

ALLIANCE LAUNDRY HOLDINGS LLC

Quarterly Report for the Period Ended March 31, 2011

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Throughout this quarterly report, we refer to Alliance Laundry Holdings LLC, a Delaware limited liability company, as "Alliance Holdings," and, together with its consolidated operations, as the "Company," "Alliance," "we," "our," 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. Any reference to "ALH" refers to ALH Holding Inc., a Delaware corporation and Alliance Holdings' ultimate parent entity.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 34,846	\$ 37,743
Restricted cash - for securitization investors.....	19,266	17,528
Accounts receivable, net.....	23,334	24,830
Inventories, net.....	54,789	40,562
Accounts receivable - restricted for securitization investors.....	63,810	61,113
Loans receivable, net - restricted for securitization investors.....	43,089	43,408
Deferred income tax asset, net.....	9,185	8,968
Prepaid expenses and other assets.....	5,399	4,868
Total current assets.....	253,718	239,020
Loans receivable, net.....	4,970	4,136
Property, plant and equipment, net.....	56,166	56,075
Goodwill.....	183,002	181,377
Loans receivable, net - restricted for securitization investors.....	214,808	217,871
Debt issuance costs, net.....	7,133	7,442
Intangible assets, net.....	137,607	137,347
Total assets.....	\$ 857,404	\$ 843,268
Liabilities and Member(s)' Equity		
Current liabilities:		
Current portion of long-term debt and capital lease obligations.....	\$ 3	\$ 4
Revolving credit facility.....	-	-
Accounts payable.....	48,722	38,542
Asset backed borrowings - owed to securitization investors.....	73,657	75,152
Other current liabilities.....	33,780	33,466
Total current liabilities.....	156,162	147,164
Long-term debt and capital lease obligations.....	271,354	276,253
Asset backed borrowings - owed to securitization investors.....	187,795	189,035
Deferred income tax liability, net.....	14,967	11,673
Other long-term liabilities.....	21,567	22,082
Total liabilities.....	651,845	646,207
Commitments and contingencies (See Note 15)		
Member(s)' equity.....	205,559	197,061
Total liabilities and member(s)' equity.....	\$ 857,404	\$ 843,268

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

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

	<u>Three Months Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2011</u>	<u>2010</u>
Net revenues:		
Equipment and service parts.....	\$ 102,433	\$ 91,375
Equipment financing, net.....	1,823	1,305
Net revenues.....	<u>104,256</u>	<u>92,680</u>
Cost of sales.....	<u>73,904</u>	<u>66,019</u>
Gross profit.....	<u>30,352</u>	<u>26,661</u>
Selling, general and administrative expense.....	15,120	14,027
Other costs.....	1,113	-
Total operating expenses.....	<u>16,233</u>	<u>14,027</u>
Operating income.....	14,119	12,634
Interest expense.....	5,986	5,694
Income before taxes.....	8,133	6,940
Provision for income taxes.....	3,349	2,417
Net income.....	<u>\$ 4,784</u>	<u>\$ 4,523</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)

	Three Months Ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities:		
Net income.....	\$ 4,784	\$ 4,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,953	4,317
Non-cash interest expense.....	101	23
Non-cash (gain) loss on commodity & foreign exchange contracts, net.....	(462)	205
Non-cash executive unit compensation.....	864	567
Non-cash income from loan forgiveness.....	(13)	(13)
Deferred income taxes.....	2,760	1,573
(Gain)/Loss on sale of fixed assets.....	(42)	10
Changes in assets and liabilities:		
Accounts and notes receivable.....	1,817	(911)
Accounts receivable - restricted for securitization investors.....	(2,697)	8,498
Inventories.....	(13,533)	(1,005)
Loans receivable, net - restricted for securitization investors.....	3,382	(2,457)
Other assets.....	(557)	(424)
Accounts payable.....	9,621	684
Other liabilities.....	(1,399)	(2,988)
Net cash provided by operating activities.....	8,579	12,602
Cash flows from investing activities:		
Capital expenditures.....	(2,803)	(1,525)
Restricted cash - for securitization investors.....	(1,738)	737
Net cash used in investing activities.....	(4,541)	(788)
Cash flows from financing activities:		
Principal payments on long-term debt.....	(5,000)	(3,000)
Change in other long-term debt, net.....	(1)	(139)
Net decrease in asset backed borrowings owed to securitization investors.....	(2,735)	(7,081)
Net cash used in financing activities.....	(7,736)	(10,220)
Effect of exchange rate changes on cash and cash equivalents.....	801	(33)
Increase (decrease) in cash and cash equivalents.....	(2,897)	1,561
Cash and cash equivalents at beginning of period.....	37,743	24,615
Cash and cash equivalents at end of period.....	\$ 34,846	\$ 26,176
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	\$ 5,624	\$ 8,288
Cash paid for income taxes.....	\$ 139	\$ 149

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

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollar amounts in thousands unless otherwise indicated)

NOTE 1. BASIS OF PRESENTATION

Our interim condensed consolidated financial statements are unaudited. A number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America have been condensed or omitted. It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair statement of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results. These financial statements for the quarter ended March 31, 2011 should be read in conjunction with our consolidated financial statements presented in our Annual Report for the Year Ended December 31, 2010.

Alliance Holdings is a holding company with no material assets other than its ownership of the common stock of its wholly-owned subsidiary, Alliance Laundry Systems LLC ("Alliance Laundry"). All of Alliance Holding's business operations are conducted by Alliance Laundry and its subsidiaries.

NOTE 2. 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:

	March 31, 2011	December 31, 2010
Materials and purchased parts.....	\$ 23,402	\$ 18,774
Work in process.....	7,445	7,236
Finished goods.....	28,472	18,563
Inventory reserves.....	(4,530)	(4,011)
	<u>\$ 54,789</u>	<u>\$ 40,562</u>

NOTE 3. GOODWILL AND OTHER INTANGIBLES

The changes in the carrying value of goodwill by reporting segment for the three months ended March 31, 2011 are summarized below (in millions):

	United States and Canada	Europe	Latin America	Asia	Middle East & Africa	Consolidated
Balance, December 31, 2010.....	\$ 150.4	\$ 25.9	\$ 0.6	\$ 2.8	\$ 1.7	\$ 181.4
Currency translation.....	-	1.6	-	-	-	1.6
Balance, March 31, 2011.....	<u>\$ 150.4</u>	<u>\$ 27.5</u>	<u>\$ 0.6</u>	<u>\$ 2.8</u>	<u>\$ 1.7</u>	<u>\$ 183.0</u>

Identifiable intangible assets, which are subject to amortization, consist primarily of customer agreements and distributor networks, engineering drawings, product designs and manufacturing processes, noncompete agreements, patents and computer software. These intangible assets are amortized over the assets' estimated useful lives which range from two to twenty years. Intangible assets also include certain trademarks and trade names, which have an indefinite life. Such assets are not amortized, but are subject to an annual impairment test pursuant to current accounting guidance.

Amortization expense associated with identifiable intangible assets was as follows:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Amortization expense.....	<u>\$ 1,295</u>	<u>\$ 1,352</u>

The following is a summary of identifiable intangible assets as of March 31, 2011 and December 31, 2010:

	March 31, 2011			December 31, 2010		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets.....	\$ 58,980	\$ 34,327	\$ 24,653	\$ 57,105	\$ 32,566	\$ 24,539
Non-amortizable intangible assets.....	112,954	-	112,954	112,808	-	112,808
	<u>\$ 171,934</u>	<u>\$ 34,327</u>	<u>\$ 137,607</u>	<u>\$ 169,913</u>	<u>\$ 32,566</u>	<u>\$ 137,347</u>

NOTE 4. ASSET BACKED FACILITY

On June 26, 2009, Alliance Laundry, through a special-purpose bankruptcy remote subsidiary, Alliance Laundry Equipment Receivables 2009 LLC (“ALER 2009”), and a trust (a qualified special purpose entity), Alliance Laundry Equipment Receivables Trust 2009-A (“ALERT 2009A”), entered into a one year \$330.0 million revolving credit facility (the “Asset Backed Facility”), backed by equipment loans and trade receivables originated by the Company. Through June 25, 2010, the revolving period of the Asset Backed Facility (the “Revolving Period”), Alliance Laundry was permitted, from time to time, to sell its trade receivables and certain equipment loans to the special-purpose subsidiary, which in turn transferred them to the trust. Effective June 25, 2010, the administrative agent and noteholders under the Asset Backed Facility extended the termination date of the Revolving Period to June 24, 2011, among other things, based on a request by ALERT 2009A. 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 85% for equipment loans and 55-65% for trade receivables. Funding availability for trade receivables is limited to a maximum of \$60.0 million, while funding for equipment loans is limited to \$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, which are standard for transactions of this type. After June 24, 2011, 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 March 31, 2011, the balance of variable funding notes due to lenders under the Asset Backed Facility for equipment loans and trade receivables was \$225.1 million and \$36.4 million, respectively.

