

TO: PARTICIPANTS IN THE TRACHTE ESOP AT ANY TIME FROM AUGUST 29, 2007 TO THE PRESENT & THEIR BENEFICIARIES

Trachte ESOP Litigation, No. 09-cv-413-wmc (W.D. Wis.)

NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT & HEARING

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- Participants in the Trachte ESOP have sued Defendants (listed below) for violations of the federal pension law (ERISA) in connection with the 2007 Transaction in which accounts of Trachte employees were transferred from the Alliance ESOP to the Trachte ESOP, and Trachte was sold to the Trachte ESOP.
- The Court certified the case as a class action on behalf of a Class and a Subclass (defined below).
- Plaintiffs have reached Settlements with certain Defendants as described below and the Court has preliminarily approved these Settlements. In order for the Settlements to become final and any payments to be distributed, the Court will need to issue final approval after a Fairness Hearing which is currently scheduled for July 24, 2014.

PLEASE READ THIS NOTICE CAREFULLY. IF YOU ARE A MEMBER OF THE CLASS, THESE SETTLEMENTS WILL AFFECT YOUR RIGHTS.

<u>SUMMARY OF YOUR LEGAL RIGHTS & OPTIONS</u>	
ALL MEMBERS OF THE CLASS & SUBCLASS	OPTION #1: DO NOTHING if you are pleased with these Settlements; if the Settlements are approved by the Court, participants who are Class members do not need to do anything in order to receive an allocation of the Settlement. Your allocation will be paid into your ESOP account.
	OPTION #2: OBJECT if you wish to object to any part of the Settlement, you can write to the Court and counsel and explain why you do not like the Settlement, but you must do so by no later than July 3, 2014 .
MEMBERS OF THE SUBCLASS HAVE AN ADDITIONAL CHOICE	OPTION #1: Elect to Receive a Distribution of Your Restored Alliance ESOP Account: If you want the value of your account to be fixed based on the value paid into your Alliance ESOP account as a result of this Settlement, you must make this election no later than July 3, 2014 . If you make this election, the value of your Alliance ESOP account will not increase (or decrease) with the value of Alliance stock.
	OPTION #2: Wait to Receive a Distribution of Your Restored Alliance ESOP Account: If you do not make an election before July 3, 2014 , your restored Alliance ESOP account will increase (or decrease) based on the subsequent value of the stock in your Alliance ESOP account. This amount may be greater than or less than what you initially receive in the Settlement.

Please do not contact the Court, as Court personnel will not be able to answer your questions.

WHAT THIS NOTICE CONTAINS

BASIC INFORMATION 2
1. Why did I receive this Notice? 2
2. What is this lawsuit about? 3
3. What has happened so far in the Litigation? 3
THE CLASS MEMBERS 4
4. What is a Class Action? 4
5. Who is included in the Class and Subclass? 4
6. How do I know if I am a Class or Subclass member? 4
THE SETTLEMENT 5
7. What do the Settlements provide? 5
8. What do I give up as a result of these Settlements? 7
9. Why is there a Settlement? 7
10. What will be my share of the Settlement proceeds? 8
11. How can I get my portion of the recovery? 8
12. When would I receive my portion of the recovery? 8
13. Will I have to pay taxes on the additional pension contributions that I receive? 9
OBJECTIONS 10
14. How do I tell the Court what I think about the Settlement? 10
THE FAIRNESS HEARING 10
15. When and where will the Court hold the hearing? 10
16. Do I have to come to the hearing? 10
17. May I speak at the hearing? 11
18. What happens if I do nothing at all? 11
THE LAWYERS REPRESENTING YOU 11
19. Do I have a lawyer in this case? 11
20. How will the lawyers be paid? 11
GETTING MORE INFORMATION 12
21. How do I get more information? 12
22. How do I ensure that I receive any updates? 12
23. Who do I call about questions? 12

BASIC INFORMATION

1. Why did I receive this Notice?

You received this Notice because the Court in charge of this lawsuit has ordered that Notice be sent to the participants or beneficiaries who are members of the Class and/or Subclass and you were identified as a member of the Class and/or Subclass in the lawsuit entitled *Chesemore, et al. v. Alliance Holdings, Inc., et al.*, Civil No. 09-cv-413-wmc, in the United States District Court for the Western District of Wisconsin.

If you are a member of the Class or Subclass, you have a right to know about the Settlements, the claims in this lawsuit and your options before the Court decides whether to approve the Settlements. This Notice advises you of the existence of the proposed Settlement of this Action and of your rights if you are a member of the Class and/or Subclass.

