DESIGN TANKS, LLC  
SPECTRAL RESPONSE, LLC  
THE SPENCER TURBINE COMPANY**

**JANUARY 1, 2013**

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**1. INTRODUCTION**

Alliance Holdings, Inc. (“Alliance”) sponsors the Alliance Holdings, Inc. Employee Stock Ownership Plan and Trust (the “Plan”). Eligible employees of Alliance and certain affiliated companies are entitled to participate in the Plan. Participants benefit, in accordance with the terms of the Plan, from an accumulation of stock of Alliance and that of an affiliated corporation, AH Transition Corporation (“AH Transition”). The Plan provides for substantial employee participation in the ownership of Alliance and AH Transition.

On August 11, 2009, Spectral Response, LLC became a related company of Alliance and a participating employer in the Plan; on October 31, 2009, Design Tanks, LLC became a related company of Alliance and a participating employer in the Plan.

Employees of several former affiliates were previously entitled to participate in the Plan as follows:

<b><u>Former Employer</u></b>	<b><u>Dates of Participation</u></b>
Akal Payroll, Inc.	December 28, 2006 through December 31, 2011
Alexander Marketing Services, Inc.	July 1, 2001 to April 30, 2008
Automotive Resources, Inc.	November 17, 2005 through November 17, 2007
Cahill Controls, Inc.	December 28, 2011 through December 31, 2012
CFS Services, Inc.	December 23, 2002 through December 31, 2006
Computer Methods Corp.	January 22, 2002 to July 22, 2004
DM Sabia & Company, Inc.	December 28, 2010 through December 31, 2012
Eagle Employee Leasing Company, Inc.	December 19, 2005 through December 19, 2009
Griffin Sign, Inc.	December 13, 2011 through December 31, 2012
JDS Associate Services, Inc.	December 17, 2004 through December 17, 2007
Lazy Days R.V. Center, Inc.	July 15, 1999 to June 17, 2002
Mail Marketing Systems, Inc.	December 1, 1995 to October 26, 2000
Metalform Acquisition, LLC	December 28, 2010 through December 31, 2012
Mortgage 1, Inc.	December 31, 2010 through December 31, 2011
Norris Sales Company, Inc.	December 28, 2010 through December 31, 2012
Northstar Capital Markets Services, Inc.	December 1, 2010 through October 1, 2012

<u>Former Employer</u>	<u>Dates of Participation</u>
Panhandle-Plains Management & Servicing Corporation	January 1, 2001 through July 13, 2012
Paradise Marine of Melbourne, Inc.	July 15, 2000 to December 29, 2003
Philadelphia D&M, Inc.	December 28, 2010 through December 31, 2012
R-B Financial/Mortgages, Inc.	December 15, 2004 through December 14, 2005
Spring Garden Carpentry, Inc.	December 28, 2010 through December 31, 2012
Spring Garden Construction, Inc.	December 28, 2010 through December 31, 2012
TDCI, Inc.	December 8, 2004 through December 8, 2007
	December 27, 2010 through December 31, 2012
Techni-Tool, Inc.	January 1, 2006 through December 31, 2007
The Sharon Companies, Ltd.	April 5, 1999 to June 2, 2008
Tracey Mechanical, Inc.	December 13, 2011 through December 31, 2012
Trachte Building Systems, Inc. <sup>1</sup>	September 18, 2002 through August 29, 2007

Alliance, AH Transition, and those of their affiliated companies that have adopted the Plan, may sometimes be referred to in this Summary Plan Description booklet collectively as the “Employers” and individually as an “Employer.”

The Plan currently holds shares of common stock of Alliance and common stock of its affiliate, AH Transition. The Plan formerly held shares of common stock of Computer Methods Corp. (“CMC”), which was an affiliated corporation. In July of 2004, shares of CMC stock held by the Plan were sold. As a result of this transaction, the Plan no longer holds any shares of CMC stock, and CMC is no longer an affiliated company.

The primary purpose of the Plan is to provide benefits to you or your beneficiary upon your retirement, disability or death. The Plan also provides benefits to vested participants upon termination of employment.

In this Summary Plan Description booklet, certain terms, such as “Plan Year,” appear in many places. These terms are defined in the text of this Summary Plan Description the first time they appear.

Formal legal documents specify the rules governing the Plan. The Plan Administrator has copies of these documents and they are available for your inspection. To save you the trouble of trying to read and understand the technical, legal jargon that is typical of these types of documents, we have prepared this Summary Plan Description booklet. It identifies the Plan provisions that should be of greatest interest to you and explains them in a question and answer format.

**Because this Summary Plan Description booklet is a summary only, it does not describe all of the provisions of the Plan and all of the possible fact situations that may occur. Therefore, in the case of any conflict between the content of this Summary Plan Description booklet and the content of the Plan itself, or in the case of the omission in this Summary Plan Description booklet of a discussion of any Plan provisions, THE TERMS OF THE PLAN ITSELF (AND NOT THE LANGUAGE OF THIS SUMMARY PLAN DESCRIPTION BOOKLET) SHALL CONTROL.**

## 2. WHAT IS THE PLAN?

The Plan is a retirement plan providing benefits to employees of participating Employers. The participating Employers are listed in the Information Index at the end of this Summary Plan Description booklet.