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. In addition to performance measures associated with the transferred trade receivables and equipment note receivables, there are other events or conditions which could trigger a rapid amortization event. As of March 31, 2011 no rapid amortization events have occurred.

The variable funding notes issued under the Asset Backed Facility will commence amortization, and borrowings under the Asset Backed Facility will cease prior to June 24, 2011 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 Asset Backed Facility resulting from default or dilution on the trade receivables and equipment loans is mitigated by credit enhancement, provided by us in the form of cash reserves, letters of credit (\$34.3 million as of March 31, 2011) and over-collateralization. Upon transfer of the trade receivables and equipment loan receivables to the trust, the receivables and certain cash flows derived from them become restricted for use in meeting obligations to the trusts’ noteholders and the Company. Noteholders are allocated cash flows derived from the activities of the securitized pools of trade receivables and equipment loan receivables. Any remaining monies in the trust 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 Alliance Laundry’s retained interests and amounts of the letters of credit outstanding from time to time as credit enhancement, the Company provides no support or recourse for the risk of loss relating to default on the assets transferred to the trust. Alliance Laundry also retains the servicing rights and receives a servicing fee for the trade receivables and equipment loans sold, and is paid an annual servicing fee equal to 1.0% of the aggregate balance of such trade receivables and equipment loans.

NOTE 5. SECURITIZATION ACTIVITIES

Beginning on January 1, 2010 the Company's securitization is accounted for as a secured borrowing and the trust is treated as a consolidated subsidiary of the Company. The following lines of the Company's balance sheet are specific to the Company's securitization and are restricted for securitization investors only:

- Restricted cash – for securitization investors
- Accounts receivable – restricted for securitization investors
- Loans receivable, net – restricted for securitization investors (current and long-term)
- Asset backed borrowings – owed to securitization investors (current and long-term)

Certain aspects of the Company's retained interest in the assets of the trust now constitute intercompany positions, which are eliminated in the preparation of the Company's Condensed Consolidated Balance Sheet. Trust receivables underlying the Company's retained interest are recorded in accounts receivable – restricted for securitization investors and loans receivable, net – restricted for securitization investors.

Restricted Cash – for securitization investors

To protect the noteholders of the trust, additional collateral in the form of a cash reserve equal to 1% of the trade receivable and equipment note receivable balances is maintained, as well as a yield account for lower interest rate loans. Additionally, collection accounts to facilitate the collection and disbursement of funds are maintained separately for trade receivables and equipment note receivables. The components of restricted cash are shown below.

	March 31, 2011	December 31, 2010
Cash reserve accounts.....	\$ 3,274	\$ 3,321
Collection accounts - trade receivables.....	3,857	3,989
Collection accounts - equipment loans.....	12,135	10,218
Restricted cash -for securitization investors.....	<u>\$ 19,266</u>	<u>\$ 17,528</u>

Securitization Activities

The Company transfers accounts receivable and equipment loans to our special-purpose bankruptcy remote subsidiary in the ordinary course of business as part of our ongoing securitization activities. In our securitization transactions, Alliance Laundry receives a combination of cash and residual interests in the assets transferred. Residual interests in accounts receivable as of the dates indicated were:

	March 31, 2011	December 31, 2010
Accounts receivables - restricted for securitization investors.....	\$ 63,810	\$ 61,113
Less: asset backed borrowings - owed to securitization investors.....	(36,379)	(37,669)
Company's residual interest in securitized accounts receivable.....	<u>\$ 27,431</u>	<u>\$ 23,444</u>

At March 31, 2011, the residual interest in securitized loans receivable were:

	Current	Long term
Loans receivable - restricted for securitization investors.....	\$ 46,122	\$ 221,602
Less: bad debt reserve on loans receivable.....	(3,033)	(6,794)
Loans receivable, net - restricted for securitization investors	43,089	214,808
Less: asset backed borrowings - owed to securitization investors.....	(37,278)	(187,795)
Company's residual interest in securitized loans receivables.....	<u>\$ 5,811</u>	<u>\$ 27,013</u>

At December 31, 2010, the residual interest in securitized loans receivable were:

	<u>Current</u>	<u>Long term</u>
Loans receivable - restricted for securitization investors.....	\$ 46,450	\$ 224,629
Less: bad debt reserve on loans receivable.....	(3,042)	(6,758)
Loans receivable, net - restricted for securitization investors	43,408	217,871
Less: asset backed borrowings - owed to securitization investors.....	(37,483)	(189,035)
Company's residual interest in securitized loans receivables.....	<u>\$ 5,925</u>	<u>\$ 28,836</u>

Asset backed borrowings – owed to securitization investors

The current portion of the asset backed borrowings owed to securitization investors in the Company's Condensed Consolidated Balance Sheets represents the third party noteholders' interest in trade receivables and the current portion of equipment notes receivable. The long-term portion of the asset backed borrowings owed to securitization investors in the Company's Condensed Consolidated Balance Sheets represents the third party noteholders' interest in equipment note receivables. Amounts owed to securitization investors as of March 31, 2011 for their interest in securitized trade receivables and loans receivable were \$36.4 million and \$225.1 million, respectively.

Credit Quality of Financing Receivables

Past due balances of loans receivable represent the principal balance of loans held with any payment amounts between 30 and 89 days past the contractual payment due date. Non-performing loans receivable represent loans that are generally more than 90 days delinquent and the estimated uncollectible amount has been written off to the allowance for doubtful accounts. The Company does not accrue interest income on non-performing loans. Finance income for non-performing loans receivable is recognized on a cash basis.

An aging analysis of past due and non-performing loans receivable as of March 31, 2011 is shown below:

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Total Past Due</u>	<u>Over 90 Days Non- Performing</u>	<u>Current</u>	<u>Allowance for Doubtful Accounts</u>	<u>Total Financing Receivables, net</u>
Unsecuritized Loan Portfolio.....	\$ -	\$ -	\$ -	\$ 194	\$ 5,070	\$ (294)	\$ 4,970
Securitized Loan Portfolio.....	\$ 5,390	\$ 1,595	\$ 6,985	\$ 12,728	\$248,011	\$ (9,827)	\$ 257,897

An analysis of the allowance for doubtful accounts for loans receivable is shown below:

	<u>Unsecuritized Loan Portfolio</u>	<u>Securitized Loan Portfolio</u>
Balance, December 31, 2010	\$ 265	\$ 9,800
Provision.....	-	966
Write-offs.....	(2)	(962)
Recoveries.....	31	23
Balance, March 31, 2011	<u>\$ 294</u>	<u>\$ 9,827</u>

Other trust items

An interest rate cap is in place as part of the Asset Backed Facility to limit our exposure to interest rate increases which may adversely affect the overall performance of our equipment financing activities. The interest rate cap limits the Company's exposure to fluctuations in interest rates to 6.27% for fixed rate loans. The notional amount of the cap, which was \$58.0 million at March 31, 2011, varies based on the originations and payoffs of our fixed-rate loan portfolio. The interest rate cap expires on June 30, 2019. Fair value disclosures related to the interest rate cap agreement are shown below.