2. What is this lawsuit about?

This lawsuit alleges that Defendants^{*} violated the federal pension law (ERISA) in connection with an August 29, 2007 Transaction by which the accounts of the Trachte employees were transferred from the Alliance ESOP to the Trachte ESOP and the owners of Trachte sold Trachte to the Trachte ESOP. The lawsuit alleges that Defendants breached their fiduciary duties and/or engaged in self-dealing or other prohibited transactions by transferring the Alliance accounts to the Trachte ESOP and causing the Trachte ESOP to purchase Trachte at more than fair market value. A description of the allegations, a copy of the most recent Complaint and a copy of certain decisions by the Court (including findings on liability and remedies) are available on Class Counsel's website: <http://www.cohenmilstein.com/cases/212/trachte-esop-litigation>.

The Trachte ESOP and the Alliance ESOP are named as parties only for the purpose of awarding relief. Neither Trachte nor either of the ESOPs is alleged to have done anything wrong.

3. What has happened so far in the Litigation?

Plaintiffs filed this lawsuit on June 30, 2009. Defendants filed motions to dismiss, which the Court largely denied. Defendants then responded to the Complaint by filing Answers denying the claims and asserting certain affirmative defenses. Plaintiffs filed a motion to certify this case as a class action on behalf of a class of all participants and beneficiaries in the Trachte ESOP since August 29, 2007 and a subclass of those persons whose Alliance ESOP accounts were transferred to the Trachte ESOP in the 2007 Transaction. The Court certified the case as a class action on September 22, 2011.

The parties engaged in substantial discovery (a legal process through which the parties exchange information), which included depositions of over 20 fact witnesses and 8 expert witnesses. After discovery was substantially completed, each of the Defendants filed motions for summary judgment requesting the Court to find that there was insufficient evidence for the case to proceed to trial. The Court found that there was sufficient evidence to hold a trial as to the Defendants other than Pagelow; the Court granted Pagelow's motion for summary judgment and dismissed him from the case prior to trial.

In October 2011, the Court held a trial on liability (other than as to Karen Fenkell). On July 24, 2012, the Court issued its decision on liability finding the Alliance Entities, David Fenkell and the Trachte Trustees liable for breaches of their fiduciary duties and/or engaging or participating in prohibited transactions in connection with the 2007 Transaction. The Court found that the Alpha Defendants were not liable.

In July 2012, the Court held a trial to determine what relief and remedies, if any, would be awarded to the Class and Subclass. In 2012, Plaintiffs sought to and were allowed to amend their complaint to add a claim against Karen Fenkell as the recipient of certain monies received by her husband, David Fenkell, in the 2007 Transaction (known as the "Phantom Stock proceeds"). On June 4, 2013, the Court issued its Order on remedies. The Court ordered the Trachte Trustees to pay \$6,473,856.82 (plus prejudgment interest) to the Trachte ESOP, to be allocated to the Class members' Trachte ESOP accounts according to their current shares as of the date of the Court's judgment (with the exclusion of the Trachte Trustees). The Court also ordered the members of the Subclass to be reinstated to the Alliance ESOP and the Alliance Entities and David Fenkell to restore \$7,803,543 (plus prejudgment interest) to the Alliance ESOP, to be allocated to Subclass members' accounts in proportion to their holdings in the Alliance ESOP as of August 29, 2007 (with the exclusion of the Trachte Trustees). The Court further ordered David Fenkell to restore to Trachte the \$2,896,000 he

^{*} Defendants fall into five groups: (1) Alliance Holdings, Inc. ("Alliance"), A.H.I., Inc., and AH Transition Corp. ("the Alliance Entities"); (2) David B. Fenkell and Karen Fenkell ("the Fenkells"); (3) Pamela Klute, James Mastrangelo, and Jeffrey A. Seefeldt ("the Trachte Trustees"); (4) Alpha Investment Consulting Group, LLC and John Michael Maier ("the Alpha Defendants"); and (5) Stephen W. Pagelow.

received in Phantom Stock proceeds as part of the 2007 Transaction, and that David Fenkell be barred from continuing as trustee of the Alliance ESOP. Finally, the Court ordered Alliance and David Fenkell to indemnify (compensate or repay) the Trachte Trustees for any compensatory relief they are required to pay.

