

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION

IN THE MATTER OF:

CHAPTER 11

KENTUCKY PROCESSING COMPANY

CASE NO. 98-52437

fdba FOX MINING CORPORATION
FOX PROCESSING CORPORATION
FOX TRUCKING CORPORATION
FOX LEASING CORPORATION
G & Y COAL CO., INC.
ADENA FUELS, INC.
ADENA PROCESSING, INC.
CLEMONS COAL COMPANY
KENTUCKY MINERAL PROCESSING, INC.

DEBTOR

**CORRECTED AMENDED
DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S AMENDED PLAN OF ORDERLY
LIQUIDATION AND DISTRIBUTION**

This Disclosure Statement ("Disclosure Statement") and the accompanying ballots are being furnished by **KENTUCKY PROCESSING COMPANY** (the "Debtor"), to its known impaired creditors pursuant to Section 1125(a) and 1126(b) of the United States Bankruptcy Code ("Code") in connection with a solicitation by the Debtor of ballots for the acceptance of the Debtor's Amended Plan of Orderly Liquidation and Distribution ("Plan") under Chapter 11 of the Code.

Pursuant to Rule 3018 of the Bankruptcy Rules under the Code, the Bankruptcy Court ("Court") has fixed the close of business on the May 11, 2001, as the record date for the receipt of ballots accepting or rejecting the Plan. This solicitation period for ballots will expire at 5:00 p.m., local time, on the aforesaid date, unless and until the Court, in its discretion, shall have extended the period of time for which ballots may be accepted. Except to the extent allowed by the Court, ballots that are received after the expiration of the voting period may not be accepted or used by the Debtor in connection with the Debtor's motion for confirmation of the Plan or any modification thereof.

Pursuant to Section 1126 of the Bankruptcy Code, each holder of an impaired claim or interest under the Plan will be entitled to vote to accept or to reject the Plan.

This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission of any fact or liability by the Debtor, or be admissible in any proceeding involving the Debtor or any other party, or be deemed advice on the legal effect of the Plan on any claimant. Some items of information in this Disclosure Statement are estimates and assumptions which may prove not to be true or realistic, and some financial projections may be materially different from actual future experience.

Amendments to the Plan's classification of creditors and treatment of those classes that do not materially and adversely change the treatment of the other classes may be made to the Plan either before or after the confirmation hearing without re-solicitation of creditors who are not further impaired, although no such amendments are envisioned at this time.

The Debtor is required under Section 1122 of the Code to classify the claims or interests of its creditors and interestholders into classes that contain claims and interests that are substantially similar to the other claims or interests in such class. While the Debtor believes that it has classified all claims or interests in compliance with Section 1122, it is possible that a party may challenge the Debtor's classification of such claims or interests and the Court may find that a different classification is required for the Plan to be confirmed. In such event, the Debtor would intend to modify the Plan to provide for whatever reasonable classification might be required by the Court for confirmation and to use the acceptances received from any creditor pursuant to this Disclosure Statement for obtaining the approval of the class or classes of which such creditor is ultimately deemed to be a member. Any such reclassification of creditors could adversely affect the class in which such creditor was initially a member, or any other class under the Plan, by changing the composition of such class and the required vote thereof for approval of the Plan. A reclassification of the claims of creditors after approval of the Plan and its classification of such creditors could necessitate the re-solicitation of a completely new plan of reorganization.

The statements contained in this Disclosure Statement are made as of the date hereof, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with the Plan shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

All capitalized phrases, words or terms as used in this Disclosure Statement, unless the context dictates otherwise, shall have the definitions as are contained in the Plan of Reorganization, Exhibit 6, which should be read first.

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I. INTRODUCTION

A. General

The Debtor is furnishing this Disclosure Statement and ballots to all its known impaired creditors as of the date hereon, pursuant to Sections 1125 and 1126 of the Code and Bankruptcy Rule 3018 for the purpose of soliciting ballots for the acceptance of the Plan. As required by the Code, a reorganization pursuant to Chapter 11 depends upon receipt of a sufficient number of votes in favor of the Plan. Your vote, therefore, is important. If a sufficient number of votes is not received, the Debtor must apply to the Court for a "cram-down" of the Plan (See Section XI Subsection E [d]), which will take additional time.

The Plan is being proposed by the Debtor after several months of negotiations with its creditors and with certain other parties in interest and after consultation with the Debtor's attorney as to what type of restructuring may be feasible.

The Consummation of the Plan described herein is subject to other conditions in addition to the acceptances by all classes of impaired creditors and there can be no assurance that such Plan will be confirmed or consummated.

This Disclosure Statement describes various transactions contemplated under the Plan. A copy of the Plan is attached hereto as an exhibit and made a part of this Disclosure Statement. The following overview is qualified in its entirety by the specified information contained herein and in the Plan, and the terms and phrases defined in the Plan are used in this Disclosure Statement. You are urged to read carefully the entire Plan and to consult with your attorney about the Plan and its impact upon your legal rights prior to voting for or against the Plan.

B. Purpose of Disclosure Statement

The Debtor determined that because of its financial problems that it could not continue without Chapter 7 liquidation unless it could reorganize by systematic liquidation under Chapter 11 to pay a substantial amount on its pre-petition debts. After consultation, the Debtor's attorneys have developed the Plan which is believed will provide distributions greater and faster than the distributions that such creditors would receive if the Debtor were liquidated under Chapter 7 of the Code by a trustee. The Debtor believes that the Plan will provide for the creditors the maximum possible recovery from the Debtor's assets.

