

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 333-56857
333-56857-01
333-56857-02

**ALLIANCE LAUNDRY SYSTEMS LLC
ALLIANCE LAUNDRY CORPORATION
ALLIANCE LAUNDRY HOLDINGS LLC**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	39-1927923
DELAWARE	39-1928505
DELAWARE	52-2055893

(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) (I.R.S. EMPLOYER IDENTIFICATION NO.)

P.O. BOX 990
RIPON, WISCONSIN 54971-0990
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(920) 748-3121
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

The number of shares of Alliance Laundry Corporation's common stock outstanding as of August 9, 2006:
1,000 shares.

**Alliance Laundry Systems LLC
Alliance Laundry Corporation
Alliance Laundry Holdings LLC
Form 10-Q
For The Quarterly Period Ended June 30, 2006
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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE LAUNDRY HOLDINGS LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands)

	June 30, 2006	December 31, 2005
	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash.....	\$ 2,145	\$ 5,075
Accounts receivable, net.....	11,364	9,056
Inventories, net.....	42,235	29,050
Beneficial interests in securitized accounts receivable...	21,550	22,327
Deferred income tax assets.....	1,444	433
Prepaid expenses and other.....	5,131	2,139
Total current assets.....	<u>83,869</u>	<u>68,080</u>
Notes receivable, net.....	4,046	6,131
Property, plant and equipment, net.....	61,148	66,869
Goodwill.....	139,903	139,903
Beneficial interests in securitized financial assets.....	17,168	16,939
Deferred income tax assets.....	8,432	8,932
Debt issuance costs, net.....	10,250	11,172
Intangible assets, net.....	140,588	145,433
Total assets.....	<u>\$ 465,404</u>	<u>\$ 463,459</u>
Liabilities and Member(s) Equity		
Current liabilities:		
Current portion of long-term debt	\$ 53	\$ -
Revolving credit facility.....	2,000	-
Accounts payable.....	10,263	7,866
Other current liabilities.....	25,848	26,500
Total current liabilities.....	<u>38,164</u>	<u>34,366</u>
Long-term debt:		
Senior credit facility.....	175,000	177,000
Senior subordinated notes.....	149,383	149,336
Other long-term debt.....	947	-
Other long-term liabilities.....	9,690	8,924
Total liabilities.....	<u>373,184</u>	<u>369,626</u>
Commitments and contingencies (see Note 8)		
Member(s) equity.....	<u>92,220</u>	<u>93,833</u>
Total liabilities and member(s) equity.....	<u>\$ 465,404</u>	<u>\$ 463,459</u>

The accompanying notes are an integral part of the financial statements.

ALLIANCE LAUNDRY HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands)

	Three Months Ended		Six Months	January 28,	January 1,
	June 30,	June 30,	Ended	2005 through	2005 through
	2006	2005	June 30,	June 30,	January 27,
	Successor	Successor	Successor	Successor	Predecessor
Net revenues.....	\$ 86,931	\$ 85,665	\$ 158,410	\$ 134,908	\$ 20,683
Cost of sales.....	66,829	65,081	119,745	108,418	15,585
Gross profit.....	<u>20,102</u>	<u>20,584</u>	<u>38,665</u>	<u>26,490</u>	<u>5,098</u>
Selling, general and administrative expense.....	11,989	10,116	24,486	16,858	3,829
Securitization, impairment and other costs.....	2,096	8,015	3,924	8,015	-
Transaction costs associated with sale of business...	-	-	-	-	18,790
Total operating expenses.....	<u>14,085</u>	<u>18,131</u>	<u>28,410</u>	<u>24,873</u>	<u>22,619</u>
Operating income (loss).....	6,017	2,453	10,255	1,617	(17,521)
Interest expense.....	6,785	7,537	13,242	11,301	995
Loss from early extinguishment of debt.....	-	-	-	-	9,867
Other expense, net.....	<u>360</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>-</u>
Loss before taxes.....	(1,128)	(5,084)	(3,347)	(9,684)	(28,383)
(Benefit) provision for income taxes.....	<u>(307)</u>	<u>(2,352)</u>	<u>(1,012)</u>	<u>(4,021)</u>	<u>9</u>
Net loss.....	<u>\$ (821)</u>	<u>\$ (2,732)</u>	<u>\$ (2,335)</u>	<u>\$ (5,663)</u>	<u>\$ (28,392)</u>

The accompanying notes are an integral part of the financial statements.

ALLIANCE LAUNDRY HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six Months Ended June 30, 2006 Successor	January 28, 2005 through June 30, 2005 Successor	January 1, 2005 through January 27, 2005 Predecessor
Cash flows from operating activities:			
Net loss	\$ (2,335)	\$ (5,663)	\$ (28,392)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	11,245	10,365	526
Non-cash interest (income) expense.....	(808)	36	351
Non-cash executive unit compensation.....	1,809	-	1,089
Non-cash trademark impairment.....	1,400	-	-
Non-cash debt financing write-off.....	-	-	5,751
Non-cash inventory expense.....	-	6,246	-
Deferred income tax assets.....	(1,011)	(4,060)	-
Loss on sale of property, plant and equipment.....	131	3	-
Changes in assets and liabilities:			
Accounts receivable.....	(1,741)	(10,284)	(556)
Inventories.....	(13,185)	(824)	(1,833)
Other assets.....	1,365	6,220	101
Accounts payable.....	2,397	(21,267)	19,076
Other liabilities.....	(163)	3,407	(2,732)
Net cash used in operating activities.....	<u>(896)</u>	<u>(15,821)</u>	<u>(6,619)</u>
Cash flows from investing activities:			
Additions to property, plant and equipment.....	(2,492)	(2,072)	(188)
Cash paid for business development.....	(1,738)	-	-
Proceeds on disposition of assets.....	1,226	1	-
Net cash used in investing activities.....	<u>(3,004)</u>	<u>(2,071)</u>	<u>(188)</u>
Cash flows from financing activities:			
Principal payments on long-term debt.....	(2,000)	(5,000)	1
Net increase in revolving line of credit borrowings.....	2,000	-	-
Proceeds from promissory notes.....	1,000	-	-
Proceeds from senior term loan.....	-	200,000	-
Proceeds from senior subordinated notes.....	-	149,250	-
Repayment of long-term debt.....	-	(275,920)	-
(Repurchase) issuance of common stock.....	(30)	117,000	-
Distribution to old unitholders.....	-	(154,658)	-
Debt financing costs.....	-	(13,230)	-
Cash paid for capitalized offering related costs.....	-	(1,364)	-
Net proceeds - management note.....	-	-	(71)
Net cash provided by (used in) financing activities	<u>970</u>	<u>16,078</u>	<u>(70)</u>
Decrease in cash.....	(2,930)	(1,814)	(6,877)
Cash at beginning of period.....	5,075	4,594	11,471
Cash at end of period.....	<u>\$ 2,145</u>	<u>\$ 2,780</u>	<u>\$ 4,594</u>

The accompanying notes are an integral part of the financial statements.

ALLIANCE LAUNDRY HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENT OF MEMBER(S) EQUITY
AND COMPREHENSIVE LOSS
(unaudited)
(in thousands)

	Member(s) Equity	Minimum Pension Liability, Net	Unrealized Holding Gain on Residual Interests, Net	Total Member(s) Equity
	<u>Equity</u>	<u>Liability, Net</u>	<u>Interests, Net</u>	<u>Equity</u>
Balances at December 31, 2005.....	\$ 94,583	\$ (751)	\$ 1	\$ 93,833
Net (loss).....	(2,335)	-	-	(2,335)
Repurchased stock.....	(30)	-	-	(30)
Change in minimum pension liability, net....	-	751	-	751
Unrealized holding gain, net.....	-	-	1	1
Total comprehensive (loss).....				<u>\$ (1,613)</u>
Balances at June 30, 2006.....	<u>\$ 92,218</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 92,220</u>

The accompanying notes are an integral part of the financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. BASIS OF PRESENTATION

On January 27, 2005, ALH Holding Inc. (“ALH”), an entity formed by Teachers’ Private Capital, the private equity arm of Ontario Teachers’ Pension Plan Board (“OTPP”), acquired 100% of the outstanding equity interests in Alliance Laundry Holdings LLC, a Delaware limited liability company (“Alliance Holdings”). We refer to the acquisition of Alliance Holdings and the related management investments in ALH as the “Acquisition.”

In connection with the closing of the Acquisition, we issued \$150.0 million of 8 1/2% senior subordinated notes due January 15, 2013 (the “Senior Subordinated Notes”), established a \$250.0 million senior secured credit facility (the “Senior Credit Facility”) and repaid the \$110.0 million aggregate principal amount of our then outstanding 9 5/8% Senior Subordinated Notes due 2008 (the “1998 Senior Subordinated Notes”). We refer to the above financing transactions (the “Financing Transactions”), taken together with the Acquisition, as the “Transactions.”

As a result of the Transactions, activity that occurred prior to January 27, 2005 has been reflected as the Predecessor and activity that occurred after January 27, 2005 has been reflected as the Successor. We have inserted a dark vertical or horizontal line to segregate the activities of the Predecessor and Successor. The distinction between Predecessor and Successor relates to the application of purchase accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, “Business Combinations.”

Throughout this quarterly report, we refer to Alliance Holdings, together with its consolidated operations, as “Alliance,” “we,” “our,” “Predecessor,” “Successor,” and “us,” unless otherwise indicated. Any reference to “Alliance Laundry” refers to our wholly-owned subsidiary, Alliance Laundry Systems LLC, a Delaware limited liability company, and its consolidated operations, unless otherwise indicated.

The unaudited financial statements as of and for the quarter ended June 30, 2006 present the consolidated financial position and results of operations of Alliance Laundry Holdings LLC, including our wholly-owned direct and indirect subsidiaries, Alliance Laundry Systems LLC and Alliance Laundry Corporation.

In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments necessary (consisting only of normal recurring adjustments) for a fair statement of our financial position and operating results for the periods presented. The results of operations for such interim periods are not necessarily indicative of results of operations to be expected for the full year.

These interim financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in our annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such regulations, although we believe the disclosures provided are adequate to prevent the information presented from being misleading.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

This report on Form 10-Q for the period ended June 30, 2006 should be read in conjunction with the audited financial statements presented in our December 31, 2005 Annual Report on Form 10-K (file no. 333-56857) filed with the Securities and Exchange Commission.

NOTE 2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November of 2004, the FASB issued SFAS No. 151, "Inventory Costs," an amendment of ARB No. 43, Chapter 4, "Inventory Pricing" which requires that abnormal amounts of idle capacity and spoilage costs be excluded from the cost of inventory and expensed when incurred. The provisions of SFAS No. 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material effect on the Company's consolidated results of operations and financial position.

During December 2004, the FASB issued SFAS No. 123R "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as expense in the financial statements based on their fair values beginning with the first annual period after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to expense recognition. We adopted SFAS 123R using the modified-prospective method in the first quarter of calendar year 2005.

The FASB is expected to issue a statement that would amend and clarify SFAS No. 140 (and related implementation guidance). The proposed statement will address permitted activities of qualifying special-purpose entities, including the degree of discretion allowable in determining the terms of beneficial interests issued after inception, and whether certain transfers can meet the criteria for sale accounting under SFAS No. 140 if the transferor or any consolidated affiliate provides liquidity support for the transferee's beneficial interests. As the proposed statement has not been issued, we are unable to determine the effects of the related transition provisions, if any, on our existing securitization entity. However, in the event that transfers to our existing asset backed facility would no longer qualify as sales of financial assets in the future, we may recognize additional costs for a replacement facility or it may have other material financial statement effects. An exposure draft was issued in the third quarter of 2005 and a final document is anticipated in the first quarter of 2007.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement applies to voluntary changes in accounting principles and requires retrospective application to prior period financial statements, unless impracticable to determine. The statement is a result of a broader effort by the FASB to improve comparability of financial reporting between U.S. and international accounting standards. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on the Company's consolidated results of operations and financial position.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 will be effective for fiscal years beginning after December 15, 2006. We are currently in the process of evaluating the effect, if any, FIN 48 will have on our consolidated financial statements.