While the parties were waiting on the Court to issue its decision on remedies, Plaintiffs reached a settlement in principle with the Trachte Trustees and Pagelow on May 27, 2013. Plaintiffs reached a settlement in principle with the Fenkells on November 29, 2013 only with respect to the Phantom Stock proceeds the Fenkells received in the 2007 Transaction. Plaintiffs reached a settlement in principle with the Alliance Entities on February 6, 2014. Plaintiffs reached a settlement with David Fenkell with respect to the remaining claims that were not assigned in exchange for the settlement with the Alliance Entities on March 28, 2014. Plaintiffs also reached a settlement with the Alpha Defendants. Any defendants who have not settled in full (i.e. David Fenkell) will be entitled to dispute and contest the judgments entered in this case with respect to any claims that they have not settled.

On February 19, 2014, and April 9, 2014 the Court preliminarily approved the Settlements and has scheduled a final hearing to evaluate the fairness and adequacy of the Settlement.

THE CLASS MEMBERS

4. What is a Class Action?

A class action is a lawsuit in which the claims and rights of many people are decided in a single court proceeding. In a class action, one or more people file suit on behalf of others with similar claims, called Class members. If a class is certified (as one was here), the Court appoints persons, called "Class Representatives," to represent and act on behalf of the Class. Here, the Class Representatives are Carol Chesemore, Daniel Donkle, Thomas Gieck, Martin Robbins, and Nannette Stoflet.

5. Who is included in the Class and Subclass?

The Class consists of participants in the Trachte ESOP at any time from August 29, 2007 to the present who had an account or received an allocation which they did not subsequently forfeit under the terms of the Trachte ESOP Plan Document and the beneficiaries of such participants.

The Subclass consists of participants or beneficiaries of the Alliance ESOP at the time of the 2007 Transaction and whose accounts were transferred to the Trachte ESOP on or about August 29, 2007, as part of the 2007 Transaction.

Excluded from the Class and the Subclass are any named Defendants, any fiduciary of the Trachte ESOP or Alliance ESOP during the 2007 Transaction on or about August 29, 2007 and any members of their immediate families, legal representatives, heirs, successors or assigns.

6. How do I know if I am a Class or Subclass member?

If you are included in the above definitions of the Class or Subclass, you are included in the Class or Subclass. **The Class and Subclass are mandatory classes and you cannot opt-out.** If you are not sure whether you are included in the Class or Subclass, you can contact the Settlement Administrator at (877) 289-7114 or classact@gilardi.com or email Lead Counsel at TrachteESOPlawsuit@cohenmilstein.com.

THE SETTLEMENT

7. What do the Settlements provide?

The significant economic terms of the Settlements consist of the following components:

The Settlement with the Trachte Trustees and Pagelow:

- (1) A payment of \$3.25 million which, after the deduction of any court-approved fees and expenses, will be distributed to Class Members according to a Plan of Allocation to be approved by the Court at or after the Fairness Hearing.
- (2) Cancellation of the Seller's Note of \$1.3 million, received by Pagelow in the 2007 Transaction. This note, which is still reported as a liability on the financial statements of Trachte and has accrued interest at a rate of 8% from the date of the 2007 Transaction until February 28, 2010 and 13% thereafter, provides some financial benefit to Trachte, and if the price of Trachte stock recovers, will also benefit the participants in the Trachte ESOP (which continues to hold Trachte stock).
- (3) The Trachte Trustees and Pagelow also agreed to assign any of their claims for indemnification, contribution and otherwise to Plaintiffs and the Class.

Settlement with the Fenkells:

- (1) A payment of \$1.8 million that will be divided evenly between Trachte and the Subclass. The Court ordered the amount received by the Fenkells in the form of proceeds from the Phantom Stock to be repaid to Trachte. For purposes of the Settlement, the \$1.8 million will be split evenly between Trachte and the Subclass. Out of its share, Trachte has agreed to pay 30% toward attorneys' fees and up to \$25,000 in expenses. Class Counsel will also request that an amount of fees and some expenses be deducted from the amount of this Settlement that will be distributed to the Subclass.
- (2) A payment of \$375,000, plus an additional amount if the value of David Fenkell's account as of December 31, 2013 exceeds the value as of December 31, 2012 (approximately \$502,000). After the deduction of any court-approved fees and expenses, this amount will be distributed to the Subclass according to a Plan of Allocation to be approved by the Court at or after the Fairness Hearing.
- (3) This is a partial settlement only with David Fenkell, but a complete settlement of claims against Karen Fenkell as a recipient of Phantom Stock proceeds. In exchange for the settlement with the Alliance Entities (described below) Plaintiffs, the Class and Subclass have assigned other claims against David Fenkell, except for their claim for fees and expenses against David Fenkell which is in addition to any other claims that they have against him.