The Plan is an employee stock ownership plan and trust. Under the Plan, an Account is set up for each participant to which accrued benefits are credited. The Plan is considered “leveraged” because it

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<sup>1</sup> Includes subsidiary companies Fire Facilities, Inc., Trac-Rite Door, Inc. and Store-N-Save Self Storage, Ltd.

borrowed money to purchase Alliance stock. Each year, the Employers make contributions to the Trust. The Trustee uses these contributions to pay principal and interest on the Plan's loans. As the Plan's loans are repaid, Alliance stock that is owned by the Plan is allocated to participants' Accounts. Any increase or decrease in the value of the Alliance stock and the AH Transition stock will be shared by those employees who are participants in the Plan in the form of increases or decreases in value of their Account balances under the Plan.

### **3. HOW IS THE PLAN ADMINISTERED?**

A Plan Administrator is named in the Plan and is given the responsibility to manage the operation and administration of the Plan (except as to investments). Among other things, the Plan Administrator determines the eligibility of each employee to participate, supervises the payment of benefits and interprets the provisions of the Plan.

If you have any questions about the Plan, contact the Plan Administrator. The Plan Administrator will communicate with you time to time concerning your Account under the Plan and any special considerations about your participation.

See the Information Appendix at the end of this Summary Plan Description booklet for the name and address of the current Plan Administrator.

### **4. HOW DO I BECOME ELIGIBLE TO BECOME A PARTICIPANT IN THE PLAN?**

If the terms of your employment with your Employer are not determined through collective bargaining, you are considered an eligible employee. All eligible employees who were employed by an Employer on the date as of which it adopted the Plan began participation in the Plan on that date. The first effective date of Plan participation for employees of each Employer is listed in the Information Appendix at the end of this Summary Plan Description booklet. For employees of former affiliates, the last date of Plan participation is also listed in the Information Appendix.

### **5. WHEN DO I BEGIN PARTICIPATING IN THE PLAN?**

Your enrollment in the Plan is automatic on your first day of employment (or reemployment) by a participating Employer. The Plan Administrator may require that you complete certain forms and provide specific information that will be used to administer your Account under the Plan.

### **6. WHO PAYS FOR THE PLAN?**

The Plan is paid for by the Employers. Employees who participate in the Plan are not required or permitted to make contributions to the Plan.

### **7. HOW ARE THE CONTRIBUTIONS TO THE PLAN DETERMINED?**

The determination of the amount of the Employers' contributions for a Plan Year (the calendar year) is dependent on several factors. As explained above, the Plan is a "leveraged ESOP" and thus has entered into special financial arrangements called "exempt loans," the original proceeds of which have been used to purchase Alliance stock. Once the Plan acquires Alliance stock with the proceeds of the exempt loans, those securities are allocated and held in a special Account called a "Suspense Account" pursuant to regulations issued by the Internal Revenue Service.

Each Plan Year (calendar year), as the Plan's exempt loans are repaid, Alliance shares are released from the Suspense Accounts and allocated to the Accounts of participants who are entitled to share in the Employers' contribution for that Plan Year.

The Plan acquired the stock of AH Transition in exchange for some of the Alliance stock formerly held by the Plan. At this time, no shares of stock of AH Transition are held in any of the Suspense Accounts, and no AH Transition stock is being allocated to participants currently. However, your Account may contain stock of AH Transition if the Alliance shares in your Account were exchanged

for shares of AH Transition. Your Account may also receive an allocation of AH Transition stock or other assets that are forfeited from other participants' Accounts.

The following types of Employer contributions may be made under the Plan:

- Contributions to Pay Exempt Loan Principal and Interest. On or before the due date for any exempt loan payment, the Employers will contribute to the Plan the amount necessary to enable the Plan to make the principal and interest payments on such exempt loan.
- Additional Employer Contributions. If it is determined that the Employers would be financially able to make a contribution *in excess of* the amounts required to pay principal and interest on the exempt loans, the Employers, may, in their sole and absolute discretion, elect to make additional contributions to the Plan.

All contributions to the Plan are subject to Internal Revenue Service limits on deductible contributions.

#### **8. CAN PARTICIPANTS CONTRIBUTE TO THE PLAN?**

No. Participants are not allowed to contribute to the Plan.

#### **9. WHAT IS MY SHARE OF THE EMPLOYERS' CONTRIBUTION?**

The amount that the Employers contribute to the Plan each year is divided among you and the other participants in the Plan. The contributions are allocated to Accounts established for you and each of the other participants.

For your Account to receive an allocation for a Plan Year, you must have done at least one of the following during the Plan Year for which the contribution is made:

- Completed one hour of service and received compensation of \$200.00 or more; or
- Retired (at or after your normal retirement date, which is the last day of the month in which you reach age 65), or experienced total disability or died during the Plan Year; or
- Were an active employee or on excused absence at the end of the Plan Year and received compensation of \$200.00 or more during the Plan Year.

Allocations to your Account are based on the ratio that the compensation paid to you as a Plan participant during the Plan Year bears to the compensation of all Plan participants who are eligible to receive an allocation for the Plan Year.