In June 2006, the FASB ratified the consensus on Emerging Issues Task Force (EITF) Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement. (EITF 06-03). The scope of EITF 06-03 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. The Task Force affirmed its

conclusion that entities should present these taxes in the income statement on either a gross or a net basis, based on their accounting policy, which should be disclosed pursuant to APB Opinion No. 22, Disclosure of Accounting Policies. If such taxes are significant, and are presented on a gross basis, the amounts of those taxes should be disclosed. The consensus on EITF 06-03 will be effective for interim and annual reporting periods beginning after December 15, 2006. The Company currently records gross receipts taxes and miscellaneous other taxes on a net basis in its consolidated statements of operations. Should the Company conclude that such amounts are more appropriately presented on a gross basis, it would have a material impact on total operating revenues and expenses, although operating income and net income would not be affected.

NOTE 3. RESTRUCTURING AND OTHER ITEMS

Asset Impairment Charge

On March 20, 2006, the Board of Directors of ALH Holding Inc. resolved to discontinue the sale of AJAX® finished goods. We expect to discontinue the sale of AJAX® finished goods during the third quarter of 2006. In connection with this discontinuation, we recorded a non-cash charge for impairment of \$1.4 million in the quarter ending March 31, 2006, for the reduction in the value of the AJAX® trademark. The Company had previously reduced the value of the AJAX® trademark by \$1.7 million in the fourth quarter of 2005, based on an asset impairment test conducted pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets." These amounts are recorded within the Securitization, impairment and other costs line item of our consolidated statements of operations.

On June 15, 2006, Alliance Laundry Systems LLC (the "Company") entered into an Asset Purchase Agreement (the "Purchase Agreement") with Sankosha Engineering Co. Ltd. ("Sankosha Engineering") pursuant to which the Company agreed to sell to Sankosha Engineering certain intellectual property (including the "AJAX®" trademark and trade name) associated with the Company's line of AJAX® pressing and finishing equipment for \$1.2 million. As this was the net book value of the intellectual property at the time, there was no gain or loss recognized on the sale. The Company may continue to sell pressing and finishing equipment and accessories using the AJAX® trademark or trade name until October 31, 2006, and may sell service and repair parts using the AJAX® trademark or trade name for ten years from the date of the Purchase Agreement.

Costs Associated With Exit or Disposal Activities

On October 12, 2005, we committed to a plan to close our Marianna, Florida facility (the "Facility") and consolidate the manufacture and design of the Facility's product lines into our existing Ripon, Wisconsin operations. We have substantially completed the facility closure and consolidation as of July 30, 2006.

We estimate total cash costs and expenses associated with the closure of the Facility to be approximately \$7.8 million, comprised of (1) approximately \$3.1 million of one-time termination benefits and relocation costs; (2) approximately \$2.2 million of other labor related costs including training and temporary living expenses; (3) approximately \$1.5 million related to the relocation of the Facility's tooling and equipment; and (4) approximately \$1.0 million of other related expenses.

We estimate total non-cash costs and expenses associated with the closure of the Facility to be approximately \$4.2 million, related to additional depreciation expense. This cost was partially offset by a post-retirement health care plan curtailment benefit of \$0.6 million and a pension plan curtailment benefit of \$0.5 million, which were recognized in the second quarter of 2006. The additional depreciation expense results from a re-evaluation of the remaining useful lives of our Marianna facility's buildings and land improvements in accordance with applicable accounting rules.

For the three months ended June 30, 2006, we recorded \$3.2 million of net charges for the Facility closure and transition of product lines to Wisconsin. Included in this total are \$2.1 million of closure costs reflected in the Securitization, impairment and other costs line of our consolidated statements of operations, which include \$3.2 million of costs for employee retention, moving equipment to Wisconsin and employee travel and also includes the post-retirement health care plan curtailment benefit of \$0.6 million and the pension plan curtailment benefit of \$0.5 million. Also included in the \$3.2 million total are \$1.1 million of cash charges related to the transfer of the Marianna, Florida product lines to Ripon, Wisconsin, which are reflected in the selling, general and administrative expense line of our consolidated statements of operations. Additionally, we recorded a non-cash charge of \$1.6 million related to the additional depreciation expense for the Marianna Facility, which is reflected in the cost of sales line of our consolidated statements of operations.

For the six months ended June 30, 2006, we recorded \$4.3 million of net charges for the Facility closure and transition of product lines to Wisconsin. Included in this total are \$2.5 million of closure costs reflected in the Securitization, impairment and other costs line of our consolidated statements of operations, which include \$3.6 million of costs for employee retention, moving equipment to Wisconsin and employee travel and also includes the post-retirement health care plan curtailment benefit of \$0.6 million and the pension plan curtailment benefit of \$0.5 million. Also included in the \$4.3 million total are \$1.8 million of cash charges related to the transfer of the Marianna, Florida product lines to Ripon, Wisconsin, which are reflected in the selling, general and administrative expense line of our consolidated statements of operations. Additionally, for the six months ended June 30, 2006, we recorded a non-cash charge of \$3.2 million related to the additional depreciation expense for the Marianna Facility, which is reflected in the cost of sales line of our consolidated statements of operations.

As of June 30, 2006, the estimated remaining cash costs and expenses associated with the closure of the Facility are approximately \$1.9 million, comprised of (1) approximately \$0.7 million of one-time termination benefits and relocation costs; (2) approximately \$0.5 million of other labor related costs including training and temporary living expenses; (3) approximately \$0.5 million related to the relocation of the Facility's tooling and equipment; and (4) approximately \$0.2 million of other related expenses. We currently anticipate that substantially all the remaining closure costs for the Marianna Facility will be incurred prior to December 31, 2006.

As of October 12, 2005, we had 414 employees located at our Marianna, Florida facility. As of June 30, 2006 we had 155 employees at the Marianna, Florida facility.

Costs Associated with 2005 Asset Backed Facility

On June 28, 2005, Alliance Laundry, through a special-purpose bankruptcy remote subsidiary, Alliance Laundry Equipment Receivables 2005 LLC ("ALER 2005"), and a trust, Alliance Laundry Equipment Receivables Trust 2005-A ("ALERT 2005A"), entered into a four year \$330.0 million revolving credit facility (the "Asset Backed Facility"), backed by equipment loans and trade receivables originated by us. In connection with the establishment of the Asset Backed Facility, we incurred \$8.1 million in expenses related to establishing the new securitization facility. These expenses were comprised of structuring and underwriting fees of \$5.8 million, legal and professional fees of \$1.3 million and a LIBOR based cap premium of \$1.0 million. This amount is recorded within the securitization, impairment and other costs line of our consolidated statements of operations.

Acquisition Related Costs

In connection with the Acquisition, the Company incurred \$18.8 million of seller related expenses. These amounts were expensed in the period ended January 27, 2005, and are reflected as a deduction in determining operating income (loss). In connection with the Acquisition, the Company also incurred \$9.9

million of expenses related to the early redemption of debt. These amounts were expensed in the period ended January 27, 2005, and are reflected as a loss from early extinguishment of debt.

NOTE 4. ASSET BACKED FACILITY

According to SFAS No. 125 and 140, a transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. We sell all of our trade receivable and eligible notes receivable to third parties through a special-purpose bankruptcy remote entity designed to meet the SFAS No. 125 and 140 requirements for sale treatment. Accordingly, we remove these receivables from our balance sheet at the time of transfer.

In a subordinated capacity, we retain rights to the residual portion of cash flows, including interest earned, from the notes receivable sold. This retained beneficial interest is recorded at its estimated fair value at the balance sheet date. In determining the gain on sales of notes receivable, the investment in the sold receivable pool is allocated between the portion sold and the portion retained, based on their relative fair values. We generally estimate the fair values of our retained interests based on the present value of expected future cash flows to be received, using our best estimate of key assumptions, including credit losses, prepayment rates, interest rates and discount rates commensurate with the risks involved. Unrealized gains and losses resulting from changes in the estimated fair value of our retained interests are recorded as other comprehensive income (loss). Impairment losses are recognized when the estimated fair value is less than the carrying amount of the retained interest in accordance with EITF 99-20.

On June 28, 2005, Alliance Laundry, through a special-purpose bankruptcy remote subsidiary, Alliance Laundry Equipment Receivables 2005 LLC (“ALER 2005”), and a trust, Alliance Laundry Equipment Receivables Trust 2005-A (“ALERT 2005A”), entered into a four year \$330.0 million revolving credit facility (the “Asset Backed Facility”), backed by equipment loans and trade receivables originated by us. During the first four years of the new Asset Backed Facility, Alliance Laundry is permitted, from time to time, to sell its trade receivables and certain equipment loans to the special-purpose subsidiary, which in turn will sell them to the trust. The trust finances the acquisition of the trade receivables and equipment loans through borrowings under the Asset Backed Facility in the form of funding notes, which are limited to an advance rate of approximately 95% for equipment loans and 60-70% for trade receivables. Funding availability for trade receivables is limited to a maximum of \$60.0 million, while funding for equipment loans is limited at \$330.0 million less the amount of funding outstanding for trade receivables. Funding for the trade receivables and equipment loans is subject to certain eligibility criteria, including concentration and other limits, standard for transactions of this type. After four years from the closing date, which is June 27, 2009, (or earlier in the event of a rapid amortization event or an event of default), the trust will not be permitted to request new borrowings under the facility and the outstanding borrowings will amortize over a period of up to nine years. As of June 30, 2006, the balance of variable funding notes due to lenders under the Asset Backed Facility for equipment loans was \$225.5 million.

Additional advances under the Asset Backed Facility are subject to certain continuing conditions, including but not limited to (i) covenant restrictions relating to the weighted average life, weighted average interest rate, and the amount of fixed rate equipment loans held by the trust, (ii) the absence of a rapid amortization event or event of default, as defined, (iii) our compliance, as servicer, with certain financial covenants, and (iv) no event having occurred which materially and adversely affects our operations.

The variable funding notes under the Asset Backed Facility will commence amortization and borrowings thereunder will cease prior to four years after the closing date upon the occurrence of certain “rapid amortization events” which include: (i) a borrowing base shortfall exists and remains uncured, (ii)

delinquency, dilution or default ratios on pledged receivables and equipment loans exceeding certain specified ratios in any given month, (iii) the days sales outstanding on receivables exceed a specified number of days, (iv) the occurrence and continuance of an event of default or servicer default under the Asset Backed Facility, including but not limited to, as servicer, a material adverse change in our business or financial condition and our compliance with certain required financial covenants, and (v) a number of other specified events.

The risk of loss to the note purchasers under the new Asset Backed Facility resulting from default or dilution on the trade receivables and equipment loans is protected by credit enhancement, provided by us in the form of cash reserves, letters of credit and overcollateralization. Further, the timely payment of interest and the ultimate payment of principal on the facility is guaranteed by Ambac Assurance Corporation. All of the residual beneficial interests in the trust and cash flows remaining from the pool of receivables and loans after payment of all obligations under the Asset Backed Facility would accrue to the benefit of Alliance Laundry. Except for the retained interests and amounts of the letters of credit outstanding from time to time as credit enhancement, we provide no support or recourse for the risk of loss relating to default on the assets transferred to the trust. In addition, we are paid a monthly servicing fee equal to one-twelfth of 1.0% of the aggregate balance of such trade receivables and equipment loans.

The estimated fair value of Alliance Laundry's beneficial interests in the accounts receivable and notes sold to ALERT 2005A are based on the amount and timing of expected distributions to Alliance Laundry as the holder of the trust's residual equity interests. Such distributions may be substantially deferred or eliminated, and result in an impairment of our residual interests, if repayment of the variable funding notes issued by ALERT 2005A is accelerated upon an event of default or rapid amortization event described above.

At June 30, 2006, our retained interest in trade accounts receivable sold to ALER 2005 was \$21.6 million and our estimated fair value of beneficial interests in notes sold was \$17.2 million.