Settlement with the Alliance Entities:

The Subclass:

- (1) The Alliance Entities will restore the Alliance ESOP accounts of the Subclass by paying \$7 million, consisting of \$5.5 million in Alliance and AH Transition stock and \$1.5 million in cash. The \$5.5 million in stock will be paid to the Subclass's restored Alliance ESOP accounts after the Court approves the Settlement and will be allocated according to a Plan of Allocation to be approved by the Court. After the deduction of any court-approved fees and expenses, the \$1.5 million in cash will be distributed to the restored Alliance ESOP accounts of the Subclass according to a Plan of Allocation to be approved by the Court at or after the Fairness Hearing.
- (2) Any Subclass member who receives an allocation of stock to his or her restored Alliance ESOP account and, as of Final Judgment, has either reached Normal Retirement Age (e.g. age 65), become disabled, or died will be entitled (or in the case of death, his/her beneficiary

shall be entitled) to elect to receive an immediate distribution of his or her full account. Additionally, any member of the Subclass who is fifty-five years of age or older and who has ten years of participation in the Alliance ESOP – for which the years between the 2007 Transaction and Final Judgment will count toward participation – will have the right to immediately liquidate 25% of that member’s account, subject to the limit described below (in addition to any amounts restored with cash). For Subclass members who would have satisfied the age and participation requirements six years ago (with the years between the 2007 Transaction and Final Judgment counted toward participation), the 25% liquidation amount will increase to 50%. For these participants, the Alliance Entities have agreed to make \$1,528,300 available to provide immediate liquidity (i.e. cash distributions) to Subclass members who elect to receive an immediate distribution of their Alliance stock.

- (3) All members of the Subclass whose Alliance ESOP accounts are restored with stock will be entitled to elect to receive a distribution of the stock portion of their restored Alliance ESOP accounts to be paid in equal annual installments over 5 years with payments beginning as early as January 2015 (depending on when the Subclass member makes the election and if and when Final Judgment is effective). Subclass members in this category will be entitled to elect whether to receive their account based on the value at which the account is restored plus interest; in order to make this election, a Subclass member must affirmatively do so **before July 3, 2014**. Alternatively, a Subclass member may choose to have his/her account value increase (or decrease) with the price of Alliance stock; if this is the option you want to choose, you may affirmatively choose this or simply do nothing. **If you do nothing, the latter option will be the default.**
- (4) Any member of the Subclass who receives an allocation of cash to his/her Alliance ESOP account pursuant to the Plan of Allocation will be entitled to elect to receive an immediate distribution of the cash portion of his/her account.
- (5) In the event that Alliance cashes-out or distributes benefits to other similar categories of non-Trachte participants in the Alliance ESOP sooner than the Subclass under this Agreement, the Alliance ESOP must permit each member of the Subclass to receive his/her distribution under the same timeframe.

The Class

- (6) The Alliance Entities will also pay \$150,000 into a Settlement Fund for the benefit of the Class (which may be reduced to pay certain fees and expenses) and will assign to the Class the Seller’s Note that the Alliance Entities received as part of the 2007 Transaction, which has a principal amount of \$4,370,000, has accumulated interest since 2007 and had a market value of \$369,000 on the Alliance ESOP’s December 31, 2012 valuation.

Attorneys’ Fees & Expenses

- (7) The Alliance Entities have agreed to pay \$5.325 million toward attorneys’ fees and expenses as described below.

Settlement with the Alpha Defendants:

Plaintiffs have agreed to settle their claims with the Alpha Defendants in exchange for the Alpha Defendants (who were found not liable by the Court) giving up any claim to seek attorneys’ fees and expenses, which the Court might award against the proceeds from the other settlements and the Alpha Defendants’ agreement not to ever serve as a fiduciary of either the Trachte ESOP or the Alliance ESOP. Plaintiffs primarily agreed to settle with the Alpha Defendants based on representations and information provided by the Alpha Defendants that they do not have any significant assets from which to obtain a judgment even if Plaintiffs were successful on appeal.

8. What do I give up as a result of these Settlements?

In exchange for the payments above, members of the Class and Subclass will be required to release (or give up) any claims that they have or could have brought in connection with the 2007 Transaction against the Alliance Entities, the Trachte Trustees, Pagelow and Karen Fenkell. With respect to David Fenkell, the Class and Subclass are only releasing (or giving up) claims related to his receipt of the Phantom Stock proceeds and the ability to satisfy their claims against Fenkell up to the amount of his Alliance ESOP account (worth approximately \$500,000).