For purposes of determining the allocation to your Account, your compensation includes salaries and wages, overtime pay, bonuses, commissions and taxable non-cash compensation, as well as any elective contributions you choose to make to any salary reduction plan (such as a "cafeteria" plan). Compensation also includes "post-severance compensation," which are amounts that: (i) would have been included in your compensation if the amounts were paid to you prior to your separation from service; and (ii) are paid to you by the later of 2½ months after your separation from service, or the end of the Plan Year in which your separation from service occurred. Compensation also includes differential wage payments paid to you for any period of active military service in the uniformed services of the United States for more than thirty (30) days. A maximum annual amount of \$255,000 for 2013 (as thereafter adjusted in accordance with Internal Revenue Service regulations) is taken into consideration as compensation.

For example, if your compensation as a Plan participant for the Plan Year is \$25,000, and the total compensation of all eligible participants during the Plan Year is \$1,000,000, your Account would be allocated 2.5 percent (i.e., \$25,000 is 2.5 percent of \$1,000,000) of the Alliance shares released from the Suspense Accounts for such Plan Year. Thus, under this illustration, if \$35,000 worth of Alliance shares

were released the Suspense Accounts, your Account would be allocated \$875 worth of such shares (i.e., 2.5 percent of \$35,000 worth of shares).

Your Account may also be increased each year by funds that are forfeited by participants who terminate employment with an Employer without being fully vested in their Accounts.

There are certain Internal Revenue Service rules to ensure that employee benefit plans do not disproportionately favor highly compensated employees. The Plan would be “top heavy” in any Plan Year in which the Account balances of the “key employees” comprise more than 60 percent of the total Account balances under the Plan. The key employees are certain officers and owners of the Employers. If the Plan is “top heavy” for any year and you are a non-key employee for that Plan Year, you may be entitled to certain minimum allocations of up to 3 percent of your compensation for that Plan Year. The Plan Administrator will provide you with information from time to time as to whether the Plan is a “top heavy” plan.

#### **10. IS THERE AN ANNUAL LIMIT ON THE AMOUNT ADDED TO MY ACCOUNT?**

The Internal Revenue Code places limitations on the maximum amount of allocations that may be credited to your Account for any Plan Year. For 2013, your allocations may not exceed the *lesser* of (i) \$51,000 or (ii) 100 percent of your compensation for the Plan Year. In determining whether the limit has been exceeded, the amounts allocated to your Account, as well as to your account under any other Employer-sponsored retirement plan, are considered.

The Plan’s AH Transition stock is also subject to special nondiscrimination rules that prohibit certain allocations to “disqualified persons.” The Plan Administrator will take steps necessary to prevent a prohibited allocation of AH Transition stock to disqualified persons. You will be notified if these special rules affect your Accounts.

#### **11. DO I OWN THE SHARES IN MY ACCOUNT?**

No. The Plan trust owns all shares of company stock held in the trust, and the Trustee is the legal shareholder. The Trustee has the responsibility to care for those assets and to guard the participants’ interest to the extent provided by the Plan. The Trustee does not administer the Plan. The Trustee is responsible for investing the assets of the Trust. The name of the current Trustee is set forth in the Information Appendix at the end of this Summary Plan Description booklet. Since the Plan is an employee stock ownership plan, the trust is invested primarily in securities of the Employers, and, therefore, currently consists primarily of Alliance stock and AH Transition stock. Your Account may also have a small amount of other assets held in a “Cash Account.” While the Trustee will make every reasonable attempt to preserve the assets of the Plan and to secure a favorable investment return, no guarantee is made as to the rate of return, if any, that will be achieved. Investments made by the Trustee may also involve some risk of loss to the principal assets of the Plan.

#### **12. HOW DO I KNOW THE VALUE OF MY ACCOUNT?**

At the end of each Plan Year (and, at the Plan Administrator’s discretion, at interim dates), the assets of the Plan will be valued. The value of the Alliance stock and AH Transition stock owned by the Plan will be determined annually by an independent appraiser. Following a valuation, your Account will be allocated with your pro rata share of any earnings and investment gains (or losses) of the Plan for the valuation period. Account balances may be reduced by adverse investment experience of the trust fund, by any taxes assessed against or payable by the Plan, and by administrative costs incurred by the Plan and not paid directly by the Employers. However, if you have a Cash Account, your Cash Account will not be adjusted for any investment gains or losses during the year in which you receive a final distribution your Cash Account.

Following the end of each Plan Year, you will receive a statement of your interest under the Plan as of the end of the Plan Year. This statement will indicate the number of shares of Alliance stock and

AH Transition stock allocated to your Account during the Plan Year, the total number of shares in your Account at the end of the Plan Year, and the fair market value of those shares, as determined by the independent appraiser. The statement will also show any cash or other investments allocated to your Cash Account. You will continue to receive an annual statement, even if you no longer work for an Employer, until your Account is either distributed to you or forfeited.

**13. MAY I DIRECT THE INVESTMENT OF MY ACCOUNT UNDER THE PLAN?**

No. You may not direct the investment of your Account under the Plan. All investment decisions are made by the Trustee.

**14. DO I HAVE VOTING AND OTHER RIGHTS FOR ALLIANCE STOCK AND AH TRANSITION STOCK ALLOCATED TO MY ACCOUNT?**

Generally, the Trustee votes the shares of stock held in the trust. The Trustee has a fiduciary responsibility to vote prudently and solely in the best interest of the participants. Therefore, the Trustee votes as the shareholder in all routine matters, and has an obligation to ensure the Plan is operated in the best financial interest of Plan participants.