NOTE 5. GOODWILL AND OTHER INTANGIBLES

Identifiable intangible assets, which are subject to amortization, consist primarily of customer agreements and distributor networks which are amortized over the assets' estimated useful lives ranging from five to twelve years; engineering drawings, product designs and manufacturing processes, which are amortized over their estimated useful lives ranging from four to fifteen years; and computer software and patents which are amortized over their estimated useful lives ranging from three to twenty years. Intangible assets also include trademarks and tradenames, which have an indefinite life. Such assets are not amortized, but are subject to an annual impairment test pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets." Amortization expense associated with identifiable intangible assets was as follows (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005
	Successor	Successor	Successor	Successor	Predecessor
Amortization expense.....	\$ 1,134	\$ 1,114	\$ 2,267	\$ 1,885	\$ 14

The following is a summary of identifiable intangible assets as of June 30, 2006 and December 31, 2005 (in thousands):

	June 30, 2006			December 31, 2005		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Identifiable intangible assets:						
Trademarks, tradenames.....	\$ 109,736	\$ -	\$ 109,736	\$ 112,336	\$ -	\$ 112,336
Customer agreements and distributor network.....	28,247	5,147	23,100	28,247	3,330	24,917
Engineering and manufacturing designs and processes.....	7,861	915	6,946	7,861	592	7,269
Patents.....	256	9	247	233	3	230
Computer software and other.....	906	347	559	906	225	681
	<u>\$ 147,006</u>	<u>\$ 6,418</u>	<u>\$ 140,588</u>	<u>\$ 149,583</u>	<u>\$ 4,150</u>	<u>\$ 145,433</u>

NOTE 6. INVENTORIES

Inventories are stated at cost using the first-in, first-out method but not in excess of net realizable value, and consist of the following (in thousands):

	June 30, 2006	December 31, 2005
Materials and purchased parts	\$ 16,228	\$ 10,259
Work in process	5,425	4,448
Finished goods	23,692	15,859
Inventory reserves	(3,110)	(1,516)
	<u>\$ 42,235</u>	<u>\$ 29,050</u>

At January 27, 2005, as a result of the Acquisition, the Company recorded inventories at fair market value. This resulted in a net write-up of \$6.2 million. Of this amount \$5.6 million was expensed to cost of sales in the period January 28, 2005 through March 31, 2005 and the remaining \$0.6 million was expensed in the second quarter of 2005 as this inventory was sold.

NOTE 7. OTHER LONG-TERM DEBT

On January 25, 2006 we received \$1.0 million in borrowings, evidenced by two promissory notes, pursuant to a Wisconsin Community Development Block Grant Agreement (the "Agreement") dated January 6, 2006 between the Wisconsin Department of Commerce, Alliance Laundry and Fond du Lac County, Wisconsin. The first promissory note, in the amount of \$0.5 million bears interest at an annual rate of 2%, with monthly payments of interest and principal commencing January 1, 2007 and a final installment paid on December 1, 2010, subject to the covenants of the Agreement. The second promissory note, in the amount of \$0.5 million bears interest at an annual rate of 2%, with monthly payments of interest and principal commencing January 1, 2009 and a final installment paid on December 1, 2010, subject to the covenants of the Agreement. A portion or the entire amount of this second promissory note may be forgiven if we meet certain job creation and retention requirements outlined in the promissory note.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against us. While we cannot predict the outcome of these matters, in the opinion of management, any liability arising thereunder will not have a material adverse effect on our business, financial condition and results of operations after giving effect to provisions already recorded.

Environmental, Health and Safety Matters

We are subject to comprehensive and frequently changing federal, state and local environmental and occupational health and safety laws and regulations, including laws and regulations governing emissions of air pollutants, discharges of waste and storm water and the disposal of hazardous wastes. We are also subject to liability for the investigation and remediation of environmental contamination (including contamination caused by other parties) at the properties we own or operate and at other properties where our Company or predecessors have arranged for the disposal of hazardous substances. As a result, we are involved, from time to time, in administrative and judicial proceedings and inquiries relating to environmental matters. There can be no assurance that we will not be involved in such proceedings in the future and that the aggregate amount of future clean-up costs and other environmental liabilities will not have a material adverse effect on our business, financial condition and results of operations. We believe that our facilities and operations are in material compliance with all environmental, health and safety laws.

NOTE 9. GUARANTEES

We, through our special purpose bankruptcy remote subsidiary, entered into a \$330.0 million Asset Backed Facility on June 28, 2005 for the purpose of selling trade receivables and certain equipment loans. Pursuant to the terms of the Asset Backed Facility, we provide credit enhancement to the note purchasers including an irrevocable letter of credit, which is an unconditional lending commitment of the lenders under the Senior Credit Facility, subject to certain limits. We are obligated under the reimbursement provisions of the Senior Credit Facility to reimburse the lenders for any drawings on the credit enhancement by the facility indenture trustee. If the credit enhancement is not replenished by us after a drawing, the trust will not be permitted to request new borrowings under the Asset Backed Facility and the Asset Backed Facility will begin to amortize. The amount of the irrevocable letter of credit related to the Asset Backed Facility at June 30, 2006 was \$29.2 million.

We offer warranties to our customers depending upon the specific product and the product use. Standard product warranties vary from one to three years for most components with certain components extending to five years. Certain customers have elected to buy products without warranty coverage. The standard warranty program requires that we replace defective components within a specified time period from the date of installation. We record an estimate for future warranty related costs based on actual historical incident rates and cost per incident trends. Based on analysis of these and other factors, the carrying amount of our warranty liability is adjusted as necessary. While our warranty costs have historically been within our calculated estimates, it is possible that future warranty costs could exceed those estimates.

The changes in the carrying amount of our total product warranty liability for the periods presented were as follows (in thousands):

	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005
	Successor	Successor	Predecessor
Balance at beginning of period.....	\$ 4,109	\$ 4,309	\$ 4,309
Accruals for current and pre-existing warranties issued during the period.....	1,542	994	140
Settlements made during the period.....	(1,417)	(1,094)	(140)
Balance at end of period.....	<u>\$ 4,234</u>	<u>\$ 4,209</u>	<u>\$ 4,309</u>

NOTE 10. INCOME TAXES

Alliance Holdings is a single member limited liability company owned by ALH, which is a corporation for U.S. tax purposes. Accordingly, the consolidated financial statements are being presented as if Alliance Holdings was taxed as a corporation. We use the liability method of accounting for income taxes whereby deferred income taxes are recorded for the future tax consequences attributable to differences between the financial statement and tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets and liabilities are revalued to reflect new tax rates during the periods in which rate changes are enacted. Management believes, based on the operating earnings in prior years, expected reversals of taxable temporary differences, and reliance on future earnings, that it is more likely than not that the recorded deferred tax assets are fully realizable.

The income tax provision (benefit) for the six months ended June 30, 2006 was determined by applying an estimated annual effective income tax rate of 30.3% to income before taxes. The estimated effective income tax rate was determined by applying statutory income tax rates to our annualized forecast of pretax income adjusted for certain permanent book/tax differences and tax credits. The effective tax rate for the period January 28, 2005 through June 30, 2005 was 41.5%. The decrease is primarily a result of a State of Wisconsin development zone tax credit awarded to the Company which has reduced the effective state income tax rates between the periods.

There are various factors that may cause our tax assumptions to change in the near term, and we may have to record a valuation allowance against our deferred income tax assets. We cannot predict whether future U.S. federal and state income tax laws and regulations might be passed that could have a material effect on our results of operations. We will assess the impact of significant changes to the U.S. federal and state income tax laws and regulations on a regular basis and update the assumptions and estimates used to prepare our consolidated financial statements when new regulations and legislation are enacted.

We did not provide for U.S. federal income taxes or tax benefits prior to the January 27, 2005 Transactions as the Company was a partnership for tax reporting purposes and the payment of federal and most state taxes were the responsibility of the partners.

NOTE 11. EMPLOYEE BENEFIT PLANS

Substantially all of our employees are covered by a defined benefit pension plan. In addition, we provide certain health care benefits for retired employees for a limited time. The components of periodic benefit costs for the three months ended June 30, 2006 and 2005 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
	Successor	Successor	Successor	Successor
Service cost.....	\$ 475	\$ 428	\$ 29	\$ 32
Interest cost.....	733	690	32	33
Expected return on assets.....	(869)	(911)	-	-
Amortization of prior service cost....	-	-	(6)	-
Amortization of loss.....	-	-	-	-
Curtailment gain.....	(513)	-	(619)	-
Net periodic benefit cost.....	<u>\$ (174)</u>	<u>\$ 207</u>	<u>\$ (564)</u>	<u>\$ 65</u>

The components of periodic benefit costs for these plans for the periods presented are as follows (in thousands):

	Pension Benefits			Other Benefits		
	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
Service cost.....	\$ 942	\$ 731	\$ 151	\$ 54	\$ 54	\$ 11
Interest cost.....	1,448	1,145	229	59	54	10
Expected return on assets.....	(1,784)	(1,515)	(311)	-	-	-
Amortization of prior service cost....	-	-	6	(11)	-	4
Amortization of loss.....	-	-	4	-	-	7
Curtailment gain.....	(513)	-	-	(619)	-	-
Net periodic benefit cost.....	<u>\$ 93</u>	<u>\$ 361</u>	<u>\$ 79</u>	<u>\$ (517)</u>	<u>\$ 108</u>	<u>\$ 32</u>

The curtailment gain was recorded as a result of the termination of employees in Marianna, Florida in connection with the Marianna facility closure which is further discussed in Note 3.

Employer Contributions

We anticipate making a voluntary contribution in 2006 of approximately \$1.0 million to the pension plan which is consistent with our previous disclosures in our financial statements for the year ended December 31, 2005. As of June 30, 2006, no contributions have been made.

NOTE 12. STOCK-BASED COMPENSATION

On January 27, 2005, in connection with the Acquisition, ALH established a stock option plan, primarily for the benefit of Alliance Laundry's executive officers. No further options were issued since that time and no options were exercised in the period ended June 30, 2006. Based upon a valuation of these stock options, for the six months ended June 30, 2006, we recognized \$1.8 million of compensation expense. No compensation expense was recorded for the period from January 28, 2005 through June 30, 2005. For the period ended January 27, 2005, we recognized \$1.1 million of compensation expense, primarily associated with the acceleration of vesting of units as of the Acquisition date under a prior incentive program.

NOTE 13. SEGMENT INFORMATION

Based upon the information used by management for making operating decisions and assessing performance, we have organized our business into two reportable segments. Commercial laundry equipment sales to domestic and international markets are combined to form the commercial laundry segment. Commercial laundry net sales include amounts related to our finance program which supports the commercial laundry operations. Our other reportable segment is consumer laundry, which includes sales to domestic and Canadian distributors. Service parts is not considered a separate segment, in that the service operations are required to support both commercial laundry and consumer laundry segments, but the operations could not stand alone and the results are not reviewed as a separate operating entity. As the service operations are also not allocated to the commercial laundry equipment segment or the consumer laundry segment, we have chosen to show the service operations separately.

Our assets and liabilities, including inventory, trade receivables, property, plant and equipment, and accounts payable are not reviewed by segment by management for making operating decisions and assessing performance. Such information would not be useful due to common manufacturing lines and significant shared components across all product lines.