In exchange for the payments made by the Alliance Entities, Plaintiffs on behalf of the Class and Subclass agreed to assign to Alliance and the Alliance ESOP any claims that they have against David Fenkell related to the 2007 Transaction (as well as the claims assigned to Plaintiffs and the Class by the Trachte Trustees and Pagelow), except for (1) the now-settled claims against amount in David Fenkell's Alliance ESOP account (worth approximately \$500,000) which the Court has concluded may be used to satisfy Plaintiffs' claims; (2) the previously-settled claims concerning the Phantom Stock proceeds; and (3) the claims for fees against David Fenkell.

Even though the Court ordered relief that is greater than that provided in this Settlement, each of the Defendants (except Pagelow and the Alpha Defendants who were dismissed) would have the right to take an appeal of the Court's decision on liability and remedies, which could take another year or more and which might result in the Class and Subclass eventually receiving nothing. By accepting a lesser amount, the Class and Subclass receive the benefit now and the certainty of receiving a significant amount paid into their ESOP account(s).

The Class and Subclass are mandatory classes and you cannot opt-out or exclude yourself.

9. Why is there a Settlement?

These Settlements were the product of lengthy arms' length negotiations between Class Counsel and Counsel for each of the Defendants. With respect to the Settlement between Plaintiffs and the Trachte Trustees and Pagelow, the Parties' discussions were facilitated by Magistrate Judge Peter Oppeneer. With respect to the Settlement between Plaintiffs and the Alliance Entities, the Parties' discussions were facilitated by Retired United States District Judge Wayne Andersen.

While there was a finding of liability as to most of the Defendants and a favorable ruling on remedies, Class Counsel recognized significant risks in continuing litigation and appeals. First, the Court had dismissed Pagelow from the lawsuit and, while Plaintiffs could appeal that decision, Plaintiffs recognized that not only would the appeal take substantial time, but there was a substantial risk that the appellate court – the United States Court of Appeals for the Seventh Circuit – would uphold the decision dismissing Pagelow. Second, the Trachte Trustees do not have substantial assets to pay for any judgment beyond their insurance coverage and that the amount of available insurance coverage would be further reduced by the amount paid by the insurance company for the litigation costs (including any appeal); at the time of settlement with the Trachte Trustees, the remaining available insurance was \$3.5 million or less and that the personal non-exempt assets of the Trachte Trustees (i.e. the amount likely available to satisfy any judgment) was less than \$900,000, collectively. Third, the Alliance Entities would have taken an appeal and sought to either reverse or reduce the amount awarded against them, and Class Counsel recognized that there were certain, significant risks on appeal. Fourth, with respect to the Fenkells, the Fenkells would also have likely taken an appeal and there were significant risks as to the amount that could be recovered and uncertainty whether any of the amounts with respect to the Phantom Stock proceeds would be paid to the Subclass (rather than to Trachte as ordered by the Court). Finally, the Alpha Defendants were found not liable by the Court and do not have any significant assets from which to obtain a judgment even if Plaintiffs were successful on appeal in reversing the District Court's determination.

In light of these risks and the delay of payment if the Class and the Subclass were successful on appeal, the Class Representatives and Class Counsel concluded that the Settlements constituted a

reasonable compromise and were the prudent and advisable course of action because it avoided the risks inherent in this litigation, as well as the costs and delays associated with potential appeals.

There may also be delays associated with the Settlement as counsel for David Fenkell has stated that he intends to contest Plaintiffs' proposed Settlements with the Alliance Entities and appeal the matter to the Seventh Circuit. Class Counsel believes that Mr. Fenkell has no standing to object to nor any valid objections to the Settlements, but if Mr. Fenkell files an appeal, that will likely delay implementation of the Settlements.

10. What will be my share of the Settlement proceeds?

The amount of the Settlement proceeds to be allocated to your Plan account cannot be determined at this time. Class Counsel has submitted to the Court a Plan of Allocation in this lawsuit for approval at or after the Fairness Hearing. The specific amount that you receive will be determined by the Plan of Allocation finally approved by the Court. The Plan of Allocation proposed by Class Counsel provides that Settlement proceeds should be distributed on a pro rata basis to the members of the Class and Subclass; in other words, the greater the amount of shares in your ESOP account, the more that you will receive in the Settlement. For a full copy of Class Counsel's Plan of Allocation:

<http://www.cohenmilstein.com/cases/212/trachte-esop-litigation>

As described in Section 7, the proceeds of certain Settlements and certain portions of the Settlements will be distributed to the Class and certain settlements and certain portions of the Settlements will be distributed to the Subclass, but not the Class. This is because the Subclass had certain claims that members of the Class who are not members of the Subclass did not have.