On certain major issues, such as a merger involving Alliance or a sale of substantially all of its assets, you may direct the Trustee as to how to vote the shares in your Account.

**15. MAY I BORROW FROM THE PLAN?**

No. The primary purpose of the Plan is to invest primarily in Employers' stock and to provide for the accumulation of a retirement fund for you, and borrowing from the Plan is not permitted.

**16. MAY I WITHDRAW ANY PORTION OF MY ACCOUNT WHILE I AM EMPLOYED?**

Generally, no. Distributions from the Plan will only be permitted after you terminate your employment with the Employer. However, if you have been an active participant in the Plan for at least 10 years, you may elect, after you reach age 55, to have a portion of your Account balance that is invested in Alliance stock and AH Transition stock diversified, in accordance with the requirements of the Internal Revenue Code. Your participation in the Plan is counted from the date of your actual participation in the Plan, even if you are credited with periods of service before your actual participation (for example, because you worked for your Employer before the Employer began participating in the Plan).

Once eligible, you may diversify up to 25% of the Alliance stock and AH Transition Stock in your Account (less shares you previously diversified under this legal diversification feature) during the first five years by either investing in one of three investment options as determined by the Plan Administrator, or taking a distribution from your Account. In the sixth (final) year, you may diversify up to 50% of the Alliance stock and AH Transition Stock in your Account, less any shares of stock previously diversified over the prior five years.

If you have been an active participant for 10 or more years, contact the Plan Administrator after you attain age 55 to determine the amount of your Account that is available for diversification and the method of diversification.

**17. WHEN WILL I BE ELIGIBLE TO RECEIVE MY ACCOUNT BALANCE UNDER THE PLAN?**

You, or your beneficiary if you die, will become eligible to receive a distribution of the balance credited to your Account under the Plan when you reach your normal retirement date, death, disability, or other termination of employment, as described below.

*Retirement:* If you retire from the Employer or your employment is otherwise terminated at any time after you reach your normal retirement date, you will be entitled to receive 100 percent of the

amount of your Account, regardless of your length of service. Your normal retirement date is the last day of the month in which you reach age 65.

*Death:* If you die while a participant in the Plan, your vested Account balance will be paid to your surviving spouse. If you are not married at the time of your death, or if your spouse consents to a different beneficiary, your Account balance may be paid to your non-spouse beneficiary.

If you die while performing qualified military service, you will be treated as if you had resumed employment and then terminated employment on the actual day of your death.

*Military Service:* If you perform military service while on active duty for more than thirty (30) days, you will be treated as having incurred a termination of employment, and will be eligible to receive a distribution of your vested Account balance.

*Total Disability:* If you become totally disabled, you will be entitled to receive your vested Account balance.

For purposes of the Plan, “totally disabled” means a physical or mental condition of such severity and duration as to entitle the participant to disability retirement benefits under the federal Social Security Act or to long-term disability income benefits under any long-term disability income plan or coverage provided by the Employer after six months have elapsed from the participant’s employment termination due to such condition.

*Resignation or Dismissal before Retirement, Death, or Total Disability:* If your employment by the Employer is terminated before your normal retirement date for reasons other than death or total disability, you will be entitled to receive the vested portion of your Account.

## **18. WHAT IS THE VESTED PORTION OF MY ACCOUNT?**

“Vesting” refers to the percent of your Account balance you are entitled to receive when your Account is distributed to you. The vested portion of your Account is yours and cannot be forfeited upon your termination of employment.

The vested portion of your Account is determined in accordance with the following schedule and is based upon your length of service with an Employer:

<u><i>PARTICIPANT’S PERIOD OF SERVICE</i></u>	<u><i>VESTED INTEREST</i></u>
Less than 3 years of service	0%
3 years, but less than 4 years	20%
4 years, but less than 5 years	40%
5 years, but less than 6 years	60%
6 years, but less than 7 years	80%
7 years or more	100%

## **19. HOW ARE YEARS OF SERVICE DETERMINED?**

You are credited with a year of service if you complete 12 months of employment with the Employer on and after the date on which your Employer adopted the Plan. Your service is cumulative, and even periods of severance of less than 12 months are counted as periods of service upon reemployment, except that you will lose all previously credited years of service if (1) you experience a period of severance that is at least 5 years long, and at least as long as your prior period of service, and (2) you have a nonvested interest under the Plan at the time that the period of severance started.

For the purpose of determining years of service, you are credited with all periods of service with an Employer, but not earlier than December 1, 1995. If you worked for certain Employers before they became affiliated companies and adopted the Plan, you may be credited with additional service, as listed



in the Information Appendix at the end of this Summary Plan Description. However, no other service will be credited for any purpose under the Plan for employment with an entity prior to the time such entity became an Employer or otherwise became affiliated with Alliance.