Our primary measure of operating performance is gross profit which does not include an allocation of any selling expenses. Such amounts are reviewed on a consolidated basis by management. In determining gross profit for our operating units, we do not allocate certain manufacturing costs, including manufacturing variances and warranty costs. Gross profit is determined by subtracting cost of sales from net sales. Cost of sales is comprised of the costs of raw materials and component parts, plus costs incurred at the manufacturing plant level, including, but not limited to, labor and related fringe benefits, depreciation, supplies, utilities, property taxes and insurance. We do not allocate assets internally in assessing operating performance. Net sales and gross profit as determined by the Company for its operating segments for the three months ended June 30, 2006 and 2005 are as follows (in millions):

	<u>Three Months Ended June 30, 2006</u>		<u>Three Months Ended June 30, 2005</u>	
	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Net Sales</u>	<u>Gross Profit</u>
	Successor		Successor	
Commercial laundry.....	\$ 72.5	\$ 23.0	\$ 73.4	\$ 24.1
Consumer laundry.....	3.7	(0.1)	2.2	(0.1)
Service parts.....	10.7	4.2	10.1	4.2
	<u>\$ 86.9</u>	<u>27.1</u>	<u>\$ 85.7</u>	<u>28.2</u>
Other manufacturing costs.....		<u>(7.0)</u>		<u>(7.6)</u>
Gross profit as reported.....		<u>\$ 20.1</u>		<u>\$ 20.6</u>

Net sales and gross profit as determined by the Company for its operating segments for the periods presented are as follows (in millions):

	Six Months Ended June 30, 2006		January 28, 2005 through June 30, 2005		January 1, 2005 through January 27, 2005	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
	Successor		Successor		Predecessor	
Commercial laundry.....	\$ 129.7	\$ 42.7	\$ 114.1	\$ 36.9	\$ 17.3	\$ 4.6
Consumer laundry.....	6.8	(0.2)	3.2	(0.1)	0.2	-
Service parts.....	21.9	9.1	17.6	7.5	3.2	1.5
	<u>\$ 158.4</u>	<u>51.6</u>	<u>\$ 134.9</u>	<u>44.3</u>	<u>\$ 20.7</u>	<u>6.1</u>
Other manufacturing costs.....		(12.9)		(17.8)		(1.0)
Gross profit as reported.....		<u>\$ 38.7</u>		<u>\$ 26.5</u>		<u>\$ 5.1</u>

NOTE 14. SUBSEQUENT EVENTS

On July 14, 2006, Alliance Laundry completed the acquisition of substantially all of Laundry System Group NV's ("LSG") commercial laundry division ("CLD") operations pursuant to a share purchase agreement, dated May 23, 2006 (the "Share Purchase Agreement"), between Alliance Laundry and LSG, and a purchase agreement, dated May 23, 2006 (the "Purchase Agreement"), among Alliance Laundry, LSG, Cissell Manufacturing Company, Jensen USA Inc. and LSG North America, Inc. Alliance Laundry acquired LSG's Belgian CLD operations pursuant to the Share Purchase Agreement by purchasing all of the outstanding stock of a wholly-owned direct subsidiary of LSG for approximately 45.3 million Euros, which price is subject to adjustment in accordance with the Share Purchase Agreement, and the assumption of approximately 5.1 million Euros of debt. Alliance Laundry acquired LSG's United States CLD operations pursuant to the Purchase Agreement for 8.6 million Euros. The Share Purchase Agreement prohibits LSG from competing with the Company in certain segments of the commercial laundry business for a period of three years and restricts LSG's ability to solicit commercial laundry division customers, suppliers, employees, directors and certain other persons for a period of two years following the completion of the transaction. CLD markets commercial washer-extractors, tumbler dryers, and ironers worldwide under the Ipso and Cissell brand names, and has its headquarters in Wevelgem, Belgium, and manufacturing facilities and sales offices in the United States, Belgium, Norway and Spain.

In support of this acquisition we incurred \$2.4 million of legal and professional fees through June 30, 2006, which have been recorded in prepaid expenses in our Condensed Consolidated Balance Sheet as of that date.

On July 14, 2006, Alliance Laundry, Alliance Holdings, Lehman Commercial Paper Inc., as administrative agent and lender, and the other parties named therein as lenders, entered into an amendment (the "Amendment") to the credit agreement, dated as of January 27, 2005 (the "Credit Agreement"), among Alliance Laundry, Alliance Holdings, ALH Finance LLC, Lehman Commercial Paper Inc., as administrative agent, and the several banks and other financial institutions party thereto. The Amendment amends the Credit Agreement to (i) provide for an additional \$60 million of term loans under the Credit Agreement term loan facility, (ii) increase the revolving credit commitments to \$55.0 million from \$50.0 million under the Credit Agreement revolving credit facility, (iii) permit the acquisition of CLD, (iv) modify certain negative covenants in the Credit Agreement, including by (a) adjusting the calculation of the consolidated leverage ratio, (b) adjusting the calculation of the consolidated interest coverage ratio, (c) increasing the annual ordinary course capital expenditures permitted by Alliance Laundry and its subsidiaries to \$13.0 million from \$10.0 million, effective 2007, and (d) increasing the maximum permitted debt Alliance Laundry's non-U.S. subsidiaries may incur without restriction to \$5.0 million from \$2.5 million, (v) revising the procedure for term

loan borrowing, (vi) revising the term loan repayment schedule to require repayment in 22 quarterly installments of \$587,500 commencing on September 30, 2006, and one installment of \$222,075,000, or such lesser amount then outstanding, on January 27, 2012, and (vii) making conforming changes to the definitions contained therein. This Amendment did not affect interest rates charged under the Credit Agreement. The additional term loans were used to partially finance the acquisition of CLD.

The acquisition of CLD was funded through the \$60.0 million of increased term loans, \$3.2 million of incremental equity contribution from management investors and a \$20.0 million equity bridge facility. The equity bridge facility is expected to be replaced by an additional equity contribution from OTP in 2006. The equity bridge loan is not secured by any of our assets.

On August 8, 2006, the Board of Directors of ALH Holding Inc. resolved to discontinue our Louisville, Kentucky operations (the “Discontinuance”) and close our Portland, Tennessee facility (the “Closure”). We expect to complete the Discontinuance and Closure within the next six months. The decision was based on an analysis of each location’s manufacturing capabilities as well as the continuing investment requirements for each of the locations.

We estimate total cash costs and expenses associated with the Discontinuance and Closure to be approximately \$3.3 million, comprised of (1) approximately \$1.5 million of one-time termination benefits; (2) approximately \$0.2 million of other labor related costs including training and temporary living expenses; (3) approximately \$0.3 million related to the relocation of tooling and equipment; (4) approximately \$1.0 million related to contractual obligations; and (5) approximately \$0.3 million of other related expenses. We expect these costs to be partially offset by the proceeds of the anticipated sale of the Portland facility. We are currently evaluating the accounting for these restructuring activities under Emerging Issues Task Force Issue No. 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination.”

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We believe we are the leading designer, manufacturer and marketer of stand-alone commercial laundry equipment in North America and that we are similarly a leader worldwide. Under the well-known brand names of Speed Queen®, UniMac® and Huebsch®, we produce a full line of commercial washing machines and dryers with load capacities from 16 to 250 pounds as well as presses and finishing equipment. Our commercial products are sold to four distinct customer groups: (i) laundromats; (ii) multi-housing laundries, consisting primarily of common laundry facilities in apartment buildings, universities and military installations; (iii) on-premise laundries, consisting primarily of in-house laundry facilities of hotels, hospitals, nursing homes and prisons; and (iv) drycleaners.

The North American stand-alone commercial laundry equipment industry's revenues are primarily driven by population growth and the replacement cycle of laundry equipment. With economic conditions having limited effect on the frequency of use, and therefore the useful life of laundry equipment, industry revenues have been relatively stable over time. Similarly, with a majority of our revenues generated by recurring sales of replacement equipment and service parts, we have experienced stable revenues even during economic slowdowns.

Sales of stand-alone commercial laundry equipment are the single most important driver of our revenues. In 2005, our full year net revenues from the sale of commercial laundry equipment were approximately \$268.3 million, which comprised over 84% of our total net revenues. The other main component of our revenues is the sale of service parts. We offer immediate response service whereby many of our parts are available on a 24-hour turnaround for emergency repair parts orders. In 2005, our full year net revenues from the sale of service parts were approximately \$40.5 million, which comprised almost 13% of our total net revenues. In addition to commercial laundry equipment and service parts, we re-entered the U.S. consumer laundry market in October 2004, after the expiration of a non-compete agreement. In 2005, our net revenues from the sale of consumer laundry equipment were approximately \$8.5 million, which comprised approximately 3% of our total net revenues.

We have achieved steady revenues by building an extensive and loyal distribution network for our products, establishing a significant installed base of units and developing and offering a full innovative product line. As a result of our large installed base, a significant majority of our revenue is attributable to replacement sales of equipment and service parts.

We believe that continued population expansion in North America will continue to drive steady demand for garment and textile laundering by all customer groups that purchase commercial laundry equipment. We anticipate growth in demand for commercial laundry equipment in international markets as well, especially in developing countries where laundry processing has historically been far less sophisticated than in North America. In addition, customers are increasingly trading up to equipment with enhanced functionality, thereby raising average selling prices. Customers are also moving towards equipment with increased water and energy efficiency as the result of government and consumer pressure and a focus on operating costs.

The following discussion should be read in conjunction with the Financial Statements and Notes thereto included in this report.

RECENT DEVELOPMENTS

On July 14, 2006, Alliance Laundry completed the acquisition of substantially all of Laundry System Group NV's ("LSG") commercial laundry division ("CLD") operations pursuant to a share purchase agreement, dated May 23, 2006 (the "Share Purchase Agreement"), between Alliance Laundry and LSG, and a purchase agreement, dated May 23, 2006 (the "Purchase Agreement"), among Alliance Laundry, LSG, Cissell Manufacturing Company, Jensen USA Inc. and LSG North America, Inc. Alliance Laundry acquired LSG's Belgian CLD operations pursuant to the Share Purchase Agreement by purchasing all of the outstanding stock of a wholly-owned direct subsidiary of LSG for approximately 45.3 million Euros, which price is subject to adjustment in accordance with the Share Purchase Agreement, and the assumption of approximately 5.1 million Euros of debt. Alliance Laundry acquired LSG's United States CLD operations pursuant to the Purchase Agreement for 8.6 million Euros. The Share Purchase Agreement prohibits LSG from competing with the Company in certain segments of the commercial laundry business for a period of three years and restricts LSG's ability to solicit commercial laundry division customers, suppliers, employees, directors and certain other persons for a period of two years following the completion of the transaction. CLD markets commercial washer-extractors, tumbler dryers, and ironers worldwide under the Ipso and Cissell brand names, and has its headquarters in Wevelgem, Belgium, and manufacturing facilities and sales offices in the United States, Belgium, Norway and Spain.

In support of this acquisition we incurred \$2.4 million of legal and professional fees through June 30, 2006, which have been recorded in prepaid expenses in our Condensed Consolidated Balance Sheet as of that date.

On July 14, 2006, Alliance Laundry, Alliance Holdings, Lehman Commercial Paper Inc., as administrative agent and lender, and the other parties named therein as lenders, entered into an amendment (the "Amendment") to the credit agreement, dated as of January 27, 2005 (the "Credit Agreement"), among Alliance Laundry, Alliance Holdings, ALH Finance LLC, Lehman Commercial Paper Inc., as administrative agent, and the several banks and other financial institutions party thereto. The Amendment amends the Credit Agreement to (i) provide for an additional \$60 million of term loans under the Credit Agreement term loan facility, (ii) increase the revolving credit commitments to \$55.0 million from \$50.0 million under the Credit Agreement revolving credit facility, (iii) permit the acquisition of CLD, (iv) modify certain negative covenants in the Credit Agreement, including by (a) adjusting the calculation of the consolidated leverage ratio, (b) adjusting the calculation of the consolidated interest coverage ratio, (c) increasing the annual ordinary course capital expenditures permitted by Alliance Laundry and its subsidiaries to \$13.0 million from \$10.0 million, effective 2007, and (d) increasing the maximum permitted debt Alliance Laundry's non-U.S. subsidiaries may incur without restriction to \$5.0 million from \$2.5 million, (v) revising the procedure for term loan borrowing, (vi) revising the term loan repayment schedule to require repayment in 22 quarterly installments of \$587,500 commencing on September 30, 2006, and one installment of \$222,075,000, or such lesser amount then outstanding, on January 27, 2012, and (vii) making conforming changes to the definitions contained therein. This Amendment did not affect interest rates charged under the Credit Agreement. The additional term loans were used to partially finance the acquisition of CLD.

The acquisition of CLD was funded through the \$60.0 million of increased term loans, \$3.2 million of incremental equity contribution from management investors and a \$20.0 million equity bridge facility. The equity bridge facility is expected to be replaced by an additional equity contribution from OTPP in 2006. The equity bridge loan is not secured by any of our assets.