11. How can I get my portion of the recovery?

Under the proposed Plan of Allocation, no member of the Class or Subclass will need to file a claim to obtain his/her share of the recovery. The proceeds of the Settlement will be allocated to either your restored account in the Alliance ESOP (if you are a member of the Subclass), your account in the Trachte ESOP (if you are a member of the Class) or a combination of both (if you are a member of the Subclass and the Class).

12. When would I receive my portion of the recovery?

For All Members of the Class & the Subclass

Payment is conditioned on several matters, including the Court's approval of the Settlement and such approval becoming Final and no longer subject to any appeals. If there is no appeal, the Settlements will become effective 30 days after the Court enters Final Judgment; if there is an appeal of these Settlements, the appeal may take up to a year or more to be fully resolved.

The Recovery for the Class: According to the Plan of Allocation proposed by Class Counsel, your share of the Settlement proceeds will be deposited in your Trachte ESOP account. (If you are a member of the Class, but no longer have an account in the Trachte ESOP, an account will be created for you and your share of the Settlement proceeds will be deposited in that account in accordance with the Court-approved Plan of Allocation). You may elect to receive your distribution under the normal terms of the Trachte ESOP Plan Document.

The Recovery for the Subclass: According to the Plan of Allocation proposed by Class Counsel, your Alliance ESOP account will be restored and your share of the Alliance and A.H. Transition Stock will be deposited into your Alliance ESOP account based on the value of your account in the Alliance ESOP as of August 29, 2007.

Distributions of Cash to Subclass Members' Alliance ESOP Accounts: Any Subclass member who receives an allocation of cash will be entitled to receive immediate distribution of the cash allocated to their Alliance ESOP account.

Subclass Members Entitled to Immediate Distributions of the Stock Allocated to their Alliance ESOP Accounts: The following Subclass members will be entitled to receive immediate distributions of their stock allocations (subject to the \$1,528,300 liquidity limit):

- (a) You have reached Normal Retirement Age (e.g. age 65) or become disabled, or if you are a beneficiary of a participant in the Alliance ESOP who has died.
- (b) You are a Qualified Participant (i.e., you have reached at least age 55 and had ten years of participation in the Alliance ESOP or would have had if the years between August 29, 2007 and now are included because they will be counted toward participation), you will be entitled to elect to receive an immediate distribution of the stock of up to 25% of your restored Alliance ESOP account balance (in addition to a distribution of all of the cash)
- (c) You are a Qualified Participant and would have attained the sixth year of the Qualified Election Period under the Alliance ESOP (or would have had if the years between August 29, 2007 and now are included because they will be counted toward participation), you may elect to receive a distribution of the stock of up to 50% of your restored Alliance ESOP account balance (in addition to a distribution of all of the cash).

In order to receive an immediate distribution, you must make this election before the Final Judgment. *Final Judgment may occur on the same day as the Fairness Hearing, so you should make sure your election is sent before the Fairness Hearing.*

Subclass Members Entitled to Deferred Distributions of the Stock Allocated to their Alliance ESOP Accounts. The following Subclass members will be entitled to receive deferred distributions of their stock allocations:

- (a) Any member of the Subclass not entitled to an immediate distribution of all of their stock will receive distributions of their stock (or their remaining stock) paid over 5 years starting as early as January 2015 (depending on when the Subclass member makes the election and if Final Judgment is effective).
- (b) Any member of the Subclass who elects to receive a deferred distribution.

Value of the Stock Distributed from the Alliance ESOP Accounts: For purposes of liquidating the stock in the Alliance ESOP accounts, the stock will be valued as follows:

- (a) **Election Before Final Judgment:** For those Subclass members who make an election prior to Final Judgment, the stock in your Alliance ESOP account will be valued for purposes of distribution at the same amount initially allocated to your account. In other words, the amount you will receive will be fixed as of Final Judgment. ***Final Judgment may occur on the same day as the Fairness Hearing, so you should make sure your election is sent before the Fairness Hearing.***
- (b) **Election After Final Judgment:** For those Subclass members who do not make an election prior to Final Judgment, the stock in your Alliance ESOP account will be valued based on the most recent valuation according to the terms of the Alliance ESOP Plan Document. In other words, the amount you receive may be greater (or less) than the amount you initially receive depending on the performance of Alliance and the price of its stock.

13. Will I have to pay taxes on the additional ESOP contributions that I receive?

Class Counsel is proposing to distribute the proceeds from the Settlement through the ESOPs in order to take advantage of the tax-favored treatment of those retirement plans. You should, however, consult your own tax advisor about the tax implications of any monies that you elect to receive as distribution as part of these Settlements.