The following service is disregarded in computing your vested interest in your Account:

- Unless you are credited with service on the list in the Information Appendix, service prior to the December 1, 1995 effective date of the Plan and service prior to your Employer's adoption of this Plan as a participating affiliated company;
- Service prior to the Plan Year during which you attain age 18;
- Service which was considered "disregarded prior service" because you either
  - (1) terminated employment prior to attaining any vested interest in the Plan, or
  - (2) terminated employment, received a distribution of your vested interest and did not make a restoration contribution of the full value of such vested interest to the Plan within 60 months of your return to employment with the Employer.

In order to trigger "disregarded prior service" as described above, the period of severance must equal or exceed the *greater* of (i) 60 months, or (ii) the length of your period of service as determined at the beginning of the period of severance.

Three examples of how prior service may be credited are below:

- Alice terminated employment on June 30, 2013 with three years of service. She returned to work on January 1, 2015. Alice's service before her period of severance is counted for vesting purposes because her period of severance did not exceed the greater of three years (her period of service prior to termination of employment) or 60 months.
- Jim terminated employment on June 30, 2013 with six years of service. He returned to work on January 1, 2019. Because Jim's period of severance exceeded 60 months, his service prior to June 30, 2013 is not counted toward his vesting service.
- Steven terminated employment on June 30, 2013 with four years of service. He returned to work on July 1, 2018 after a five-year period of severance. Steven's service prior to June 30, 2013 is not counted toward his vesting service because his period of severance (five years) exceeds the years of service he accrued prior to June 30, 2013 (four years).

In general, no portion of your Account will be considered forfeitable and available for allocation until you have experienced a five-year period of severance. However, if the vested interest in your Account is zero and your Account balance is less than \$500.00 when you leave employment, your Account will be forfeited at the end of the Plan Year in which you leave employment. If you leave the employment of an Employer, but return before incurring a five-year period of severance, your Account will be reinstated after you complete one year of service from the date of your reemployment.

A period of severance is deemed to start on the earlier of (1) the date you retire, terminate employment voluntarily, or are discharged, or (2) on the first anniversary of the date on which you were first absent for any other reason, if you are still absent on that first anniversary. A period of severance ends on the day on which you return to employment with an Employer and perform an hour of service.

## **20. WHEN WILL MY ACCOUNT BALANCE BE DISTRIBUTED AFTER I BECOME ELIGIBLE TO RECEIVE A DISTRIBUTION?**

In general, any Alliance or AH Transition stock allocated to your vested Account may not be distributed to you until the exempt loan used to acquire the stock is completely repaid by the Plan. However, if you have terminated employment, the stock may be distributed to you (if you so choose) after

the end of the Plan Year in which you have both attained age 65 and reached the 10th anniversary of the date you began participating in the Plan, even if the exempt loan has not been completely repaid at that time. If you have terminated employment, the stock must begin to be distributed to you by the April 1<sup>st</sup> after the end of the Plan Year in which you reach age 70½, even if the exempt loan has not been completely repaid at that time.

Consent to Distributions: Generally, no distribution will be made to you without your consent. However, as explained above, if you have terminated employment, you may only delay the receipt of any distribution until you reach age 70½. If you are a 5-percent owner of the Employer, payments must always commence no later than the April 1st following the year in which you reach age 70 ½, even if you are still employed.

Retirement: If you reach your normal retirement age while employed by the Employer, you may choose to begin to receive the distribution of your Account balance one year after the end of the Plan Year in which you separate service, if the Plan's exempt loans have been paid off at that time.

Death: If the Plan's exempt loans have been paid, and if your beneficiary so elects, the distribution of your Account balance payable by reason of your death may begin as soon as practicable after one year after the close of the Plan Year in which you die. However, your beneficiary may elect to receive a distribution of up to \$2,500 your vested Account balance in a single lump sum as promptly as practicable after your death, with a second distribution of up to \$5,000 one year after the end of the Plan Year of your death, even if the Plan's exempt loans are not paid off at that time.

Total Disability: If you are entitled to a distribution as a result of your total disability, you may begin to receive the distribution of your Account balance one year after the end of the Plan Year in which you separate service because of total disability, if the Plan's exempt loans have been paid off at that time.

Other Termination of Employment: If you are entitled to a distribution as a result of your termination of employment (for any reason other than your retirement, total disability, or death), you may choose to begin to receive the distribution of your vested Account balance when you have both attained age 65 and reached the 10th anniversary of the date you began participating in the Plan, even if the Plan's loans have not been paid off at that time. If the Plan's loans are paid off before then, you may choose to begin receiving your distribution after you have had 6 full Plan Years without reemployment by an Employer.

## **21. HOW IS MY ACCOUNT BALANCE TO BE PAID AFTER I BECOME ELIGIBLE TO RECEIVE A DISTRIBUTION?**

All amounts payable under the Plan will normally be paid in shares of Alliance stock or AH Transition stock. Because Alliance stock and AH Transition stock is not publicly traded (and thus you do not have a way to sell it), you will be given an option (your "put option") which allows you to require Alliance to purchase the Alliance stock from you at its then fair market value. You will also be given a put option that allows you to require AH Transition to purchase the AH Transition stock you at its then fair market value. Due to limitations on the ownership of AH Transition stock, the Plan may distribute cash to you in lieu of shares of AH Transition.