All information related to debt and liquidity in the liquidity and capital resources sections of this 10-Q incorporate the impact of the above changes to debt and the changes in covenants.

On August 8, 2006, the Board of Directors of ALH Holding Inc. resolved to discontinue our Louisville, Kentucky operations (the “Discontinuance”) and close our Portland, Tennessee facility (the “Closure”). We expect to complete the Discontinuance and Closure within the next six months. The decision was based on an analysis of each location’s manufacturing capabilities as well as the continuing investment requirements for each of the locations.

We estimate total cash costs and expenses associated with the Discontinuance and Closure to be approximately \$3.3 million, comprised of (1) approximately \$1.5 million of one-time termination benefits; (2) approximately \$0.2 million of other labor related costs including training and temporary living expenses; (3) approximately \$0.3 million related to the relocation of tooling and equipment; (4) approximately \$1.0 million related to contractual obligations; and (5) approximately \$0.3 million of other related expenses. We expect these costs to be partially offset by the proceeds of the anticipated sale of the Portland facility. We are currently evaluating the accounting for these restructuring activities under Emerging Issues Task Force Issue No. 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination.”

RESULTS OF OPERATIONS

As a result of the acquisition on January 27, 2005, by ALH Holding Inc., an entity formed by Teachers’ Private Capital, the private equity arm of Ontario Teachers’ Pension Plan Board, of 100% of the outstanding equity interests in Alliance Holdings (the “Acquisition”), the Condensed Consolidated Financial Statements present our results of operations, financial position and cash flows prior to the date of the Acquisition transaction under “Predecessor.” The financial effects of the Acquisition transaction and our results of operations, financial position and cash flows following the closing of the Acquisition are presented under “Successor.” In accordance with generally accepted accounting principles in the United States, or GAAP, our Predecessor results have not been aggregated with our Successor results and, accordingly, our Condensed Consolidated Financial Statements do not show results of operations or cash flows for the six months ended June 30, 2005. However, in order to facilitate an understanding of our results of operations for the six months ended June 30, 2006 in comparison with the six months ended June 30, 2005, we have presented and discussed below our Predecessor results and our Successor results on a combined basis. The combined results of operations are non-GAAP financial measures and should not be considered in isolation or as a substitute for the Predecessor and Successor results.

The following table sets forth our historical net revenues for the periods indicated:

	Quarter Ended	
	June 30, 2006	June 30, 2005
	(Dollars in millions)	
Net revenues:		
Commercial laundry.....	\$ 72.5	\$ 73.4
Consumer laundry.....	3.7	2.2
Service parts.....	10.7	10.1
	<u>\$ 86.9</u>	<u>\$ 85.7</u>

Net revenues. Net revenues for the quarter ended June 30, 2006 increased \$1.2 million, or 1.5%, to \$86.9 million from \$85.7 million for the quarter ended June 30, 2005. This increase was attributable to higher consumer laundry revenue of \$1.5 million and higher service parts revenue of \$0.6 million, which were offset by lower commercial laundry revenues of \$0.9 million. The increase in consumer laundry revenue was due to continued growth in the number of retailers and sales per retailer. The decrease in commercial laundry

revenues was due to lower earnings from our off-balance sheet equipment financing program of \$1.9 million which was partially offset by higher North American commercial equipment revenue of \$0.4 million and higher international revenue of \$0.5 million. Revenue for North America was lower for coin-operated laundry customers, with revenue increases for multi-housing customers. Revenue for international customers was higher in Asia and South Africa. The net revenue increases stated above include price increases of approximately \$2.2 million.

Gross profit. Gross profit for the quarter ended June 30, 2006 decreased \$0.5 million, or 2.3%, to \$20.1 million from \$20.6 million for the quarter ended June 30, 2005. This decrease was primarily attributable to the \$1.9 million of lower earnings from our off-balance sheet equipment financing program, \$1.2 million related to unfavorable sales volume and sales mix and \$0.8 million of excess and discontinued inventory provisions largely related to electronic control components. This gross profit decrease was partly offset by the \$2.2 million of price increase impacts and \$0.5 million of lower depreciation expense. The remaining \$0.7 million of favorability was due to favorable material costs partially offset by inefficiencies related to the Marianna transition. As a result of these factors, gross profit as a percentage of net revenues decreased to 23.1% for the quarter ended June 30, 2006 from 24.0% for the quarter ended June 30, 2005.

Selling, general and administrative expense. Selling, general and administrative expense for the quarter ended June 30, 2006 increased \$1.9 million, or 18.5%, to \$12.0 million from \$10.1 million for the quarter ended June 30, 2005. The increase in selling, general and administrative expense was primarily due to recognition of \$1.1 million of costs related to the transfer of production lines from Marianna, Florida to Ripon, Wisconsin, a \$0.5 million increase in non-cash incentive compensation resulting from the recognition of stock/unit related incentive compensation costs and \$0.5 million of employee fringe benefit related costs. As a result of these factors, selling, general and administrative expense as a percentage of net revenues increased to 13.8% for the quarter ended June 30, 2006 as compared to 11.8% for the quarter ended June 30, 2005.

Securitization, impairment and other costs. Securitization, impairment and other costs for the quarter ended June 30, 2006 decreased \$5.9 million to \$2.1 million from \$8.0 million for the quarter ended June 30, 2005. These costs in 2006 are comprised of \$2.1 million of Marianna plant closure costs. Securitization, impairment and other costs for the quarter ended June 30, 2005 are comprised of \$8.0 million of transaction costs incurred in establishing a new asset backed facility for the sale of equipment notes and trade receivables. Securitization, impairment and other costs as a percentage of net revenues decreased to 2.4% for the quarter ended June 30, 2006 as compared to 9.4% for the quarter ended June 30, 2005.

Operating income (loss). As a result of the foregoing, operating income (loss) for the quarter ended June 30, 2006 increased \$3.5 million, to an operating income of \$6.0 million as compared to \$2.5 million for the quarter ended June 30, 2005. Operating income as a percentage of net revenues increased to 6.9% for the quarter ended June 30, 2006 as compared to 2.9% for the quarter ended June 30, 2005.

Interest expense. Interest expense for the quarter ended June 30, 2006 decreased \$0.7 million, or 10.0%, to \$6.8 million from \$7.5 million for the quarter ended June 30, 2005. Interest expense in 2006 includes a favorable non-cash adjustment of \$0.2 million to reflect adjustments in the fair values of an interest rate swap agreement. Under a previous interest rate swap agreement, 2005 interest expense included an unfavorable non-cash adjustment of \$0.7 million. This net favorability was partially offset by higher interest costs primarily related to higher interest rates for the quarter ended June 30, 2006 as compared to the quarter ended June 30, 2005. Interest expense as a percentage of net revenues decreased to 7.8% for the quarter ended June 30, 2006 as compared to 8.8% for the quarter ended June 30, 2005.

Other expense, net. Other expense, net for the quarter ended June 30, 2006 of \$0.4 million consists of a mark to market loss related to two foreign exchange hedge agreements. The agreements were entered to control the foreign exchange risk associated with the initial acquisition price of CLD. We paid \$0.5 million for

the hedges, which decreased in value to \$0.1 million as of June 30, 2006. There were no similar costs for the quarter ended June 30, 2005.

Income tax provision. The provision for income taxes for the quarter ended June 30, 2006 was a benefit of \$0.3 million, as compared to a benefit of \$2.4 million for the quarter ended June 30, 2005. The effective tax rate decreased from 46.3% for the quarter ended June 30, 2005 to 27.2% for the quarter ended June 30, 2006. The decrease is a result of a State of Wisconsin development zone tax credit awarded to the Company which has reduced the effective state income tax rates between the periods.

Net loss. As a result of the foregoing, our net loss for the quarter ended June 30, 2006 was \$0.8 million as compared to a net loss of \$2.7 million for the quarter ended June 30, 2005. Net loss as a percentage of net revenues for the quarter ended June 30, 2006 was a negative 0.9% as compared to a negative 3.2% for the quarter ended June 30, 2005.

The following table sets forth our historical net revenues for the periods indicated:

	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005	Six Months Ended June 30, 2005
	Successor	Successor	Predecessor	Combined
	(Dollars in millions)		(Dollars in millions)	
Net revenues:				
Commercial laundry.....	\$ 129.7	\$ 114.1	\$ 17.3	\$ 131.4
Consumer laundry.....	6.8	3.2	0.2	3.4
Service parts.....	21.9	17.6	3.2	20.8
	<u>\$ 158.4</u>	<u>\$ 134.9</u>	<u>\$ 20.7</u>	<u>\$ 155.6</u>

Below is a reconciliation of the combined results of operations for the periods presented (in thousands):

	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005	Six Months Ended June 30, 2005
	Successor	Successor	Predecessor	Combined
Net revenues.....	\$ 158,410	\$ 134,908	\$ 20,683	\$ 155,591
Cost of sales.....	119,745	108,418	15,585	124,003
Gross profit.....	<u>38,665</u>	<u>26,490</u>	<u>5,098</u>	<u>31,588</u>
Selling, general and administrative expense.....	24,486	16,858	3,829	20,687
Securitization, impairment and other costs.....	3,924	8,015	-	8,015
Transaction costs associated with sale of business...	-	-	18,790	18,790
Total operating expenses.....	<u>28,410</u>	<u>24,873</u>	<u>22,619</u>	<u>47,492</u>
Operating income (loss).....	10,255	1,617	(17,521)	(15,904)
Interest expense.....	13,242	11,301	995	12,296
Loss from early extinguishment of debt.....	-	-	9,867	9,867
Other expense, net.....	360	-	-	-
Loss before taxes.....	<u>(3,347)</u>	<u>(9,684)</u>	<u>(28,383)</u>	<u>(38,067)</u>
(Benefit) provision for income taxes.....	<u>(1,012)</u>	<u>(4,021)</u>	<u>9</u>	<u>(4,012)</u>
Net loss.....	<u>\$ (2,335)</u>	<u>\$ (5,663)</u>	<u>\$ (28,392)</u>	<u>\$ (34,055)</u>

Net revenues. Net revenues for the six months ended June 30, 2006 increased \$2.8 million, or 1.8%, to \$158.4 million from \$155.6 million for the six months ended June 30, 2005. This increase was attributable to higher consumer laundry revenue of \$3.4 million and higher service parts revenue of \$1.1 million, which were

offset by lower commercial laundry revenues of \$1.7 million. The increase in consumer laundry revenue was due to continued growth in the number of retailers and sales per retailer. The decrease in commercial laundry revenues was due to lower North American commercial equipment revenue of \$2.5 million and lower earnings from our off-balance sheet equipment financing program of \$1.4 million, partly offset by higher international revenue of \$2.3 million. Revenue for North America was lower for coin-operated laundry customers. Revenue for international customers was higher in Asia and South Africa. The net revenue increases stated above include price increases of approximately \$4.5 million.

Gross profit. Gross profit for the six months ended June 30, 2006 increased \$7.1 million, or 22.4%, to \$38.7 million from \$31.6 million for the six months ended June 30, 2005. This increase was primarily attributable to \$6.2 million of expense in 2005 related to an inventory step-up to fair market value recorded on the Acquisition date with no similar expense incurred in 2006 and \$4.5 million of price increase impacts. These gross profit increases were partly offset by \$1.4 million of lower earnings from our off-balance sheet equipment financing program, \$1.4 million related to unfavorable sales volume and sales mix and \$0.9 million of excess and discontinued inventory provisions largely related to electronic control components. As a result of these factors, gross profit as a percentage of net revenues increased to 24.4% for the six months ended June 30, 2006 from 20.3% for the six months ended June 30, 2005.