OBJECTIONS

14. How do I tell the Court what I think about the Settlement?

Any Class member or Subclass member may object to any aspect of the Settlement or attorneys' fees or expenses by filing a written objection with the Court. To object, you must send a letter or other written statement saying that you object to the Settlement, the Plan of Allocation and/or the attorneys' fee award. Include your name, address, telephone number, signature, the title of the case (*Chesemore, et al. v. Alliance Holdings, Inc., et al.*, No. 09-cv-413-wmc), and an explanation of all reasons you object to the Settlement. Please be advised that failure to include these details may result in the Court refusing to consider your objection.

Your written objection must be filed with the Court addressed as follows:

Clerk of the Court
United States District Court for the Western District of Wisconsin
Robert W. Kastenmeier United States Courthouse
120 N. Henry Street
Madison, WI 53703

Your objection should state the supporting bases and reasons for the objection, identify any and all witnesses, documents or other evidence you would like to present at the Fairness Hearing, and describe the substance of any testimony provided by you or other witnesses.

IF YOU DO NOT OBJECT IN THE MANNER DESCRIBED IN THIS NOTICE, THE COURT MAY CONCLUDE THAT YOU HAVE WAIVED ANY OBJECTION AND MAY NOT PERMIT YOU TO SPEAK AT THE FAIRNESS HEARING.

THE FAIRNESS HEARING

15. When and where will the Court hold the hearing?

The Court will hold a Fairness Hearing at **1:00 p.m. on July 24, 2014**, before the Honorable William M. Conley at the United States District Court for the Western District of Wisconsin, United States Courthouse, 120 N. Henry Street, Madison, WI 53703. The hearing may be rescheduled by the Court without additional notice, so it is a good idea to check Class Counsel's website (<http://www.cohenmilstein.com/cases/212/trachte-esop-litigation>) for updates. At the hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate to the Class and Subclass. The Court will also consider how much to pay Class Counsel in fees, what to reimburse Class Counsel for their expenses and what amount, if any, will be paid out of the Settlement proceeds, and whether to provide the Class Representatives with an incentive award because of their time and expense bringing this lawsuit. If there are objections or comments, the Court will consider them at the Fairness Hearing. After the Fairness Hearing, the Court will decide whether to approve the Settlement and enter Final Judgment. We do not know how long this decision will take. Please be patient.

16. Do I have to come to the Fairness Hearing?

Your attendance is not required, even if you submit a written response. Class Counsel will answer questions the Court may have at the Fairness Hearing on your behalf. If you or your personal attorney want to attend the hearing, you may attend at your own expense. As long as any objection or comment you filed was postmarked before the deadline, the Court will consider it even if you do not attend the Fairness Hearing.

17. May I speak at the Fairness Hearing?

Yes, so long as you are a member of the Class or Subclass and have properly and timely submitted a written response as set forth above and have stated in your objection your intention to appear at the Fairness Hearing.

18. What happens if I do nothing at all?

If you do nothing and you are entitled to participate in the Settlement proceeds, you will participate in those proceeds as described above if the Settlement is approved.

THE LAWYERS REPRESENTING YOU

19. Do I have a lawyer in this case?

Yes. The Court appointed the following law firms to serve as attorneys for the Class:

Lead Counsel for the Class & Subclass

COHEN MILSTEIN SELLERS & TOLL P.L.L.C.

R. Joseph Barton

1100 New York Avenue, N.W.

Suite 500, West Tower

Washington, D.C. 20005-3934

Telephone: (202) 408-4600

Email: TrachteESOPlawsuit@cohenmilstein.com

Local Counsel for the Class & Subclass

HURLEY, BURISH, & STANTON, S.C.

Andrew W. Erlandson

33 East Main Street

Suite 400

Madison, WI 53703

Telephone: (608) 257-0945

The Court has approved these law firms to serve as Class Counsel. You have the right to hire your own attorney (at your own expense), but you are not required to hire a separate attorney. Class Counsel has sought and obtained a remedy for all members of the Class and Subclass.

20. How will the lawyers be paid?

Class Counsel agreed to pursue this lawsuit on a contingent fee basis, which means that they would not charge Plaintiffs, the Class or the Subclass unless the litigation was successful or resulted in a Settlement for the Class or Subclass. Class Counsel has expended thousands of hours working on this lawsuit, which as of December 31, 2013 had a value at 2013 rates in excess of \$7 million. In addition, Class Counsel have incurred in excess of \$1 million in out-of-pocket expenses (such as depositions and experts) to prosecute this litigation. To date, Class Counsel have received no payment for their services nor been reimbursed for out-of-pocket expenses. In addition, Class Counsel expects to incur significant additional time and expense finalizing these Settlements and prosecuting the claims against the remaining defendants who have not settled.