	March 31, 2011				
	Fair Value of		Location on	Term	
	Notional	Hedge			Hedge
Amount	Assets	Liabilities	Balance Sheet		
Undesignated derivatives					
Interest rate cap	\$ 58,000	\$ 296	\$ -	Accounts receivable, net	Through 6/30/19
Total undesignated derivatives		\$ 296	\$ -		

	December 31, 2010				
	Fair Value of		Location on	Term	
	Notional	Hedge			Hedge
Amount	Assets	Liabilities	Balance Sheet		
Undesignated derivatives					
Interest rate cap	\$ 58,000	\$ 339	\$ -	Accounts receivable, net	Through 6/30/19
Total undesignated derivatives		\$ 339	\$ -		

Undesignated Hedges	Location in	(Loss) Recognized on Undesignated Hedges		
		Statement of	Three Months Ended	
			Income	March 31, 2011
Interest rate cap	Interest expense		\$ (43)	\$ (384)
			\$ (43)	\$ (384)

	March 31, 2011			Total
	Level 1	Level 2	Level 3	
Assets				Liabilities at
				Fair Value
Derivative financial instruments.....				
Interest rate cap	-	296	-	296
Total assets.....	\$ -	\$ 296	\$ -	\$ 296

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Assets				Liabilities at
				Fair Value
Derivative financial instruments.....				
Interest rate cap	-	339	-	339
Total assets.....	\$ -	\$ 339	\$ -	\$ 339

Equipment financing, net as shown in the Condensed Consolidated Statements of Income is comprised of the following amounts:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Interest income.....	\$ 5,113	\$ 5,096
Other income.....	317	199
Interest expense on asset backed borrowings - owed to securitization investors.....	(1,930)	(1,933)
Underwriting and collection expenses.....	(711)	(866)
Bad debt expense.....	(966)	(1,191)
Equipment financing, net.....	<u>\$ 1,823</u>	<u>\$ 1,305</u>

NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are accounted for at fair value. The accounting for changes in the fair value of a derivative depends on the intended use, designation and type of the derivative instrument. The Company does not designate any of its derivatives as hedges and, as such, records all changes in fair values as a component of earnings.

Using derivative instruments means assuming counterparty credit risk. Counterparty credit risk relates to the loss we could incur if a counterparty were to default on a derivative contract. We primarily deal with investment grade counterparties and monitor the overall credit risk and exposure to individual counterparties. We do not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is the unrealized gains, if any, on such derivative contracts. We do not require, nor do we post, collateral or security on such contracts.

Hedging Strategy

We are exposed to certain risks relating to our ongoing business operations. As a result, we enter into derivative transactions to manage certain of these exposures that arise in the normal course of business. The primary risks managed by using derivative instruments are interest rate risks, fluctuations in foreign currency exchange rates and commodity price fluctuations. Fluctuations in these rates and prices can affect our operating results and financial condition. We manage the exposure to these market risks through operating and financing activities and through the use of derivative financial instruments. We do not enter into derivative financial instruments for trading or speculative purposes.

Interest Rate Risk. We are exposed to market risk associated with adverse movements in interest rates. Specifically, we are primarily exposed to changes in the fair value of our Senior Term Loan.

Effective October 31, 2010, the Company entered into a \$110.0 million interest rate swap agreement with The Bank of Nova Scotia to hedge a portion of its interest rate risk related to its term loan borrowings under the Senior Term Loan. Under the swap, which matures on October 31, 2013, the Company pays a fixed rate of 0.858%, and receives or pays quarterly interest payments based upon the three month LIBOR rate.

Effective October 31, 2010, the Company entered into a \$40.0 million interest rate swap agreement with The Bank of Nova Scotia to hedge a portion of its interest rate risk related to its term loan borrowings under the Senior Term Loan. Under the swap, which matures on October 31, 2012, the Company pays a fixed rate of 0.652%, and receives or pays quarterly interest payments based upon the three month LIBOR rate.

Foreign Currency Risk. We have manufacturing, sales and distribution facilities in Belgium and sales and distribution facilities in Norway and Spain and we make investments and enter into transactions denominated in foreign currencies. Although the vast majority of our international sales from our domestic operations are denominated in U.S. dollars, we are exposed to transactional and translational foreign exchange risk related to our foreign operations.

Regarding transactional foreign exchange risk, we enter into certain forward exchange contracts to reduce the variability of the earnings and cash flow impacts of nonfunctional currency denominated receivables and payables. We do not designate these contracts as hedge transactions. Accordingly, the mark-to-market impact of these contracts is recorded each period to current earnings. At March 31, 2011, we were managing \$7.7 million of Euro foreign currency contracts, which are not designated as accounting hedges.

Our primary translation exchange risk exposure at March 31, 2011 was the Euro. Amounts invested in non-U.S. based subsidiaries are translated into U.S. dollars at the exchange rate in effect at quarter end. The resulting translation adjustments are recorded in accumulated other comprehensive income as foreign currency translation adjustments. The foreign currency translation adjustment component of accumulated other comprehensive income at March 31, 2011 was a \$5.5 million gain. The net amount invested in foreign operations at March 31, 2011 was approximately \$49.5 million, for which no hedges have been established.

Commodity Risk. We are subject to the effects of changing raw material and component costs caused by movements in underlying commodity prices. We purchase certain commodities, including steel and stainless steel. In addition, we purchase raw materials and components containing various commodities, including nickel, zinc, aluminum and copper. We generally buy these raw materials and components based upon market prices that are established with the vendor as part of the procurement process.

From time to time, we enter into contracts with our vendors to fix commodity prices for various periods to limit our near-term exposure to fluctuations in raw material and component prices. In addition, we enter into commodity hedge contracts to hedge certain commodity prices, such as nickel, copper and aluminum to reduce the variability on our earnings and cash flow impacts of purchasing raw materials containing such commodities. We do not designate these contracts as hedge transactions. Accordingly, the mark-to-market impact of these contracts is recorded each period to current earnings. At March 31, 2011, we were managing \$4.2 million of nickel hedge contracts, \$3.0 million of copper hedge contracts and \$1.5 million of aluminum hedge contracts, which are not designated as accounting hedges.

The following table summarizes our outstanding derivative contracts and their effects on our Condensed Consolidated Balance Sheets at March 31, 2011 and December 31, 2010, respectively:

	March 31, 2011			Location on Balance Sheet	Term
	Notional Amount	Hedge Assets	Hedge Liabilities		
Undesignated derivatives					
Interest Rate Swaps	\$ 150,000	\$ 1,195	\$ -	Accounts receivable, net	Various through 10/31/2013
Commodity hedges	8,793	968	-	Accounts receivable, net	Various through 6/30/12
Foreign currency hedges	7,683	333	-	Accounts receivable, net	Various through 12/31/11
Total undesignated derivatives		\$ 2,496	\$ -		
	December 31, 2010			Location on Balance Sheet	Term
	Notional Amount	Hedge Assets	Hedge Liabilities		
Undesignated derivatives					
Interest Rate Swaps	\$ 150,000	\$ 992	\$ -	Accounts receivable, net	Various through 10/31/2013
Commodity hedges	6,253	1,032	-	Accounts receivable, net	Various through 12/31/11
Foreign currency hedges	8,468	-	221	Other current liabilities	Various through 6/30/11
Total undesignated derivatives		\$ 2,024	\$ 221		

The effects of derivative instruments on our Condensed Consolidated Statements of Income for the three months ended March 31, 2011 and 2010 are as follows:

<u>Undesignated Hedges</u>	<u>Location in Statement of Income</u>	<u>Gain (Loss) Recognized on Undesignated Hedges</u>
		<u>Three Months Ended March 31, 2011</u>
Interest Rate Swaps	Interest expense	1
Foreign currency hedges	Cost of sales	154
Commodity hedges	Cost of sales	(595)
		<u>\$ (440)</u>

<u>Undesignated Hedges</u>	<u>Location in Statement of Income</u>	<u>Gain (Loss) Recognized on Undesignated Hedges</u>
		<u>Three Months Ended March 31, 2010</u>
Foreign currency hedges	Cost of sales	\$ (748)
Commodity hedges	Cost of sales	966
		<u>\$ 218</u>

NOTE 7. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value, primarily related to financial products, included in our Condensed Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 are summarized below:

	<u>March 31, 2011</u>			<u>Total Assets / Liabilities at Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets				
Derivative financial instruments				
Interest rate swap contracts.....	\$ -	\$ 1,195	-	\$ 1,195
Commodity contracts.....	-	968	-	968
Foreign currency hedges	-	333	-	333
Total assets.....	<u>\$ -</u>	<u>\$ 2,496</u>	<u>\$ -</u>	<u>\$ 2,496</u>