Selling, general and administrative expense. Selling, general and administrative expense for the six months ended June 30, 2006 increased \$3.8 million, or 18.4%, to \$24.5 million from \$20.7 million for the six months ended June 30, 2005. The increase in selling, general and administrative expense was due primarily to recognition of \$1.8 million of costs related to the transfer of production lines from Marianna, Florida to Ripon, Wisconsin, \$0.3 million of costs associated with the implementation of Sarbanes-Oxley initiatives, a \$0.7 million increase in non-cash incentive compensation resulting from the recognition of stock/unit related incentive compensation costs, \$0.2 million of higher losses on the sale of trade receivables, \$0.5 million of employee fringe benefit related costs and \$0.4 million of increased amortization expenses driven primarily by Acquisition date write-ups to fair market value for customer agreements, engineering drawings, and our distribution network. As a result of these factors, selling, general and administrative expense as a percentage of net revenues increased to 15.5% for the six months ended June 30, 2006 as compared to 13.3% for the six months ended June 30, 2005.

Securitization, impairment and other costs. Securitization, impairment and other costs for the six months ended June 30, 2006 decreased \$4.1 million to \$3.9 million from \$8.0 million for the six months ended June 30, 2005. These costs in 2006 are comprised of a \$1.4 million impairment charge related to a reduction in value of the Ajax trademark and \$2.5 million related to Marianna plant closure costs. Securitization, impairment and other costs for the six months ended June 30, 2005 are comprised of \$8.0 million of transaction costs incurred in establishing a new asset backed facility for the sale of equipment notes and trade receivables. Securitization, impairment and other costs as a percentage of net revenues decreased to 2.5% for the six months ended June 30, 2006 as compared to 5.2% for the six months ended June 30, 2005.

Transaction costs associated with sale of business. Transaction costs associated with sale of business for the six months ended June 30, 2005 were \$18.8 million, with no similar costs in 2006. These costs were comprised of seller transaction fees including transaction underwriting fees of \$4.5 million, legal and professional fees of \$1.3 million, a management sale bonus of \$6.2 million and advisory fees to Bain Capital Partners LLC and Bruckman, Rosser, Sherrill & Co. of \$6.8 million. Transaction costs associated with sale of business as a percentage of net revenues was 12.1% for the six months ended June 30, 2005.

Operating income (loss). As a result of the foregoing, operating income (loss) for the six months ended June 30, 2006 increased \$26.2 million, to an operating income of \$10.3 million as compared to an operating loss of \$15.9 million for the six months ended June 30, 2005. Operating income as a percentage of net

revenues increased to 6.5% for the six months ended June 30, 2006 as compared to a negative 10.2% for the six months ended June 30, 2005.

Interest expense. Interest expense for the six months ended June 30, 2006 increased \$0.9 million, or 7.7% to \$13.2 million from \$12.3 million for the six months ended June 30, 2005. Interest expense in 2006 includes approximately \$0.5 million of higher interest costs primarily related to higher interest rates for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The interest increase is also attributable to the recognition of \$0.7 million of interest income in 2005 related to pre-Acquisition investor promissory notes. Interest expense in 2006 includes a favorable non-cash adjustment of \$0.6 million to reflect adjustments in the fair values of an interest rate swap agreement. Under a previous interest rate swap agreement, 2005 interest expense included a favorable non-cash adjustment of \$0.4 million. Interest expense as a percentage of net revenues increased to 8.4% for the six months ended June 30, 2006 as compared to a 7.9% for the six months ended June 30, 2005.

Other expense, net. Other expense, net for the six months ended June 30, 2006 of \$0.4 million consists of a mark to market loss related to two foreign exchange hedge agreements. The agreements were entered to control the foreign exchange risk associated with the initial acquisition price of CLD. We paid \$0.5 million for the hedges, which decreased in value to \$0.1 million as of June 30, 2006. There were no similar costs for the six months ended June 30, 2005.

Loss on early extinguishment of debt. Loss on early extinguishment of debt for the six months ended June 30, 2005 was \$9.9 million, with no similar costs in 2006. The 2005 costs were incurred in conjunction with the Acquisition. Loss on early extinguishment of debt as a percentage of net revenues was 6.3% for the six months ended June 30, 2005.

Income tax provision. The provision for income taxes for the six months ended June 30, 2006 was a benefit of \$1.0 million, as compared to a benefit of \$4.0 million for the six months ended June 30, 2005. Prior to January 28, 2005, we did not provide for U.S. federal income taxes or tax benefits, as the Predecessor Company was a partnership for tax reporting purposes and the payment of federal and most state taxes were the responsibility of the partners. The effective tax rate decreased from 41.5% for the January 28, 2005 through June 30, 2005 period to 30.2% for the six months ended June 30, 2006. The decrease is primarily a result of a State of Wisconsin development zone tax credit awarded to the Company which has reduced the effective state income tax rates between the periods.

Net loss. As a result of the foregoing, our net loss for the six months ended June 30, 2006 was \$2.3 million as compared to a net loss of \$34.1 million for the six months ended June 30, 2005. Net loss as a percentage of net revenues for the six months ended June 30, 2006 was a negative 1.5% as compared to a negative 21.9% for the six months ended June 30, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal sources of liquidity are cash flows generated from operations and potential borrowings under our \$55.0 million Revolving Credit Facility. Our principal uses of liquidity are to meet debt service requirements, finance our capital expenditures and provide working capital. We expect that capital expenditures in 2006 will not exceed \$7.5 million. The aggregate scheduled maturities of long-term debt in subsequent years, after giving effect to the scheduled payments and \$22.5 million of voluntary prepayments made through June 30, 2006 and after giving effect to the \$60.0 million of additional term loans received in July of 2006, are as follows:

<u>Year</u>	<u>Amount Due</u> (Dollars in millions)
2006.....	\$ 1.2
2007.....	2.5
2008.....	2.4
2009.....	2.8
2010.....	2.7
Thereafter	374.4

The Senior Credit Facility and the indenture governing the Senior Subordinated Notes contain a number of covenants that, among other things, restrict our ability to dispose of assets, repay other indebtedness, incur liens, make capital expenditures and make certain investments or acquisitions, engage in mergers or consolidation and otherwise restrict our operating activities. In addition, under the Senior Credit Facility, the Company is required to satisfy specified financial ratios and tests, including a maximum of total debt to Adjusted EBITDA (as defined in the credit agreement governing the Senior Credit Facility) and a minimum interest coverage ratio.

The Senior Credit Facility requires us to comply with certain financial ratios and tests in order to comply with the terms of the agreement. The occurrence of any default of these covenants could result in acceleration of our obligations under the Senior Credit Facility (approximately \$235.0 million after giving effect to the \$60.0 million of additional term loans received in July of 2006) and foreclosure on the collateral securing such obligations. Further, such an acceleration would constitute an event of default under the indenture governing the Senior Subordinated Notes.

At June 30, 2006, there was \$2.0 million of borrowings under our Revolving Credit Facility. At June 30, 2006, letters of credit issued on our behalf under the Revolving Credit Facility totaled \$30.9 million. At June 30, 2006, we had \$17.1 million of our existing \$50.0 million Revolving Credit Facility available, subject to certain limitations under the Senior Credit Facility. After considering such limitations, which relate primarily to the maximum ratio of consolidated debt to Adjusted EBITDA, we could have borrowed \$17.1 million at June 30, 2006 in additional indebtedness under the Revolving Credit Facility.

The maximum ratio of consolidated debt to Adjusted EBITDA under the Senior Credit Facility is 6.25 at June 30, 2006. We are in compliance with this and all other debt related covenants as of June 30, 2006. We believe, based on currently available information, that for the foreseeable future, cash flows from operations, together with available borrowings under the Senior Credit Facility, will be adequate to meet our anticipated requirements for capital expenditures, working capital, interest payments, scheduled principal payments and other debt repayments while achieving all required covenant requirements under the Senior Credit Facility and Senior Subordinated Notes.

The Senior Credit Facility, after giving effect to the \$60.0 million of additional term loans received in July of 2006, is repayable in the following aggregate annual amounts:

<u>Year</u>	<u>Amount Due</u> (Dollars in millions)
2006.....	\$ 1.2
2007.....	2.4
2008.....	2.3
2009.....	2.4
2010.....	2.3
Thereafter	224.4

The Senior Credit Facility is also subject to mandatory prepayment with the proceeds of certain debt incurrences, asset sales and a portion of Excess Cash Flow (as defined in the Senior Credit Facility). The Revolving Credit Facility will terminate on January 27, 2011.

On January 25, 2006 we received \$1.0 million in borrowings, evidenced by two promissory notes, pursuant to a Wisconsin Community Development Block Grant Agreement (the "Agreement") dated January 6, 2006 between the Wisconsin Department of Commerce, Alliance Laundry and Fond du Lac County, Wisconsin. The first promissory note, in the amount of \$0.5 million bears interest at an annual rate of 2%, with monthly payments of interest and principal commencing January 1, 2007 with the final installment paid on December 1, 2010, subject to the covenants of the Agreement. The second promissory note, in the amount of \$0.5 million bears interest at an annual rate of 2%, with monthly payments of interest and principal commencing January 1, 2009 with the final installment paid on December 1, 2010, subject to the covenants of the Agreement. A portion or the entire amount of this second promissory note may be forgiven if we meet certain job creation and retention requirements outlined in the promissory note.

Our ability to make scheduled payments of principal or to refinance our indebtedness, or to pay the interest or liquidated damages, if any thereon, or to fund planned capital expenditures, will depend upon our future performance, which, in turn, is subject to general economic, financial, competitive and other factors that are beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt and make necessary capital expenditures after satisfying certain liabilities arising in the ordinary course of business. If unable to do so, we may be required to refinance all or a portion of our debt, to sell assets or to obtain additional financing. There can be no assurance that any such refinancing would be available or that any such sales of assets or additional financing could be obtained.

Our Asset Backed Facility provides for a total of \$330.0 million in off-balance sheet financing for trade receivables and equipment loans. We have structured, and intend to continue to structure, the finance programs in a manner that qualifies for off-balance sheet treatment in accordance with generally accepted accounting principles. It is expected that under the Asset Backed Facility, we will continue to act as originator and servicer of the equipment financing promissory notes and the trade receivables.

EBITDA and Adjusted EBITDA

We have presented EBITDA and Adjusted EBITDA below because certain covenants in the indenture governing our Senior Subordinated Notes (the "Notes Indenture"), are tied to ratios based on these measures. "EBITDA" represents net income (loss) before interest expense, income tax (provision) benefit and depreciation and amortization, and "Adjusted EBITDA" is EBITDA as further adjusted to exclude, among other things, certain non-recurring expenses and other non-recurring non-cash charges, which are further defined in the Notes Indenture. EBITDA and Adjusted EBITDA do not represent, and should not be considered, an alternative to net income or cash flow from operations, as determined by GAAP, and our calculations thereof may not be comparable to similarly entitled measures reported by other companies. Based on our industry and debt financing experience, we believe that EBITDA and Adjusted EBITDA are customarily used to provide useful information regarding a company's ability to service and/or incur indebtedness. In addition, EBITDA and Adjusted EBITDA are defined in the Notes Indenture in a manner which is identical to the definition of EBITDA and Adjusted EBITDA in our Senior Credit Facility under which we are required to satisfy specified financial ratios and tests, including a maximum of total debt to Adjusted EBITDA and a minimum interest coverage ratio. The Notes Indenture also requires us to meet a fixed charge coverage ratio in order to incur additional indebtedness, subject to certain exceptions.