From these Settlements, Class Counsel will be compensated from three sources. *First*, the Alliance Entities have agreed to pay \$5.325 million towards the attorneys' fees and expenses incurred by Class Counsel through 2013 (in addition to the amount that the Alliance Entities will pay to the Class and Subclass) and will also reimburse Class Counsel for any out-of-pocket expenses incurred in 2014 up to \$20,000. *Second*, Trachte has agreed to pay 30% of the amount that it will receive to Class Counsel, plus up to \$25,000 of expenses. *Third*, Class Counsel will seek an award of attorneys' fees and expenses from other cash components of the Settlement including (i) the \$3.25 million settlement to be paid on behalf of the Trachte Trustees and Pagelow, (ii) the portion of the settlement related to the Phantom Stock claims that is allocated to the Subclass (approximately \$900,000), (iii) the amount of the settlement resolving claims against Fenkell's Alliance ESOP account (at least \$375,000) and (iv) certain cash components of the Alliance Entities settlement. Out of the *Third* portion of the cash components, Class Counsel will not seek more than \$1.6 million in attorneys' fees plus its out-of-pocket expenses; the amount of fees (of \$1.6 million or less) that Class Counsel will seek is in addition to the amounts that the Alliance Entities and Trachte have agreed to pay. The amount that Class Counsel ultimately receives is subject to the approval of the Court. Additionally, Plaintiffs have

retained rights to seek an award of fees and expenses against David Fenkell, which if awarded or settled, may be used to compensate Class Counsel.

A written application for fees and expenses will be filed with the Court by June 12, 2014 and a copy of the application will be available at <http://www.cohenmilstein.com/cases/212/trachte-esop-litigation>. Plaintiffs may also seek a statutory award of fees and costs after the Court enters judgment against any Defendant who has not settled in full.

As part of these Settlements and out of the cash portion of the Settlements, Class Counsel may also seek an incentive award for the Class Representatives who brought and pursued this action, assisting the lawyers on behalf of the entire Class. Class Representatives spent considerable time assisting Class Counsel, including consulting with Class Counsel, responding to discovery, providing testimony in depositions, and attending and/or testifying at trial.

GETTING MORE INFORMATION

21. How do I get more information?

This Notice contains only a summary of the proposed Settlements of this lawsuit and your rights. Full details of the Settlements are set forth in the Settlement Agreements. The Settlement Agreements and certain other documents about the litigation are available on Class Counsel's website at <http://www.cohenmilstein.com/cases/212/trachte-esop-litigation> or the Settlement Administrator's website at www.TrachteESOPSettlement.com. You may obtain additional information regarding the matters involved in this lawsuit by reviewing the papers on file in this litigation, which may be inspected at the Office of the Clerk of Court, United States District Court for the Western District of Wisconsin, United States Courthouse, 120 N. Henry Street, Madison, WI 53703, during business hours (or are available online for a fee by obtaining a password at www.uscourts.gov).

22. How do I ensure that I receive any updates?

You may complete the attached questionnaire and either mail it to Trachte ESOP Settlement, c/o Gilardi & Co. LLC, Settlement Administrator, P.O. Box 990, Corte Madera, CA 94979, or email it to classact@gilardi.com.

23. Who do I call about questions?

For Questions About the Settlement:

COHEN MILSTEIN SELLERS & TOLL PLLC
Alina Lindblom, Paralegal
1100 New York Avenue, N.W., Suite 500
Washington, D.C. 20005-3934
Telephone: 202-408-4600
Email: TrachteESOPlawsuit@cohenmilstein.com

For Questions About The Forms:

Trachte ESOP Settlement
c/o Gilardi & Co. LLC
Settlement Administrator
P.O. Box 990
Corte Madera, CA 94976-0990
Telephone: (877) 289-7114
Email: classact@gilardi.com

For Questions About the Alliance ESOP

Anita DiPaul
Alliance Holdings, Inc.
1021 Old York Road, 3rd Floor
Abington, PA 19001
Telephone: 215-706-0873 x 112
Email: dipaul@allianceholdings.com

For Questions About the Trachte ESOP

Nels Carlson, Managing Director
Alerus Financial
10900 Wayzata Blvd., Suite 120
Minnetonka, MN 55305
Telephone: 952-417-3831
Email: nels.carlson@alorus.com

Website: www.TrachteESOPSettlement.com

PLEASE DO NOT CALL THE COURT REGARDING THIS NOTICE.

Dated: April 9, 2014

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WISCONSIN