	December 31, 2010			
	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Assets				
Derivative financial instruments				
Interest rate swap contracts.....	\$ -	\$ 992	\$ -	\$ 992
Commodity contracts.....	-	1,032	-	1,032
Total assets.....	<u>\$ -</u>	<u>\$ 2,024</u>	<u>\$ -</u>	<u>\$ 2,024</u>
Liabilities				
Derivative financial instruments				
Foreign currency hedges.....	\$ -	\$ 221	\$ -	\$ 221
Total liabilities.....	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 221</u>

The carrying amounts reported in the Condensed Consolidated Balance Sheets for Cash and cash equivalents, Accounts receivable, Accounts receivable – restricted for securitization investors, Loans receivable, net – restricted for securitization investors, Accounts payable and Asset backed borrowings – owed to securitization investors approximate fair value due to the short-term nature or since longer-term instruments have interest at variable rates that re-price frequently. The amounts reported for borrowings under the Senior Term Loan approximate fair value since the underlying instruments bear interest at variable rates that re-price frequently. The fair value of commodity and foreign exchange hedges are obtained based upon third party quotes as disclosed in Note 6 – Derivative Financial Instruments. See Note 5 – Securitization Activities for fair value disclosures related to the Company’s interest rate cap.

NOTE 8. INCOME TAXES

During the first quarter of 2011, the Company calculated its estimated annual effective tax rate to be 41.2%, as compared to 35.8% at December 31, 2010. The Company no longer qualifies for the energy tax credit which is the primary reason for the increase in effective tax rate since December 31, 2010. The effective tax rate (including discrete items) for the quarter ended March 31, 2011 was 41.2%. At the end of each interim period, the Company makes an estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjusts the quarterly rate, as necessary.

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

The Company has approximately \$0.6 million of unrecognized tax benefits as of March 31, 2011 which, if recognized, would impact the effective tax rate. The Company does not anticipate that the net amount of unrecognized tax benefits will change significantly during the next twelve months. The Company’s policy is to accrue interest and penalties related to unrecognized tax benefits in income tax expense. Tax years which remain subject to examination by tax authorities for the Company include years subsequent to 2006 in the United States, subsequent to 2006 in Luxemburg and subsequent to 2007 in Belgium.

NOTE 9. GUARANTEES

The Company, through its special-purpose bankruptcy remote subsidiary, entered into a \$330.0 million Asset Backed Facility as described in Note 4 – Asset Backed Facility above. Pursuant to the terms of the Asset Backed Facility, the Company provides 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. The Company is 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 the Company 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 March 31, 2011 was \$34.3 million.

The Company offers warranties to its customers depending upon the specific product and the product use. Standard product warranties vary from one to three years for most parts, with certain components extending to five years. Certain customers have elected to buy without warranty coverage. The standard warranty program requires that the Company replace defective components within a specified time period from the date of installation. The Company also sells separately priced extended warranties associated with its products. The Company recognizes extended warranty revenues over the period covered by the warranty.

The Company records an estimate for future warranty related costs based on actual historical incident rates and costs per incident trends. Based on analysis of these and other factors, the carrying amount of our warranty liability is adjusted as necessary. While the Company's warranty costs have historically been within its 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 were as follows:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Balance at beginning of period.....	\$ 7,085	\$ 7,490
Currency translation adjustment.....	56	(66)
Accruals for current and pre-existing warranties		
issued during the period.....	1,360	1,327
Settlements made during the period.....	(1,438)	(1,282)
Balance at end of period.....	<u>\$ 7,063</u>	<u>\$ 7,469</u>

NOTE 10. EMPLOYEE BENEFIT PLANS

The Company provides certain pension, healthcare and death benefits for eligible retirees and their dependents. The pension benefits are funded, while the healthcare and death benefits are not funded but are paid as incurred. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. The components of periodic benefit costs for the three months ended March 31, 2011 and 2010 are as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Service cost.....	\$ 194	\$ 184	\$ 6	\$ 35
Interest cost.....	829	858	6	38
Expected return on assets.....	(905)	(747)	-	-
Amortization of prior service cost.....	1	1	-	(5)
Amortization of loss.....	183	322	1	4
Net periodic benefit cost.....	<u>\$ 302</u>	<u>\$ 618</u>	<u>\$ 13</u>	<u>\$ 72</u>

Employer Contributions

During the first three months of 2011, the Company has contributed \$1.5 million to its defined benefit pension plan and anticipates additional contributions totaling \$2.4 million during the remainder of 2011.

NOTE 11. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Debt, other than debt related to securitization activities discussed in Note 5 – Securitization Activities, consisted of the following at March 31, 2011 and December 31, 2010:

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Senior Term Loan.....	\$ 274,000	\$ 279,000
Revolving Credit Facility.....	-	-
Capital lease obligations.....	<u>3</u>	<u>4</u>
Gross long-term debt.....	274,003	279,004
Less: discount on long-term debt.....	(2,646)	(2,747)
Less: current portion.....	<u>(3)</u>	<u>(4)</u>
	<u>\$ 271,354</u>	<u>\$ 276,253</u>

On September 30, 2010, we refinanced our then existing debt with a new Senior Credit Facility (the “Senior Credit Facility”) that replaced a previous credit agreement. The Senior Credit Facility provides for a five-year \$60.0 million revolving credit facility (the “Revolving Credit Facility”) and a six-year \$285.0 million term loan facility (the “Senior Term Loan”). Alliance Laundry is the borrower under the Senior Credit Facility and Alliance Holdings and Alliance Laundry Corporation, a subsidiary of Alliance Laundry, are the guarantors under this facility. The Company prepaid \$5.0 million of its Senior Credit Facility obligation during the first quarter of 2011. After considering voluntary prepayments made through March 31, 2011, the Senior Credit Facility requires minimum quarterly payments of approximately \$0.7 million beginning June 30, 2012 through June 30, 2016. The final principal payment of \$262.2 million is due on September 30, 2016. The Company is required to make prepayments with the proceeds from certain transactions as defined in the Senior Credit Facility.

The Revolving Credit Facility is available, subject to certain conditions, for general corporate purposes in the ordinary course of business and for other transactions permitted under the Senior Credit Facility. As of March 31, 2011, the Revolving Credit Facility was undrawn. A portion of the Revolving Credit Facility not in excess of \$45.0 million is available for the issuance of letters of credit. Letters of credit issued on the Company’s behalf under the Revolving Credit Facility totaled \$36.0 million at March 31, 2011. The Revolving Credit Facility matures on September 30, 2015.

At March 31, 2011, the Company could have borrowed an additional \$24.0 million of the available and unutilized Revolving Credit Facility to finance our operations. We believe that future cash flows from operations, together with available borrowings under the Revolving Credit Facility, will be adequate to meet our anticipated requirements for capital expenditures, working capital, interest payments, scheduled principal payments and other debt repayments that may be required as a result of the scheduled ratio of Consolidated Total Debt to Adjusted EBITDA discussed below.

Borrowings under the Senior Credit Facility will bear interest, at the option of Alliance Laundry, at a rate equal to an applicable margin plus (a) the base rate or (b) the eurodollar rate, which will be the rate, elected by Alliance Laundry, at which eurodollar deposits for one, two, three or six months are offered in the interbank eurodollar market (“Eurodollar Rate”), subject to a LIBOR floor of 1.75%. The applicable margin for the Senior Term Loan is initially 3.50% with respect to base rate loans and 4.50% with respect to eurodollar loans, subject to step downs based on certain financial ratios. The interest rate on the Senior Term Loan borrowings as of March 31, 2011 was 6.25%.

In addition, the Company is obligated to pay a quarterly commitment fee currently equal to 0.75% per annum, subject to step downs based on certain financial ratios, on the average daily unused portion of the \$60.0 million Revolving Credit Facility. The Company is also obligated to pay a fee on all outstanding letters of credit in the amount of the applicable margin, then in effect with respect to eurodollar loans under the Revolving Credit Facility, which currently is 4.50%, as well as a 0.25% fronting fee on the aggregate amount of all outstanding letters of credit.