## **22. WHAT IS MY PUT OPTION?**

When you receive a distribution of Alliance and AH Transition stock the Plan, you, or your beneficiary if you die, are given a right to demand that Alliance purchase the Alliance shares and that AH Transition purchase the AH Transition shares. In either case, these purchases will be at their fair market value, which is the fair market value of such shares as of the last preceding valuation date. This option, called a "put option," will lapse 60 days after the date the stock was distributed to you. If your put option is not exercised within this 60-day period, you will be given one additional put option in the Plan Year following your distribution for an additional period of 60 days. This second put option will be granted reasonably

promptly following the determination of the following year's fair market value for the stock by the Plan's independent appraiser. Alliance and AH Transition may satisfy your exercise of your put option by giving you a fully secured promissory note which requires payment to you of equal annual installments, to be paid over five years, of the put option price plus interest.

Special rules apply when you receive a distribution of AH Transition stock the Plan due to restrictions on the ownership of such stock. If your distribution is directly rolled over to an individual retirement account or another plan that does not meet certain tax requirements, then you will be deemed to have exercised your put option immediately upon your distribution. AH Transition may satisfy the exercise (or deemed exercise) of your put option by giving you a promissory note that requires installment payments, as for Alliance stock.

Contact the Plan Administrator when you are ready to exercise your put option.

### **23. ARE MY DISTRIBUTIONS TAXABLE?**

Distributions from the Plan are normally subject to income taxes. You may, however, reduce, or defer entirely, the tax due on your distribution by rolling over all or a portion of your distribution to an Individual Retirement Account (IRA) or another qualified employer plan that accepts rollovers. This may be done through a direct transfer of the funds, or you may elect to receive the distribution, and then roll the funds over.

Generally, if you decide to receive your distribution, the funds will be subject to a mandatory 20% withholding tax. You then have 60 days the date you receive your payout to invest these funds in an IRA, along with an additional 20% of your own money to cover the amount withheld. If you do not roll over the funds within 60 days, your entire distribution will be subject to state and federal income taxes, and a potential 10% premature distribution IRS penalty.

Special tax rules may apply when you receive a distribution in the form of company stock. First, taxes are not withheld from company stock. This does not mean that your distribution is not taxable; you will still have to pay any taxes due when you file your tax return. Second, in some circumstances, your distribution may be eligible to be taxed at long-term capital gains rather than ordinary income tax rates.

The rules governing the taxation of distributions from the Plan are very complicated. You will receive a description of these rules from the Plan Administrator shortly before your distribution is processed, but it is recommended that you consult with your tax advisor prior to deciding how you wish your distribution to be made.

### **24. WHAT HAPPENS IF I GET A DIVORCE?**

The Plan Administrator may receive a court order directing it to pay all or a portion of your Plan benefits to another person for child support or alimony, or as part of a marital property settlement. If the order meets certain legal requirements, it will be considered a Qualified Domestic Relations Order ("QDRO"). A QDRO is a court decree that relates to child support, alimony, or marital property rights under state domestic relations law. If the Plan Administrator receives a QDRO, benefits must be paid in accordance with the terms of the Plan and the QDRO, even if you are not entitled to a distribution at the time such payment is made. The Plan Administrator may charge your account all reasonable expenses associated with processing a QDRO, including determining whether the QDRO is qualified, and segregating your Plan account pursuant to the QDRO. You may request a copy of the Plan's QDRO procedures from the Plan Administrator without charge.

### **25. HOW DO I DESIGNATE A BENEFICIARY?**

To be sure that death benefits are paid to the person, persons or entities to whom you would want such benefits paid, you should be careful to maintain a current beneficiary designation on file with the Plan Administrator. Beneficiary designations are effective only when received by the Plan Administrator.

If you are not married, you are free to change your beneficiary designation at any time. However, your previous beneficiary designation will become invalid if you later become married. In that case, your spouse automatically becomes your new beneficiary unless you designate another beneficiary after your marriage in accordance with the rules described below.

If you are married, your beneficiary will automatically be your spouse unless your spouse consents to an alternate designation of beneficiary. This consent must be in writing, on forms provided by the Plan Administrator, and witnessed by the Plan Administrator or a notary public. The spousal consent is effective only when received by the Plan Administrator.

If you name your spouse as your beneficiary, and if you later become divorced, the designation of your former spouse as beneficiary will become void. However, benefits may be provided to your former spouse through a QDRO.

It is important that you keep your beneficiary designation up to date. You are responsible for notifying the Plan Administrator of any changes that may affect your beneficiary designation. If your beneficiary cannot be determined or is invalid, or if your beneficiary should die before you, your death benefits will be paid to your estate.

**26. IS MY ACCOUNT BALANCE INSURED OR GUARANTEED?**

No. Because the Plan is an employee stock ownership plan, your Account is not insured or guaranteed by the Pension Benefit Guaranty Corporation or any other entity or individual.

**27. IS THERE ANY WAY I CAN LOSE MY BENEFITS?**

There are several ways in which you may lose or be ineligible for part or all of your anticipated benefits under the Plan. These include:

- If you terminate employment before becoming fully vested.
- If your benefits are subject to a QDRO.
- If the amount of your benefits are limited by federal tax law.
- If your benefits are subject to attachment, levy, garnishment, etc. upon payment to you or your beneficiary.
- If the Plan is amended, terminated, or suspended.