The following is a reconciliation of net loss to EBITDA and Adjusted EBITDA, and reconciliation of Adjusted EBITDA to net cash provided by operating activities, in order to reconcile with the most directly comparable GAAP measures (dollars in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
	Successor	Successor
Net loss.....	\$ (821)	\$ (2,732)
Benefit for income taxes.....	(307)	(2,352)
Interest expense.....	6,785	7,537
Depreciation and amortization (a).....	5,378	6,240
Non-cash interest income included in amortization above.....	(444)	(579)
EBITDA.....	10,591	8,114
Finance program adjustments (b).....	750	(496)
Other non-recurring charges (c).....	3,505	8,305
Other non-cash charges (d).....	524	640
Other expense (e).....	360	-
Adjusted EBITDA.....	15,730	16,563
Interest expense.....	(6,785)	(7,537)
Non-cash interest income included in amortization above.....	444	579
Other non-cash interest.....	(333)	880
Finance program adjustments (b).....	(750)	496
Other non-recurring charges (c).....	(3,505)	(8,305)
Loss on sale of property, plant and equipment.....	111	2
Other expense.....	(351)	(42)
Changes in assets and liabilities.....	1,953	330
Net cash provided by operating activities.....	\$ 6,514	\$ 2,966

- (a) Depreciation and amortization amounts include amortization of deferred financing costs included in interest expense.
- (b) We currently operate an off-balance sheet commercial equipment finance program in which newly originated equipment loans are sold to qualified special-purpose bankruptcy remote entities. In accordance with GAAP, we are required to record gains/losses on the sale of these equipment based promissory notes. In calculating Adjusted EBITDA, management determines the cash impact of net interest income on these notes. The finance program adjustments are the difference between GAAP basis revenues (as prescribed by SFAS No. 125/140) and cash basis revenues.
- (c) Other non-recurring charges are described as follows:
- Other non-recurring charges for the quarter ended June 30, 2006 relate to \$2.1 million of costs associated with the closure of the Marianna, Florida production facility which are included in the Securitization, impairment and other costs line of our consolidated statements of operations, \$1.1 million of costs related to the transfer of the Marianna, Florida product lines to Ripon, Wisconsin which are included in the selling, general and administrative expense line of our consolidated statements of operations and a periodic accrual of \$0.3 million under a one time retention bonus agreement entered into with certain management employees concurrent with the Acquisition, which is

included in the selling, general and administrative expense line of our consolidated statements of operations. Under the retention bonus agreements, the executives are entitled to receive special retention bonus awards upon the second anniversary of the closing date of the Acquisition, subject generally to their continued employment with Alliance Laundry through such date.

- Other non-recurring charges for the quarter ended June 30, 2005 relate to \$8.0 million of transaction costs incurred in establishing a new asset backed facility for the sale of equipment notes and trade receivables, which is included in the Securitization, impairment and other costs line of our consolidated statements of operations, and a periodic accrual of \$0.3 million under the one time retention bonus agreement entered into with certain management employees.

(d) Other non-cash charges are described as follows:

- Other non-cash charges for the quarter ended June 30, 2006 are comprised of \$0.5 million of non-cash incentive compensation expense related to management incentive stock options, which is included in the selling, general and administrative expense line of our consolidated statements of operations.
- Non-cash charges for the quarter ended June 30, 2005 relate to \$0.6 million of cost associated with the inventory step-up to fair market value recorded at the Acquisition date, which are included in the cost of sales line of our consolidated statements of operations.

(e) Other expense is described as follows:

- Other expense for the quarter ended June 30, 2006 consists of \$0.4 million of mark to market loss for two foreign exchange hedge agreements entered to control the foreign exchange risk associated with the initial acquisition price of CLD, which is included in the other expense line of our consolidated statements of operations.

	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005	Six Months Ended June 30, 2005
	Successor	Successor	Predecessor	Combined
Net loss.....	\$ (2,335)	\$ (5,663)	\$ (28,392)	\$ (34,055)
(Benefit) provision for income taxes.....	(1,012)	(4,021)	9	(4,012)
Interest expense.....	13,242	11,301	995	12,296
Depreciation and amortization (a).....	11,245	10,365	526	10,891
Non-cash interest income included				
in amortization above.....	(922)	(911)	-	(911)
EBITDA.....	20,218	11,071	(26,862)	(15,791)
Finance program adjustments (b).....	844	420	31	451
Other non-recurring charges (c).....	4,872	8,498	28,657	37,155
Other non-cash charges (d).....	3,209	6,246	1,089	7,335
Other expense (e).....	360	-	-	-
Management fees paid to affiliates of Bain.....	-	-	83	83
Adjusted EBITDA.....	29,503	26,235	2,998	29,233
Interest expense.....	(13,242)	(11,301)	(995)	(12,296)
Non-cash interest income included				
in amortization above.....	922	911	-	911
Other non-cash interest.....	(808)	36	351	387
Finance program adjustments (b).....	(844)	(420)	(31)	(451)
Other non-recurring charges (c).....	(4,872)	(8,498)	(28,657)	(37,155)
Non-cash debt financing write-off.....	-	-	5,751	5,751
Loss on sale of property, plant and equipment.....	131	3	-	3
Other expense.....	(359)	(39)	(92)	(131)
Changes in assets and liabilities.....	(11,327)	(22,748)	14,056	(8,692)
Net cash used in operating activities.....	\$ (896)	\$ (15,821)	\$ (6,619)	\$ (22,440)

- (a) Depreciation and amortization amounts include amortization of deferred financing costs included in interest expense.
- (b) We currently operate an off-balance sheet commercial equipment finance program in which newly originated equipment loans are sold to qualified special-purpose bankruptcy remote entities. In accordance with GAAP, we are required to record gains/losses on the sale of these equipment based promissory notes. In calculating Adjusted EBITDA, management determines the cash impact of net interest income on these notes. The finance program adjustments are the difference between GAAP basis revenues (as prescribed by SFAS No. 125/140) and cash basis revenues.
- (c) Other non-recurring charges are described as follows:
- Other non-recurring charges for the period from January 1, 2005 through January 27, 2005 relate to seller transaction costs of \$18.8 million incurred as part of the Acquisition which are included in the transaction costs associated with the sale of business line of our consolidated statements of operations, and a loss on the early extinguishment of debt of \$9.9 million which is included in the loss from early extinguishment of debt line of our consolidated statements of operations.

- Other non-recurring charges for the period from January 28, 2005 through June 30, 2005 relate to \$8.0 million of transaction costs incurred in establishing a new asset backed facility for the sale of equipment notes and trade receivables, which is included in the Securitization, impairment and other costs line of our consolidated statements of operations, and a periodic accrual of \$0.5 million under the one time retention bonus agreement entered into with certain management employees, which is included in the selling, general and administrative expense line of our consolidated statements of operations.
- Other non-recurring charges for the six months ended June 30, 2006 consist of \$1.8 million of costs related to the transfer of the Marianna, Florida product lines to Ripon, Wisconsin which are included in the selling, general and administrative expense line of our consolidated statements of operations, \$2.5 million of costs associated with the closure of the Marianna, Florida production facility which are included in the Securitization, impairment and other costs line of our consolidated statements of operations and a periodic accrual of \$0.6 million under the one time retention bonus agreement with certain management employees referred to above.

(d) Other non-cash charges are described as follows:

- Non-cash charges for the period from January 1, 2005 through January 27, 2005 of \$1.1 million relate to non-cash incentive compensation expense resulting from the acceleration of vesting for incentive units at the date of the Acquisition, which are included in the selling, general and administrative expense line of our consolidated statements of operations.
- Non-cash charges for the period from January 28, 2005 through June 30, 2005 relate to \$6.2 million of cost associated with the inventory step-up to fair market value recorded at the Acquisition date, which are included in the cost of sales line of our consolidated statements of operations.
- Non-cash charges for the six month period ended June 30, 2006 are comprised of \$1.8 million of non-cash incentive compensation expense related to management incentive stock options which is included in the selling, general and administrative expense line of our consolidated statements of operations and a \$1.4 million non-cash impairment charge related to the Ajax trademark, driven by the Company's decision to discontinue sales of AJAX® products. The Ajax impairment is included in the Securitization, impairment and other costs line of our consolidated statements of operations.

(e) Other expense is described as follows:

- Other expense for the six months ended June 30, 2006 consists of \$0.4 million of mark to market loss for two foreign exchange hedge agreements entered to control the foreign exchange risk associated with the initial acquisition price of CLD, which is included in the other expense line of our consolidated statements of operations.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

On June 28, 2005, Alliance Laundry Equipment Receivables Trust 2005-A (“ALERT 2005A”), a trust formed by Alliance Laundry Equipment Receivables 2005 LLC (“ALER 2005”) a special-purpose bankruptcy remote subsidiary of Alliance Laundry, entered into a \$330.0 million asset backed securitization funding facility (the “Asset Backed Facility”) backed by equipment loans and trade receivables originated by Alliance Laundry. We will sell or contribute all of the trade receivables and certain of the equipment loans that we originate to ALER 2005, which in turn will transfer them to the trust.

Funding availability for trade receivables is limited to a maximum of \$60.0 million, while funding for equipment loan Notes is limited to \$330.0 million less the amount of funding outstanding for trade receivable Notes. Funding of the Notes is subject to certain advance rate and eligibility criteria standard for transactions of this type. After June 27, 2009 (or earlier in the event of a rapid amortization event, an event of default or the termination of the Asset Backed Facility by Alliance Laundry), ALERT 2005A will not be permitted to request new borrowings under the Asset Backed Facility and the outstanding borrowings will amortize over a period of up to nine years thereafter. As of June 30, 2006, the balance of variable funding notes due to lenders under the Asset Backed Facility for equipment loans was \$225.5 million.

Additional advances under the Asset Backed Facility are subject to certain continuing conditions, including but not limited to (i) the absence of a rapid amortization event or event of default, as defined in the Asset Backed Facility primary documents, (ii) compliance by Alliance Laundry, as servicer, with certain covenants, including financial covenants and (iii) no event having occurred which materially and adversely affects the operations of Alliance Laundry. In addition, advances under the Asset Backed Facility in respect of fixed rate equipment loans are subject to limitations on the weighted average interest rate and the aggregate loan balance of all fixed rate equipment loans then held by ALERT 2005A.

The risk of loss resulting from default or dilution on the trade receivables and equipment loans is protected by credit enhancement, provided in the form of cash reserves, letters of credit and overcollateralization. The timely payment of interest and the ultimate payment of principal on the Asset Backed Facility are guaranteed by Ambac Assurance Corporation. All of the residual beneficial interests in ALERT 2005A and cash flows remaining from the pool of receivables and loans after payment of all obligations under the asset backed facility will accrue to the benefit of Alliance Laundry. Except for amounts of the letters of credit outstanding from time to time as credit enhancement, Alliance Laundry will provide no support or recourse for the risk of loss relating to default on the assets transferred to ALERT 2005A. The amount of the irrevocable letter of credit related to the Asset Backed Facility at June 30, 2006 was \$29.2 million. Alliance Laundry, as servicer, will be paid a monthly servicing fee equal to one-twelfth of 1.0% of the aggregate balance of such trade receivables and equipment loans.

Cash Flows

Below is a reconciliation of certain items of the combined statements of cash flows for the periods presented (in thousands):

	Six Months Ended June 30, 2006	January 28, 2005 through June 30, 2005	January 1, 2005 through January 27, 2005	Six Months Ended June 30, 2005
	Successor	Successor	Predecessor	Combined
Cash flows from operating activities:				
Net cash provided by (used in) operations.....	\$ 10,431	\$ 6,927	\$ (20,675)	\$ (13,748)
Net cash (used for) provided by working capital.....	(11,327)	(22,748)	14,056	(8,692)
Net cash used in operating activities.....	<u>\$ (896)</u>	<u>\$ (15,821)</u>	<u>\$ (6,619)</u>	<u>\$ (22,440)</u>
Cash flows from investing activities:				
Additions to property, plant and equipment.....	\$ (2,492)	\$ (2,072)	\$ (188)	\$ (2,260)
Cash paid for business development.....	\$ (1,738)	\$ -	\$ -	\$ -
Proceeds on disposition of assets.....	1,226	1	-	1
Net cash used in investing activities.....	<u>\$ (3,004)</u>	<u>\$ (2,071)</u>	<u>\$ (188)</u>	<u>\$ (2,259)</u>
Cash flows from financing activities:				
Principal payments on long-term debt.....	\$ (2,000)	\$ (5,000)	\$ 1	\$ (4,999)
Net increase in revolving line of credit borrowings.....	2,000	-	-	-
Proceeds from promissory notes.....	1,000	-	-	-
Proceeds from senior term loan.....	-	200,000	-	200,000
Proceeds from senior subordinated notes.....	-	149,250	-	149,250
Repayment of long-term debt.....	-	(275,920)	-	(275,920)
(Repurchase) issuance of common stock.....	(30)	117,000	-	117,000
Distribution to old unitholders.....	-	(154,658)	-	(154,658)
Debt financing costs.....	-	(13,230)	-	(13,230)
Cash paid for capitalized offering related costs.....	-	(1,364)	-	(1,364)
Net proceeds - management note.....	-	-	(71)	(71)
Net cash provided by (used in) financing activities.....	<u>\$ 970</u>	<u>\$ 16,078</u>	<u>\$ (70)</u>	<u>\$ 16,008</u>

Cash used in operating activities for the six months ended June 30, 2006 of \$0.9 million was driven by cash generated by operations of \$10.4 million (net loss adjusted for depreciation, amortization and other non-cash adjustments) offset by working capital requirements of \$11.3 million. The cash used in operations included \$4.3 million of costs associated with the closure of the Marianna, Florida facility and the transfer of production lines to the Ripon, Wisconsin facility. Working capital requirements for the six months ended June 30, 2006 increased primarily for inventory and accounts receivable, with a decrease in working capital for accounts payable. The working capital investment in inventories at June 30, 2006 of \$42.2 million increased \$13.2 million as compared to the balance of \$29.0 million at December 31, 2005 due to a \$7.3 million build-up of manufactured finished goods to provide sales coverage during the transfer of the Marianna, Florida product lines to Ripon, Wisconsin and a \$6.0 million increase in raw materials to support the transition and to purchase electronic control components from a supplier. The working capital investment in other accounts payable at June 30, 2006 of \$36.1 million decreased \$1.7 million as compared to the balance of \$34.4 million at December 31, 2005 due primarily to the higher raw material purchases to support the closure of the Marianna, Florida facility and the transfer of production lines to the Ripon, Wisconsin facility.