The obligations of Alliance Laundry under the Senior Credit Facility are secured by a lien on substantially all assets (subject to certain exceptions) of Alliance Holdings, Alliance Laundry and Alliance Laundry Corporation, a wholly owned subsidiary of Alliance Laundry (“ALC”), and will also be secured by substantially all assets of their future material domestic subsidiaries (subject to certain exceptions) and are guaranteed by Alliance Holdings and ALC and their future material domestic subsidiaries (subject to certain exceptions).

Additional borrowings and the issuance of additional letters of credit under the Senior Credit Facility are subject to certain continuing representations and warranties, including the absence of any development or event which has had or could reasonably be expected to have a material adverse effect on the Company's business or financial condition.

The Senior Credit Facility contains a number of covenants that, among other things, restrict the Company's 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 its 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 Senior Credit Facility) and a minimum interest coverage ratio. The required maximum Total Debt to Adjusted EBITDA ratio and the minimum interest coverage ratio as of March 31, 2011 was 4.50 to 1.00 and 2.75 to 1.00, respectively. As of March 31, 2011 the Company's Consolidated Total Debt to Adjusted EBITDA ratio was 3.26 to 1.00 and the Company's Adjusted EBITDA to Consolidated Cash Interest Expense ratio was 4.77 to 1.00. The Company currently expects to meet its obligations under its debt agreement including compliance with established covenants.

The Company's ability to make scheduled payments of principal or to refinance its indebtedness, or to pay the interest or liquidated damages on its indebtedness, if any thereon, or to fund planned capital expenditures, or to meet its debt covenants, will depend upon the Company's future performance, which, in turn, is subject to general economic, financial, competitive and other factors that are beyond the Company's control. Global macroeconomic conditions remain unstable. Given the continuing uncertainty regarding the economies of Europe and other markets in which we operate and projected federal deficits in the U.S. and Europe, macroeconomic conditions could deteriorate in the near term or over the longer term. The Company continues to monitor its business plan for cost control measures that could improve profitability. The Company also has the ability to defer non-critical capital expenditures. Based on current forecasts, the Company currently expects to meet its obligations under its debt agreements including compliance with established financial covenants. However, if the economic environments in which the Company operates were to deteriorate beyond current expectations, it could have a material adverse effect on its ability to remain in compliance with its covenants which would result in a material adverse effect on its liquidity and results of operations. Any amendment to or waiver of the covenants would likely involve substantial upfront fees, significantly higher annual interest costs and other terms significantly less favorable to the Company than those contained in its current credit facilities.

As discussed in more detail in Note 6 – Derivative Financial Instruments, the Company maintains two interest rate swaps to manage its exposure to changes in interest rates. The swaps will expire on October 31, 2012 and October 31, 2013.

As discussed in greater detail in Note 5 – Securitization Activities, the Company had total debt outstanding of \$261.5 million related to its securitization activities.

As discussed in greater detail in Note 4 - Asset Backed Facility, effective June 25, 2010, the termination date of the Revolving Period of the Asset Backed Facility was extended to June 24, 2011.

NOTE 12. RELATED PARTY TRANSACTIONS

As of March 31, 2011, a total of 154,548 stock options remain outstanding. The granted options entitle the members of management to purchase shares of ALH's common stock at an average option price of \$135.66 per share at March 31, 2011, subject to certain requirements. As of March 31, 2011, stock options represented an aggregate of 9.7% of the fully diluted common shares of ALH common stock issuable upon exercise of stock options. As of March 31, 2011, approximately forty-six percent (46%) of the options granted were time based options, of which the majority vested according to anniversary dates, and the remaining fifty-four percent (54%) of the options granted were performance based options.

Based upon a valuation of all granted stock options, the Company recognized \$0.9 million and \$0.6 million of compensation expense for the three months ended March 31, 2011 and 2010, respectively.

NOTE 13. MEMBER(S)' EQUITY

Total comprehensive earnings were \$8.5 million and \$6.2 million for the quarters ended March 31, 2011 and 2010, respectively. Included in comprehensive earnings for the quarters ended March 31, 2011 and 2010 were gains of \$3.6 million and losses of \$3.3 million, respectively, related to changes in foreign currency exchange rates.

NOTE 14. SEGMENT INFORMATION

The Company manufactures and sells commercial laundry equipment that can be installed in a multitude of applications ranging from small chassis products used in commercial laundromats to large products used in institutional laundry applications. The Company maintains manufacturing facilities in Ripon, Wisconsin, Wevelgem, Belgium and Nazareth, Belgium to fulfill orders throughout the world. Based upon the information used by management for making operating decisions and assessing performance, the Company has the following operating segments: U.S. and Canada, Europe, Asia, Latin America, and the Middle East & Africa. The Company has determined that its operating segments are its reportable segments.

The Company uses segment net revenues and gross profit as its measures of performance and to allocate resources. Management believes these are the best measures to help users of its financial statements predict future trends. In determining gross profit for its operating segments, the Company does not allocate certain manufacturing costs, including manufacturing variances and customer support expenses. Gross profit is determined by subtracting cost of sales from net revenues. 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.

General and administrative expenses, interest expense, other debt related expenses and the provision for income taxes are centrally managed. Consequently, these measures are not presented in the segment disclosures because they are not part of the segment profitability results reviewed by management.

Currently, assets are physically maintained in the United States and Belgium. However, due to common manufacturing lines and significant shared components across all five reportable segments, assets by reportable segment are not provided to the Company's Chief Operating Decision Maker. As such, total assets by reportable segment are not disclosed.

Net revenues and gross profit as determined by the Company for its reportable segments are as follows:

	Three Months Ended	
	March 31,	March 31,
	2011	2010
	(in millions)	
Net Revenues:		
United States and Canada.....	\$ 69.7	\$ 63.3
Europe.....	15.2	12.8
Latin America.....	3.9	3.6
Asia.....	8.9	6.1
Middle East & Africa.....	6.6	6.9
	<u>\$ 104.3</u>	<u>\$ 92.7</u>
Gross Profit:		
United States and Canada.....	\$ 19.7	\$ 17.4
Europe.....	4.8	4.6
Latin America.....	1.3	1.2
Asia.....	2.9	2.0
Middle East & Africa.....	1.7	1.5
	<u>\$ 30.4</u>	<u>\$ 26.7</u>

NOTE 15. COMMITMENTS AND CONTINGENCIES

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against us. While the Company cannot predict the outcome of these matters, in the opinion of management, any liability arising thereunder will not have a material adverse effect on the business, financial condition and results of operations after giving effect to provisions already recorded. The Company has recorded accruals related to these matters of \$1.3 million and \$1.2 million at March 31, 2011 and December 31, 2009, respectively.

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. The Company is also subject to liability for the investigation and remediation of environmental contamination (including contamination caused by other parties) at the properties it owns or operates and at other properties where the 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. The Company believes that its facilities and operations are in material compliance with all environmental, health and safety laws.

NOTE 16. RESTRUCTURING

During the first quarter of 2011, the Company announced its intention to close its Nazareth, Belgium manufacturing facility due to product line changes and the ability to better utilize existing space. Upon the announcement of the Company's intentions, the Company initiated talks with the local works council regarding severance benefits. As of March 31, 2011, these talks were ongoing and a firm agreement on benefits had not been agreed to. The Company estimates that it has an obligation of approximately \$1.1 million to the affected employees based on statutory severance requirements in Belgium. This amount was accrued in March 2011 and is included in the Other costs line of the Condensed Consolidated Statements of Income. In addition, the Company expects to accrue an additional \$0.5 million for expected lease cancellation costs, which, in accordance with accounting guidance, is expected to be recorded in the second quarter of 2011. The Company expects to settle both of these obligations during 2011.

NOTE 17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued new accounting guidance that amends previously issued guidance regarding fair value measures and disclosures. The new guidance requires disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also requires more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the accounting guidance related to fair value disclosures in January 2010, except for the requirements related to Level 3 disclosures, which was effective for, and adopted by, the Company in January 2011. This guidance did not have a material impact on the Company's consolidated balance sheet and income statement.