In addition, you must notify the Plan Administrator if your address changes. If you fail to do so, an administrative fee may be charged to your Account for the costs of locating your current address. If you fail to notify the Plan Administrator of your address change within one year after benefits are payable to you the Plan, then your Account balances will be forfeited. The forfeited Account balances will be reinstated if a proper claim is later made by you or your designated beneficiary.

**28. HOW DO I REQUEST A DISTRIBUTION OF MY ACCOUNT BALANCE?**

Applicants for retirement distributions should advise the Plan Administrator of their impending retirement. An application in writing must be filed on forms supplied by the Plan Administrator.

If your employment is terminated by reason of total disability, application for a distribution of your Account balance must be made on forms provided by the Plan Administrator, and must be accompanied by such evidence of total disability as may be required by the Plan Administrator.

Death benefits will be paid in accordance with the terms and provisions of the Plan only after appropriate proof of death has been presented to the Plan Administrator.

Participants and other claimants are responsible for providing such documentation as may be required by the Plan Administrator, including proof of age, proof of marital status, proof of relationship, and proof of competence. Amounts payable to minors and incompetents will be paid to their legal guardians.

**29. HOW DO I FILE AN APPEAL IF MY BENEFITS ARE DENIED?**

A procedure has been established whereby you and your beneficiaries may appeal denials of claimed benefits. Claimants will be notified of any full or partial claim denial in writing by the Plan Administrator. The notification will contain such information as is required by the regulations issued by the Secretary of Labor and such additional information as is deemed appropriate by the Plan Administrator.

Any claimant whose claim has been denied may file with the Plan Administrator a notice of appeal within 60 days (180 days for a claim based on total disability) of notification by the Plan Administrator of claim denial. All such notifications must be made in writing, and must set forth all of the facts upon which the appeal is based. Any appeal not timely filed will be barred.

Within 30 days of receipt of notice of appeal, the Plan Administrator will establish a hearing date on which the participant or other claimant may make an oral presentation in support of his or her appeal. All oral presentations will be heard by a "named appeals fiduciary" appointed by the Plan Administrator. The named appeals fiduciary will also review all written materials and evidence presented in support of the appeal. A claimant may elect not to make an oral presentation. If the claimant elects to forego the oral presentation, the "named appeals fiduciary" will determine the merits of the appeal on such written evidence as has been submitted by the parties.

The determination of the named appeals fiduciary is binding upon the parties, and will be supported by a written statement by the named appeals fiduciary of the reasons for his, her, or their decision.

**30. CAN MY ACCOUNT UNDER THE PLAN BE ASSIGNED OR ATTACHED?**

Generally not. As long as the balance credited to your Account under the Plan has not been paid to you, your Account under the Plan cannot be pledged or assigned by you. The Plan provides that your benefits generally cannot be reached by any of your creditors. However, if a court issues a QDRO, all or part of your Account balance that otherwise would be paid to you may be required to be paid to your spouse, former spouse, child or other dependent.

Also, you should consult your own attorney as to whether there are circumstances in which certain creditors (such as the Internal Revenue Service) could reach your Account.

**31. DOES THE PLAN AFFECT MY SOCIAL SECURITY BENEFITS OR PAYMENTS?**

No. The benefits of the Plan are in addition to any Social Security benefits or payments you may receive.

**32. MAY THE PLAN BE AMENDED OR TERMINATED?**

Alliance has the right to amend the Plan at any time. You will be notified of any material changes to the Plan.

Alliance intends to continue the Plan and the Employers intend to make contributions to it for an indefinite period. However, Alliance has the right to discontinue contributions to the Plan and to terminate the Plan at any time. If Alliance terminates the Plan or discontinues contributions to it, you will be 100 percent vested in your Account of the Plan without regard to the number of years you have worked for the Employers. If Plan termination were to occur, your vested Account balance would be distributed to you as soon as administratively feasible after Alliance receives a favorable determination letter from the Internal Revenue Service relating to the Plan's termination.

**33. DOES THIS PLAN CHANGE THE TERMS OF MY EMPLOYMENT IN ANY WAY?**

No. Your employment relationship remains the same as it always was. The adoption of the Plan does not give you a right to continued employment with any Employer.

**34. WHAT ARE MY RIGHTS UNDER THE PLAN?**

The following statement is required by federal law and regulations concerning your rights under the Plan:

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Regulations under ERISA provide that all Plan participants shall be entitled to:

**Receive Information About Your Plan and Benefits**

- Examine, without charge, at the Plan Administrator’s office and at other specified locations, such as work sites, all documents governing the Plan, including insurance contracts, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan’s annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a benefit at normal retirement age (age 65) and, if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is not required to be given more than once every twelve months. The Plan must provide the statement free of charge.

**Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including the Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you obtaining a benefit or exercising your rights under ERISA.

**Enforce Your Rights**

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In

addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

### **Assistance with Your Questions**

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## INFORMATION INDEX

***Plan Sponsor and Administrator:***

Alliance Holdings, Inc.  
1021 Old York Road, 3rd Floor  
Abington, PA 19001 (215) 706-0873

The Plan Administrator is the agent for service of legal process. Service of legal process may also be made upon the Trustee.