Capital Expenditures

Our capital expenditures for the six months ended June 30, 2006 and June 30, 2005 were \$2.5 million and \$2.3 million, respectively. Capital spending in 2006 was principally oriented toward the transfer of the Marianna, Florida product lines to Ripon, Wisconsin, product enhancements and computer purchases. Capital spending in 2005 was principally oriented toward product enhancements and manufacturing process improvements.

Proceeds on disposition of assets within the consolidated statements of cash flows for the six months ended June 30, 2006 includes \$1.2 million of proceeds from the sale of the Ajax intellectual property to Sankosha Engineering.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November of 2004, the FASB issued SFAS No. 151, "Inventory Costs," an amendment of ARB No. 43, Chapter 4, "Inventory Pricing" which requires that abnormal amounts of idle capacity and spoilage costs be excluded from the cost of inventory and expensed when incurred. The provisions of SFAS No. 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material effect on the Company's consolidated results of operations and financial position.

During December 2004, the FASB issued SFAS No. 123R "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as expense in the financial statements based on their fair values beginning with the first annual period after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to expense recognition. We adopted SFAS 123R using the modified-prospective method in the first quarter of calendar year 2005.

The FASB is expected to issue a statement that would amend and clarify SFAS No. 140 (and related implementation guidance). The proposed statement will address permitted activities of qualifying special-purpose entities, including the degree of discretion allowable in determining the terms of beneficial interests issued after inception, and whether certain transfers can meet the criteria for sale accounting under SFAS No. 140 if the transferor or any consolidated affiliate provides liquidity support for the transferee's beneficial interests. As the proposed statement has not been issued, we are unable to determine the effects of the related transition provisions, if any, on our existing securitization entity. However, in the event that transfers to our existing asset backed facility would no longer qualify as sales of financial assets in the future, we may recognize additional costs for a replacement facility or it may have other material financial statement effects. An exposure draft was issued in the third quarter of 2005 and a final document is anticipated in the first quarter of 2007.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement applies to voluntary changes in accounting principles and requires retrospective application to prior period financial statements, unless impracticable to determine. The statement is a result of a broader effort by the FASB to improve comparability of financial reporting between U.S. and international accounting standards. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on the Company's consolidated results of operations and financial position.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 will be effective for fiscal years beginning after December 15, 2006. We are currently in the process of evaluating the effect, if any, FIN 48 will have on our consolidated financial statements.

In June 2006, the FASB ratified the consensus on Emerging Issues Task Force (EITF) Issue No. 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement, (EITF 06-03). The scope of EITF 06-03 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. The Task Force affirmed its conclusion that entities should present these taxes in the income statement on either a gross or a net basis, based on their accounting policy, which should be disclosed pursuant to APB Opinion No. 22, Disclosure of Accounting Policies. If such taxes are significant, and are presented on a gross basis, the amounts of those taxes should be disclosed. The consensus on EITF 06-03 will be effective for interim and annual reporting periods beginning after December 15, 2006. The Company currently records gross receipts, taxes and miscellaneous other taxes on a net basis in its consolidated statements of operations. Should the Company conclude that such amounts are more appropriately presented on a gross basis, it would have a material impact on total operating revenues and expenses, although operating income and net income would not be affected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are potentially exposed to market risk associated with changes in interest and foreign exchange rates. From time to time we may enter into derivative financial instruments to hedge our interest rate exposures and to hedge exchange rate fluctuations between United States dollars and foreign currencies. An instrument will be treated as a hedge if it is effective in offsetting the impact of volatility in our underlying exposures. We do not enter into derivatives for speculative purposes. There have been no material changes in our market risk exposures as compared to those discussed in our Annual Report on Form 10-K (file no. 333-56857).

Effective March 4, 2005, we entered into a \$67.0 million interest rate swap agreement with The Bank of Nova Scotia to hedge a portion of our interest rate risk related to our term loan borrowings under the Senior Credit Facility. Under the swap, which matures on March 4, 2008, we pay a fixed rate of 3.81%, and receive or pay quarterly interest payments based upon the three month LIBOR rate. Under the swap, we received \$281 thousand during the six months ended June 30, 2006. The fair value of this interest rate swap agreement, which represents the amount that we would receive upon a settlement of this instrument, was \$1.9 million at June 30, 2006.

Effective May 23, 2006, we entered into two foreign exchange contracts in the aggregate amount of 59.0 million Euros with Lehman Brothers Special Financing Inc. to hedge substantially all of the purchase price of CLD. On May 25, 2006 we paid \$0.5 million for these foreign exchange hedges. The fair value of these foreign exchange contracts, which represents the amount that we would receive upon a settlement of these instruments, was \$0.1 million at June 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES

(a) We carried out an evaluation as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chairman and Chief Executive

Officer along with our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, as of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934) are effective for the purposes set forth in the definition thereof in Exchange Act Rule 15d-15(e).

(b) There have been no changes in our internal control over financial reporting that have occurred during the quarter ended June 30, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

With the exception of the reported actual results, the information presented herein contains predictions, estimates or other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, including items specifically discussed in the “Note 7 – Commitments and Contingencies” section of this document. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Although we believe that our plans, intentions and expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that such plans, intentions, expectations, objectives or goals will be achieved. Important factors that could cause actual results to differ materially from those included in forward-looking statements include: impact of competition; continued sales to key customers; possible fluctuations in the cost of raw materials and components; possible fluctuations in currency exchange rates, which affect the competitiveness of our products abroad as well as earnings and cash flows from CLD’s European operations; market acceptance of new and enhanced versions of our products; the impact of substantial leverage and debt service on us and other risks listed from time to time in our reports, including but not limited to our Annual Report on Form 10-K (file no. 333-56857). We do not undertake any obligation to update any such forward-looking statements unless required by law.

PART II OTHER INFORMATION

- Item 1. Legal Proceedings. Incorporated by reference from Note 8 to the Consolidated Financial Statements of Alliance Laundry Holdings LLC included in Item 1 of Part I of this quarterly report on Form 10-Q.
- Item 1A. Risk Factors. No material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. Not Applicable.
- Item 3. Defaults upon Senior Securities. None.
- Item 4. Submission of Matters to a Vote of Security Holders. None.
- Item 5. Other Information. None.
- Item 6. Exhibits.
- a) List of Exhibits.
- 10.1 Asset Purchase Agreement, dated as of June 15, 2006 between Sankosha Engineering Co., LTD., as Purchaser and Alliance Laundry Systems LLC, as Seller.
- 10.2 Trademark License Agreement, dated June 15, 2006 between Sankosha Engineering Co., LTD., as Licensor and Alliance Laundry Systems LLC, as Licensee.
- 10.3 Share Purchase Agreement, dated as of May 23, 2006 between Laundry Systems Group NV, as Seller and Alliance Laundry Systems LLC, as Purchaser.
- 10.4 Amendment and Restatement Agreement relating to a Share Purchase Agreement, dated May 23, 2006, between Laundry Systems Group NV, as Seller and Alliance Laundry Systems LLC, as Purchaser.
- 10.5 Purchase Agreement, dated as of May 23, 2006 by and among Alliance Laundry Systems LLC, as Buyer, and Laundry Systems Group NV, Cissell Manufacturing Company, Jensen USA Inc. and LSG North America, Inc., as Sellers.
- 10.6 Amendment No. 1 to the Purchase Agreement, dated as of July 13, 2006, by and among Alliance Laundry Systems LLC, Laundry Systems Group NV, Cissell Manufacturing Company, Jensen USA Inc., and LSG North America, Inc.

- 10.7 Supply Agreement, dated July 14, 2006 by and between Jensen USA Inc. and Alliance Laundry Systems LLC
- 10.8 First Amendment, dated as of July 14, 2006, to the Credit Agreement dated as of January 27, 2005, among Alliance Laundry Holdings LLC, Alliance Laundry Systems LLC, ALH Finance LLC, the several banks and other financial institutions or entities from time to time parties thereto, as Lenders, Lehman Brothers Inc., as sole advisor, sole lead arranger and sole bookrunner, The Bank of Nova Scotia, as syndication agent, LaSalle Bank National Association and Royal Bank of Canada, as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Alliance Laundry Systems LLC has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ THOMAS F. L'ESPERANCE</u> Thomas F. L'Esperance	CEO and President	<u>8-10-06</u>
<u>/s/ BRUCE P. ROUNDS</u> Bruce P. Rounds	Vice President, Chief Financial Officer	<u>8-10-06</u>

Alliance Laundry Corporation has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ THOMAS F. L'ESPERANCE</u> Thomas F. L'Esperance	CEO and President	<u>8-10-06</u>
<u>/s/ BRUCE P. ROUNDS</u> Bruce P. Rounds	Vice President, Chief Financial Officer	<u>8-10-06</u>

Alliance Laundry Holdings LLC has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ THOMAS F. L'ESPERANCE</u> Thomas F. L'Esperance	CEO and President	<u>8-10-06</u>
<u>/s/ BRUCE P. ROUNDS</u> Bruce P. Rounds	Vice President, Chief Financial Officer	<u>8-10-06</u>

CERTIFICATIONS

I, Thomas F. L’Esperance, Chief Executive Officer and President of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrants’ other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Reserved];
 - c) Evaluated the effectiveness of the registrants’ disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrants’ internal control over financial reporting that occurred during the registrants’ most recent fiscal quarter (the registrants’ fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants’ internal control over financial reporting; and
5. The registrants’ other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants’ auditors and the audit committee of registrants’ board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants’ ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants’ internal control over financial reporting.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ THOMAS F. L’ESPERANCE Thomas F. L’Esperance	CEO and President	8-10-06

CERTIFICATIONS

I, Bruce P. Rounds, Vice President, Chief Financial Officer of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrants' other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Reserved];
 - c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of registrants' board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Signature

Title

Date

/s/ BRUCE P. ROUNDS

Vice President, Chief Financial Officer

8-10-06

Bruce P. Rounds

CERTIFICATION PURSUANT TO

**18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC (the “Companies”) on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas F. L’Esperance, Chief Executive Officer and President of the Companies, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

/s/ THOMAS F. L’ESPERANCE

Chief Executive Officer and President

August 10, 2006

CERTIFICATION PURSUANT TO

**18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Laundry Systems LLC, Alliance Laundry Corporation and Alliance Laundry Holdings LLC (the “Companies”) on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bruce P. Rounds, Vice President, and Chief Financial Officer of the Companies, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

 /s/ BRUCE P. ROUNDS

Vice President and
Chief Financial Officer

August 10, 2006