In July 2010, the FASB issued new accounting guidance that amends previously issued guidance regarding receivable assets. The new guidance requires disclosures related to financing receivables and the allowance for credit losses by portfolio segment. The new guidance also requires disclosures of information regarding the credit quality, aging, nonaccrual status and impairments by class of receivable. A portfolio segment is the level at which a creditor develops a systematic methodology for determining its credit allowance. A receivable class is a subdivision of a portfolio segment with similar measurement attributes, risk characteristics and common methods to monitor and assess credit risk. Trade accounts receivable with maturities of one year or less are excluded from the disclosure requirements. The Company adopted this new guidance on January 1, 2011. The disclosures required by this new guidance are included in Note 5 – Securitization Activities.

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

This management's discussion and analysis ("MD&A") should be read in conjunction with the financial statements and notes appearing elsewhere in this report and in our Annual Report for the Year Ended December 31, 2010.

OVERVIEW

We believe that we are a leading global designer, manufacturer and marketer of commercial laundry equipment used in laundromats, multi-housing laundries and on-premise laundries. Under the well-known brand names of Speed Queen®, UniMac®, Huebsch®, IPSO®, and Cissell® we produce a full line of commercial washing machines and dryers with load capacities from 12 to 200 pounds. We have been a leader in the United States and Canada stand-alone commercial laundry equipment industry for more than ten years. With the addition of our foreign operations and our ability to offer a complete range of brands and products throughout the world, we believe that we are a leader in the global stand-alone commercial laundry equipment industry.

Stand-alone commercial laundry equipment industry 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 historically been relatively stable. A majority of our revenues are generated by recurring sales of replacement equipment and service parts.

During the quarter ended March 31, 2011, our industry, as many other industries both in the United States and abroad, have seen macroeconomic conditions improve slightly compared to recent historical periods. While raw material prices have begun to increase slightly, capital markets have strengthened and our customers' ability to obtain financing has improved. However, global macroeconomic conditions remain fragile. We expect these conditions to continue in the near term.

RESULTS OF OPERATIONS

Quarter Ended March 31, 2011 as Compared to Quarter Ended March 31, 2010

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

	Three Months Ended		Change
	March 31, 2011	March 31, 2010	
	(in millions)		
Net revenues:			
United States and Canada.....	\$ 69.7	\$ 63.3	10.2%
Europe.....	15.2	12.8	18.2%
Latin America.....	3.9	3.6	7.3%
Asia.....	8.9	6.1	46.2%
Middle East & Africa.....	6.6	6.9	(4.6%)
	<u>\$ 104.3</u>	<u>\$ 92.7</u>	<u>12.5%</u>

Net revenues. Net revenues for the quarter ended March 31, 2011 increased \$11.6 million, or 12.5%, to \$104.3 million from \$92.7 million for the quarter ended March 31, 2010. The net revenues increase of \$11.6 million was attributable to increases in United States and Canada revenues of \$6.4 million, Asia revenues of \$2.8 million, Europe revenues of \$2.4 million and Latin America revenues of \$0.3 million. Middle East & Africa revenues for the same time period decreased \$0.3 million. The increase in United States and Canada revenues was due to \$0.5 million of higher earnings from our equipment financing program as well as increased revenue from multi-housing laundry, service parts, on-premise and consumer laundry customers. The increase in Asia revenues was most significant in Australia and India. The increase in Europe revenues occurred in both western and eastern Europe, with the most sizeable growth in Italy and Russia. The increase in Latin America revenues was most significant in Chile and Honduras, as a result of recent improvements in distribution networks, but were partially offset by lower revenues in Mexico. The decrease in Middle East & Africa revenues reflects lower sales to Saudi Arabia. The higher total Company equipment and parts revenues for the quarter include an increase of \$8.3 million of sales volume and sales mix, and price increases of \$2.8 million.

	Three Months Ended		Change
	March 31, 2011	March 31, 2010	
	(in millions)		
Gross profit:			
United States and Canada.....	\$ 19.7	\$ 17.4	13.0%
Europe.....	4.8	4.6	2.0%
Latin America.....	1.3	1.2	11.3%
Asia.....	2.9	2.0	46.6%
Middle East & Africa.....	1.7	1.5	19.2%
	<u>\$ 30.4</u>	<u>\$ 26.7</u>	<u>13.8%</u>

Gross profit. Gross profit for the quarter ended March 31, 2011 increased \$3.7 million, or 13.8%, to \$30.4 million from \$26.7 million for the quarter ended March 31, 2010. Total gross profit for the quarter ended March 31, 2011 includes \$0.5 million of higher earnings from our equipment financing program, approximately \$2.8 million of price increases and \$2.3 million of gross profits due to an increase in sales volume and sales mix as compared to the three months ended March 31, 2010, which were partially offset by approximately \$1.4 million of higher raw material and distribution costs and \$0.5 million of higher labor related expenses. United States and Canada gross profit increased primarily as a result of increased earnings from the equipment financing program, increases in sales volume and sales mix and price increases, which were partially offset by higher material and distribution costs. Europe gross profit increased slightly primarily as a result of price increases, which were mostly offset by higher labor related expenses and product sales mix. Latin America gross profit increased primarily as a result of higher selling prices, which were partially offset by higher material and distribution costs. Asia gross profit increased primarily as a result of higher sales volume and mix and price increases, which were partially offset by higher material and distribution costs. Middle East & Africa gross profit increased as a result of price increases, which were partially offset by higher material and distribution costs. Gross profit as a percentage of net revenues increased to 29.1% for the quarter ended March 31, 2011 from 28.8% for the quarter ended March 31, 2010.

Selling, general and administrative expense. Selling, general and administrative expense for the quarter ended March 31, 2011 increased \$1.1 million, or 7.8%, to \$15.1 million from \$14.0 million for the quarter ended March 31, 2010. The increase in selling, general and administrative expense was primarily due to \$1.0 million of increased sales and marketing expenses and \$0.2 million of higher engineering expenses. Selling, general and administrative expense as a percentage of net revenues was 14.5% for the quarter ended March 31, 2011 and 15.1% for the quarter ended March 31, 2010.

Other costs. Other costs for the quarter ended March 31, 2011 was \$1.1 million, with no comparable costs for the quarter ended March 31, 2010. Other costs of \$1.1 million consist of estimated severance costs related to the closure of the Nazareth, Belgium manufacturing facility. Other costs as a percentage of net revenues was 1.1% for the quarter ended March 31, 2011.

Operating income. As a result of the foregoing, operating income for the quarter ended March 31, 2011 increased \$1.5 million to \$14.1 million as compared to \$12.6 million for the quarter ended March 31, 2010. Operating income as a percentage of net revenues decreased to 13.5% for the quarter ended March 31, 2011 as compared to 13.6% for the quarter ended March 31, 2010.

Interest expense. Interest expense for the quarter ended March 31, 2011 increased \$0.3 million, or 5.1%, to \$6.0 million from \$5.7 million for the quarter ended March 31, 2010. The increase in interest expense was primarily attributable to a net increase of \$0.6 million related to the new Senior Credit Facility as compared to the prior credit facility and higher non-cash debt issuance costs of \$0.2 million, which were partially offset by a net favorable non-cash impact of \$0.5 million to reflect adjustments in the fair values of interest rate swap agreements. Interest expense as a percentage of net revenues was 5.7% for the quarter ended March 31, 2011 and 6.1% for the quarter ended March 31, 2010.

Provision for income taxes. The provision for income taxes for the quarter ended March 31, 2011 was \$3.3 million as compared to \$2.4 million for the quarter ended March 31, 2010. The income tax rate was 41.2% for the quarter ended March 31, 2011 as compared to 34.8% for the quarter ended March 31, 2010.

Net income. As a result of the foregoing, our net income for the quarter ended March 31, 2011 increased \$0.3 million, or 5.8%, to \$4.8 million from \$4.5 million for the quarter ended March 31, 2010. Net income as a percentage of net revenues for the quarter ended March 31, 2011 was 4.6% as compared to 4.9% for the quarter ended March 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2010, we refinanced our then existing debt with a new Senior Credit Facility (the “Senior Credit Facility”) that replaced a previous credit agreement. The Senior Credit Facility provides for a five-year \$60.0 million revolving credit facility (the “Revolving Credit Facility”) and a six-year \$285.0 million term loan facility (the “Senior Term Loan”). On March 31, 2011, the Revolving Credit Facility was undrawn. The Senior Term Loan amortizes at 1% per annum, requires minimum quarterly payments and the balance is due at maturity. Any unused portion of the Revolving Credit Facility will be subject to a commitment fee of 0.75% per annum, subject to step downs based on certain financial ratios.