***IRS Employer Identification Number for Alliance Holdings, Inc.:*** 23-2795681

***Plan number assigned by the sponsor of the Plan:*** 001

***Trustee of the Plan:***

Barbie L. Spear  
The Trustee can be reached at the following address:  
Trustee of the Alliance Holdings, Inc. Employee Stock Ownership Plan and Trust  
1021 Old York Road, 3rd Floor  
Abington, PA 19001 (215) 706-0873

***Ending date of the Plan Year:*** December 31

***Employers whose employees are covered by the Plan:***

You are credited with periods of service with the Employers listed below. If you worked for certain Employers before they became affiliated companies and adopted the Plan, or after they ceased to be affiliated companies and ceased to participate in the Plan, your additional service, if any, is indicated below.

<b><u>Employer</u></b>	<b><u>Participation Dates</u></b>	<b><u>Additional Service Credited</u></b>
Accord Industries, LLC	November 2, 2005	Employment January 1, 2005 to participation date (all purposes).
A.H.I., Inc.	December 1, 1995	
A.H.III, Inc.	July 29, 1996	
Akal Payroll, Inc.	December 28, 2006 through December 31, 2011	Employment with this Employer or its predecessor Akal Security, Inc. January 1, 2006 to participation date (all purposes).
Alexander Marketing Services, Inc.	July 1, 2001 to April 30, 2008	Employment before July 1, 2001 (all purposes) to the extent credited by the Alexander Marketing Services, Inc. Employee Stock Ownership Plan on July 1, 2001.
Alliance Holdings, Inc.	December 1, 1995	None.
Automotive Resources, Inc.	November 17, 2005 through November 17, 2007	Employment January 1, 2005 to participation date (all purposes).
Cahill Controls, Inc.	December 28, 2011 through December 31, 2012	None.
CFS Services, Inc.	December 23, 2002 through December 31, 2006	Employment after December 31, 2007 (vesting only).
Computer Methods Corp.	January 22, 2002 to July 22, 2004	Employment before January 22, 2002 (all purposes) to the extent credited by the Computer Methods Corp. Employee Stock Ownership Plan. Employment after July 22, 2004 (vesting only).
Design Tanks, LLC	October 31, 2009	None.
DM Sabia & Company, Inc.	December 28, 2010 through December 31 2012	None.
Eagle Employee Leasing Company, Inc.	December 19, 2005 through December 19, 2009	Employment with this Employer or its predecessors January 1, 2005 to participation date (all purposes).
Griffin Sign, Inc.	December 13, 2011 through December 31, 2012	None.
JDS Associate Services, Inc.	December 17, 2004 through December 17, 2007	Employment January 1, 2004 to participation date (all purposes).



<u>Employer</u>	<u>Participation Dates</u>	<u>Additional Service Credited</u>
Lazy Days R.V. Center, Inc.	July 15, 1999 to June 17, 2002	None.
Mail Marketing Systems, Inc.	December 1, 1995 to October 26, 2000	Employment after October 26, 2000 (vesting only).
Metalform Acquisition, LLC	December 28, 2010 through December 31, 2012	None.
Mortgage 1, Inc.	December 31, 2010 through December 31, 2011	None.
Norris Sales Company, Inc.	December 28, 2010 through December 31, 2012	None.
Northstar Capital Markets Services, Inc.	December 1, 2010 through October 1, 2012	None.
Panhandle-Plains Management & Servicing Corporation	January 1, 2011 through July 13, 2012	None.
Paradise Marine of Melbourne, Inc.	July 15, 2000 to December 29, 2003	Employment before July 15, 2000 (all purposes) to the extent credited by the Paradise Marine of Melbourne, Inc. Employee Stock Ownership Plan on July 15, 2000.
Philadelphia D&M, Inc.	December 28, 2010 through December 31, 2012	None.
R-B Financial/Mortgages, Inc.	December 15, 2004 to December 14, 2005	Employment January 1, 2004 to participation date (all purposes). Employment after December 31, 2004 (vesting only).
Spectral Response, LLC	August 11, 2009	Employment before August 11, 2009 with Spectral Response, Inc. to the extent credited by the Spectral Response, Inc. Employee Stock Ownership Plan.
Spring Garden Carpentry, Inc.	December 28, 2010 through December 31, 2012	None.
Spring Garden Construction, Inc.	December 28, 2010 through December 31, 2012	None.
TDCI, Inc.	December 8, 2004 through December 8, 2007	Employment January 1, 2004 to participation date (all purposes).
	December 27, 2010 through December 31, 2012	Employment January 1, 2010 to participation date (all purposes).
Techni-Tool, Inc.	January 1, 2006 to December 31, 2007	None.
The Sharon Companies, Ltd.	April 5, 1999 to June 2, 2008	None.
The Spencer Turbine Company	May 9, 2007	Employment January 1, 2007 to participation date (all purposes).
Tracey Mechanical, Inc.	December 13, 2011 through December 31, 2012	None.
Trachte Building Systems, Inc. Fire Facilities, Inc.	September 18, 2002 through August 29, 2007	Employment before September 18, 2002 (all purposes) to the extent credited by the Trachte Building Systems, Inc. Employee Stock Ownership Plan and Trust on September 18, 2002.
Trac-Rite Door, Inc.		
Store-N-Save Self Storage, Ltd.		