Our principal sources of liquidity are cash flows generated from operations and potential borrowings under our \$60.0 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 2011 will not exceed \$11.0 million. We have invested \$2.8 million in capital expenditures for the three months ended March 31, 2011. The aggregate scheduled maturities of long-term debt in subsequent years as of March 31, 2011 are as follows:

<u>Year</u>	<u>Long-Term Debt</u>	<u>Asset Backed Facility</u>	<u>Total</u>
2011	\$ 3	\$ 73,657	\$ 73,660
2012	1,391	37,663	39,054
2013	2,782	36,431	39,213
2014	2,782	33,153	35,935
2015	2,782	27,970	30,752
Thereafter	264,263	52,578	316,841
Totals	<u>\$ 274,003</u>	<u>\$ 261,452</u>	<u>\$ 535,455</u>
Less: Unamortized discount on long-term debt	(2,646)	-	(2,646)
Long-term debt and capital lease obligations, net	<u>\$ 271,357</u>	<u>\$ 261,452</u>	<u>\$ 532,809</u>

The Senior Credit Facility contains a number of covenants that, among other things, restricts our ability to dispose of assets, repay other indebtedness, incur liens, make capital expenditures, 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 occurrence of any default of these covenants could result in the acceleration of our obligations under the Senior Credit Facility (\$274.0 million at March 31, 2011) and foreclosure on the collateral securing such obligations.

At March 31, 2011, there were no borrowings outstanding under our Revolving Credit Facility and letters of credit issued on our behalf under the Revolving Credit Facility totaled \$36.0 million, of which \$34.3 million relate to the Asset Backed Facility. We had \$24.0 million of our existing \$60.0 million Revolving Credit Facility available, subject to certain limitations under the Senior Credit Facility that we could have borrowed at March 31, 2011.

The Senior Credit Facility is also subject to mandatory prepayment with the proceeds of certain debt incurrence, asset sales and a portion of Excess Cash Flow (as defined in the Senior Credit Facility). The Revolving Credit Facility will terminate on September 30, 2015.

Our ability to make scheduled payments of principal or to refinance our indebtedness, or to pay the interest or liquidated damages on our indebtedness, if any thereon, or to fund planned capital expenditures, or to meet our debt covenants, will depend upon our future performance, which, in turn, is subject to general economic, financial, competitive and other factors that are beyond our control. Global macroeconomic conditions remain unstable. Given the continuing uncertainty regarding the economies of Europe and other markets in which we operate and projected federal deficits in the U.S. and Europe, macroeconomic conditions could deteriorate in the near term or over the longer term. We continue to monitor our business plan for cost control measures that could improve profitability. We also have the ability to defer non-critical capital expenditures. We currently expect to meet our obligations under our debt agreements including compliance with established financial covenants. However, if the economic environments in which we operate were to deteriorate significantly beyond current expectations, it could have a material adverse effect on our ability to remain in compliance with our covenants which would result in a material adverse effect on our liquidity and results of operations. Any amendment to or waiver of the covenants would likely involve substantial upfront fees, significantly higher annual interest costs and other terms significantly less favorable to us than those contained in our current credit facilities.

As discussed in greater detail in Note 4 – Asset Backed Facility, effective as of June 25, 2010 the termination date of the Revolving Period of the Asset Backed Facility was extended to June 24, 2011.

EBITDA and Adjusted EBITDA

One of our two principal sources of liquidity is potential borrowings under the \$60.0 million Revolving Credit Facility under our Senior Credit Facility. We have presented EBITDA and Adjusted EBITDA below because certain covenants, which affect our ability to borrow within our Senior Credit Facility, are tied to ratios based on these measures. “EBITDA” represents net income before interest expense, income tax provision and depreciation and amortization (including non-cash interest income). “Adjusted EBITDA” (as defined under the Senior Credit Facility) 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 our Senior Credit Facility. The Senior Credit Facility requires us to satisfy a maximum Consolidated Total Debt (as defined under the Senior Credit Facility) to Adjusted EBITDA ratio of 4.50 to 1.00 and a minimum Adjusted EBITDA to Consolidated Cash Interest Expense ratio (as defined in the Senior Credit Facility) of 2.75 to 1.00. As of March 31, 2011, our Consolidated Total Debt to Adjusted EBITDA ratio was 3.26 to 1.00 and our Adjusted EBITDA to Consolidated Cash Interest Expense ratio was 4.77 to 1.00. To the extent that we fail to maintain either of these ratios within the limits set forth in the Senior Credit Facility, our ability to access amounts available under our Revolving Credit Facility would be limited, our liquidity would be adversely affected and our obligations under the Senior Credit Facility could be accelerated.

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 titled measures reported by other companies.

We have presented, in the tables below, a calculation of Consolidated Total Debt and Consolidated Cash Interest Expense, in each case, as defined in the Senior Credit Facility. The calculation of Adjusted EBITDA (as defined in the Senior Credit Facility) set forth in the tables below uses as its starting point EBITDA which represents net income before interest expense, income tax provision and depreciation and amortization (including non-cash interest income). The calculations set forth below for Adjusted EBITDA and Consolidated Cash Interest Expense are, in each case, for the four fiscal quarters ended March 31, 2011.

The following table presents a calculation of the Consolidated Total Debt to Adjusted EBITDA ratio and the Adjusted EBITDA to Consolidated Cash Interest Expense ratio (in thousands):

	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Quarter Ended December 31, 2010	Quarter Ended March 31, 2011	Total
EBITDA.....	\$ 19,186	\$ 13,890	\$ 22,601	\$ 17,772	\$ 73,449
Securitization interest - permitted receivables financing (a).....	(274)	(309)	(291)	(290)	(1,164)
Other non-recurring charges (b).....	-	7,680	32	1,113	8,825
Other non-cash charges (c).....	5,086	(2,941)	(582)	402	1,965
Adjusted EBITDA.....	<u>\$ 23,998</u>	<u>\$ 18,320</u>	<u>\$ 21,760</u>	<u>\$ 18,997</u>	<u>\$ 83,075</u>
				March 31, 2011	
Revolving Credit Facility.....				\$ -	
Senior Term Loan.....				274,000	
Other long-term debt and capital lease obligations.....				3	
Unrestricted cash held by foreign subsidiaries (d).....				(3,000)	
Consolidated Total Debt.....				<u>\$ 271,003</u>	
Consolidated Total Debt to Adjusted EBITDA ratio.....					<u>3.26</u>

	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Quarter Ended December 31, 2010	Quarter Ended March 31, 2011	Total
Interest expense.....	\$ 5,378	\$ 5,736	\$ 5,223	\$ 5,986	\$ 22,323
Non-cash interest expense (income).....	(932)	(1,291)	36	(953)	(3,140)
Interest on letters of credit and permitted receivables financing.....	(376)	(358)	(543)	(511)	(1,788)
Interest income.....	3	-	2	7	12
Consolidated Cash Interest Expense.....	<u>\$ 4,073</u>	<u>\$ 4,087</u>	<u>\$ 4,718</u>	<u>\$ 4,529</u>	<u>\$ 17,407</u>
Adjusted EBITDA to Consolidated Cash Interest Expense ratio.....					<u>4.77</u>

- (a) Securitization Interest – permitted receivables financing represents interest expense on trade receivables sold to ALERT 2009A. This activity was consolidated in our financial statements on January 1, 2010 in conjunction with the adoption of new accounting guidance. Beginning with the first quarter of 2010, this expense, which is charged to the interest expense line of our Condensed Consolidated Statements of Income, is deducted in calculating Adjusted EBITDA.
- (b) Other non-recurring charges is comprised of \$7.7 million related to losses from the early extinguishment of the 2005 Senior Credit Facility, which is included in the Loss from early extinguishment of debt line of our Consolidated Statements of Income for 2010 and \$1.1 million of estimated severance costs related to the closure of the Nazareth, Belgium manufacturing facility, which is included in the Other costs line of our Condensed Consolidated Statements of Income.
- (c) Other non-cash charges are comprised of \$0.8 million of non-cash mark-to-market income relating to nickel and foreign exchange hedge agreements, which is included in the cost of sales line of our Condensed Consolidated Statements of Income, and \$2.7 million of accrued management incentive compensation, which is included in the selling, general and administrative expense line of our Condensed Consolidated Statements of Income.
- (d) As defined in the Senior Credit Facility, Consolidated Total Debt is the aggregate principal amount of all funded debt for the relevant period minus the lesser of \$3.0 million or the aggregate amount of unrestricted cash and cash equivalents held by the foreign subsidiaries.

Asset Backed Facility and Aggregate Contractual Obligations

On June 26, 2009, Alliance Laundry, through a special-purpose bankruptcy remote subsidiary, Alliance Laundry Equipment Receivables 2009 LLC (“ALER 2009”), and a trust, Alliance Laundry Equipment Receivables Trust 2009-A (“ALERT 2009A”), 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. Alliance Laundry will sell or contribute substantially all of the trade receivables and certain of the equipment loans that we originate to ALER 2009 which, in turn, will transfer them to the trust. ALERT 2009A will finance the acquisition of the trade receivables and equipment loans through borrowings under variable funding notes (the “Notes”) issued to the lenders under the Asset Backed Facility.

Cash Flows

Cash provided by operating activities for the three months ended March 31, 2011 of \$8.6 million was driven by cash generated by operations of \$11.9 million (net income adjusted for depreciation, amortization and other non-cash adjustments) partially offset by changes in working capital requirements of \$3.3 million. Cash flow used by inventory of \$13.5 million is primarily the result of a planned increase in inventory to support shipments of finished goods inventory during the implementation of a new enterprise wide computer software system. Cash flows provided by accounts payable increased \$9.6 million primarily as a result of the timing of purchases related to the planned increase in inventory. The net cash flows provided by accounts and notes receivable - restricted for securitization investors of \$0.7 million is primarily the result of timing of assets sold to ALER 2009.

Capital Expenditures

Our capital expenditures for the three months ended March 31, 2011 and 2010 were \$2.8 million and \$1.5 million, respectively. Capital spending in the first three months of 2011 and 2010 was principally attributable to the implementation of an enterprise wide computer software system, manufacturing equipment replacements and cost improvement projects.

Defined Benefit Plan

The funded status of our pension plan is dependent upon many factors, including returns on invested assets and the level of market interest rates. During the first three months of 2011, the Company has contributed \$1.5 million to its defined benefit pension plan and anticipates additional contributions totaling \$2.4 million during the remainder of 2011.

Critical Accounting Policies

The Company’s critical accounting policies are discussed in the Management’s Discussion and Analysis section of the Annual Report for the Year Ended December 31, 2010.

Recently Issued Accounting Standards

In January 2010, the FASB issued new accounting guidance that amends previously issued guidance regarding fair value measures and disclosures. The new guidance requires disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also requires more detailed disclosure about the activity within Level 3 fair value measurements. We adopted the accounting guidance related to fair value disclosures in January 2010, except for the requirements related to Level 3 disclosures, which was effective for, and adopted by, us in January 2011. This guidance did not have a material impact on the Company’s consolidated balance sheet and income statement.

In July 2010, the FASB issued new accounting guidance that amends previously issued guidance regarding receivable assets. The new guidance requires disclosures related to financing receivables and the allowance for credit losses by portfolio segment. The new guidance also requires disclosures of information regarding the credit quality, aging, nonaccrual status and impairments by class of receivable. A portfolio segment is the level at which a creditor develops a systematic methodology for determining its credit allowance. A receivable class is a subdivision of a portfolio segment with similar measurement attributes, risk characteristics and common methods to monitor and assess credit risk. Trade accounts receivable with maturities of one year or less are excluded from the disclosure requirements. We adopted this new guidance on January 1, 2011. The disclosures required by this new guidance are included in Note 5 – Securitization Activities to the financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in interest rates, foreign currency exchange rate fluctuations and certain commodity prices. To reduce these risks, we selectively use financial instruments and other proactive management techniques. We do not use financial instruments for trading purposes or speculation. There have been no material changes in our market risk exposures as compared to those discussed in our Annual Report for the Year ended December 31, 2010, except as noted below.

From time to time we may enter into derivative financial instruments to hedge our interest rate exposures, exchange rate fluctuations between United States dollars and foreign currencies and certain commodity prices.

Effective October 31, 2010, we entered into a \$110.0 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 Term Loan. Under the swap, which matures on October 31, 2013, we pay a fixed rate of 0.858%, and receive or pay quarterly interest payments based upon three month LIBOR. The fair value of this interest rate swap agreement, which represents the amount that the Company would receive upon a settlement of this instrument, was \$1.2 million at March 31, 2011.

Effective October 31, 2010, we entered into a \$40.0 million interest rate swap agreement with The Bank of Nova Scotia to hedge a portion of its interest rate risk related to its term loan borrowings under the Senior Term Loan. Under the swap, which matures on October 31, 2012, the Company pays a fixed rate of 0.652%, and receives or pays quarterly interest payments based upon the three month LIBOR rate. The fair value of this interest rate swap agreement, which represents the amount that the Company would receive upon a settlement of this instrument, was less than \$0.1 million at March 31, 2011.

We entered into foreign exchange hedge contracts with Private Bank & Trust Company to hedge a portion of our foreign exchange risk related to the purchases by Alliance Laundry Systems LLC from European vendors. Under the foreign exchange hedges, we received \$0.1 million during the three months ended March 31, 2011. The fair value of these foreign exchange hedge contracts, which represents the amount that we would receive upon a settlement of these instruments, was a \$0.3 million asset at March 31, 2011. The notional amount of the foreign exchange hedge contracts outstanding as of March 31, 2011 totaled 5.7 million Euros.

We enter into commodity hedge contracts with Bank of America, N.A. to hedge a portion of our nickel commodity risk related to stainless steel purchases and copper commodity risk related to wiring and aluminum related to motor assemblies. Under the commodity hedges, we paid \$0.3 million during the three months ended March 31, 2011. The fair value of these commodity hedge contracts, which represents the amount that we would receive upon a settlement of these instruments, was a \$1.0 million asset at March 31, 2011. The notional amount of the nickel, copper and aluminum commodity hedge contracts outstanding as of March 31, 2011 totaled 176 metric tons, 355 metric tons and 913 metric tons, respectively.

We are exposed to market risk associated with adverse movements in interest rates. Specifically, we are primarily exposed to changes in earnings and related cash flows on our variable interest rate debt obligations outstanding under the Term Loan Facility, and changes in our retained interests related to trade accounts receivable and equipment loans sold to our special-purpose securitization entity.

An interest rate cap is in place as part of the Asset Backed Facility to limit our exposure to interest rate increases which may adversely affect the overall performance of our equipment financing activities. The interest rate cap limits our exposure to fluctuations in interest rates to 6.27% for fixed rate loans. The notional amount of the cap, which was \$58.0 million at March 31, 2011, varies based on the originations and payoffs of our fixed-rate loan portfolio. The fair value of the interest rate cap contract, which represents the amount that we would receive upon a settlement of this instrument, was \$0.3 million at March 31, 2011.

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

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 Note 15 to the Financial Statements – Commitments and Contingencies section of this document. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of our business 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: the ability to borrow funds under the Term Loan Facility (as defined herein); the ability to successfully implement operating strategies and trends affecting the business, liquidity, financial condition and results of operations of the Company; the 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; possible fluctuation in interest rates, which affects our earnings and cash flows; the impact of substantial leverage and debt service on us; possible loss of suppliers; risks related to our asset backed securitization facility; dependence on key personnel; labor relations; potential liability for environmental, health and safety matters; potential future legal proceedings and litigation as well as those set forth in Item 1A of our Annual Report for the Year ended December 31, 2010 under “Risk Factors.” All statements other than statements of historical facts included in this Quarterly Report, including, without limitation, the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and located elsewhere herein regarding industry prospects, the Company’s strategy and the Company’s financial position are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “potential,” “should,” “will,” and “would,” or the negatives thereof, variations thereof or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and we undertake no obligation to update or revise publicly any forward-looking statements whether as a result of new information, future events or otherwise.