If, after the expiration of the solicitation period, the Debtor receives ballots approving the Plan from at least two-thirds in the amount and more than half in number of each class of its impaired creditors voting on the Plan, then the Debtor, subject to certain conditions described herein, will move the Court for confirmation of its Plan. For the Plan to be confirmed, the Plan must be accepted by at least one impaired class of claims or interests, but it is hoped that the Plan be accepted by all classes of impaired creditors. A claim that will not be repaid in full or

as to which legal rights are altered, or an interest that is adversely affected, is "impaired". A holder of an impaired claim or interest is entitled to vote to accept or reject the Plan if such claim or interest has been allowed under Section 502 of the Code. For a class of claims to accept the Plan, votes representing at least two-thirds in amount and more than half in number of claims voting in that class must be cast in favor of acceptance of the Plan.

The Debtor also believes that this Disclosure Statement contains information that is in compliance with the "adequate information" requirement of Section 1125(a) of the Code. Under the Code, the solicitation of acceptances of a plan of reorganization must be preceded or accompanied by disclosure materials containing information of a kind and in sufficient detail to enable solicited creditors and interest holders to make informed judgments about the plan and the acceptance or rejection thereof. The Debtor believes that this Disclosure Statement contains information that is sufficient to enable its impaired creditors to make an informed judgment in regard to the Plan, and to the best of the Debtor's knowledge, the contents of this Disclosure Statement are accurate and complete in all material respects.

II. BUSINESS OF THE DEBTOR

A. Background

The Debtor formerly operated a deep mining facility near Isom, in Letcher County, Kentucky, and a coal processing facility near Calla, in Estill County, Kentucky, under the auspices of several corporations. These corporations were active in performing various necessary function of the operations, e.g., purchasing, sales, ownership of coal leases, trucking, reclamation, etc.

These companies, Kentucky Mineral Processing, Inc.; Fox Leasing Corporation; Clemons Coal Company; Adena Processing, Inc.; Adena Fuels, Inc.; G & Y Coal Co., Inc.; Fox Trucking Corporation; Fox Processing Company; Fox Mining Corporation and Kentucky Processing company were ultimately, on the eve of bankruptcy in 1998, merged into Fox Mining Corporation, and then it changed its name to Kentucky Processing Company.

The following is a history of each of the former corporations that were merged prior to the Chapter 11 Petition Date to form the Debtor:

Adena Fuels, Inc., was formed as a Subchapter S Corporation on July 1, 1989, for the purpose of underground coal mining. The corporation was solely owned by Charles E. Yates. In 1989, operations began by contract mining for Diamond May Coal Company. The contract called for the production of one million tons of coal per year. After two years, the equipment and machinery were moved to Yellow Creek in Knott County where a new contract was renegotiated with Diamond May Coal Company for 70,000 tons of coal per month. The operation at Yellow Creek lasted five years, during which time Irishman Creek Trucking was

formed to haul the coal and Adena Processing, Inc. was formed to wash and to process the coal and to do the accounting.

On a hill near the Adena Fuels, Inc., mine site, a large shop was built to maintain and repair the coal trucks hauling the coal and repair underground mining equipment. Much of the repairs and maintenance was done at the shop by Adena Processing, Inc.'s own employees, as opposed to having to pay for costly repairs by outside vendors and long downtime. In 1995, the shop was moved to Isom, Kentucky, where repairs and maintenance were done for Fox Mining Corporation. At the Adena Fuels mine site, a large warehouse was built for mine supplies and inventory. Many supplies had to be kept on hand, due to two coal production shifts and one maintenance repair shift. Adena Fuels, Inc. employed approximately 75 underground employees. A large double wide trailer which served as the Adena Processing, Inc. office was put between the washer plant and the truck shop, with the coal mine located over the hill, which was very assessable to all employees.

Due to adverse mining conditions, the decision was made to close the Yellow Creek mine and relocate to Red Fox in Letcher County. The high quality of coal, the easy access to the coal and the short distance to the tippel made this a good investment even though its benefit was short lived. The Red Fox mine site operated for one year, and Adena Fuels, Inc. relocated to Linefork in Letcher County located within two miles of Fox Mining Corporation. The coal from both mines was trucked to the Tolson Tipple, where Fox #4 coal and Adena #5 coal were mixed, giving the coal a greater value. Adena Fuels, Inc. operated that mine site until September 1998.

Adena Processing Inc. incorporated October 1, 1991 as a Subchapter S Corporation, was a sister company of Adena Fuels, Inc., and was set up to perform the administrative and accounting functions for Adena Fuels, Inc. and Irishman Creek Trucking, Co. Inc. The corporation was solely owned by Charles E. Yates. The office staffed the general mine manager, office manager, several office assistants, safety director and warehouse superintendent. The washer plant had approximately twenty (20) employees and one washer plant superintendent. The shop employees were mechanics and repairmen, generally around eight (8) employees. The security employees numbered approximately ten (10) people. The office and shop building were located at Yellow Creek near the mine site of Adena Fuels, Inc., the washer plant and shop. In January 1995, the office and shop were moved to Isom, Kentucky.

The administrative duties were screening and hiring potential employees, payroll, payroll taxes, quarterly reports, W-2's, bank records, recording raw tonnage and clean tonnage, coal analysis, workers comp reporting, health insurance, accounts payable, accounts receivables, MSHA reporting, inventory control, requisition of inventory and purchase orders. The shop duties were to do repairs on underground equipment as well as the surface equipment such as graders, end loaders, dozers, etc. The washer plant washed and processed the raw coal into clean coal that was hauled to the Diamond May Coal Co. tippel where it was weighed and sold to Diamond May.

Management reports were done weekly to keep the mine manager, wash plant manager, warehouse manager, superintendents and foremen abreast of mining costs and production. Management meetings were scheduled weekly to discuss cost, production, safety and any other relevant concerns. The monthly reports were then given to the CPA to finalize the month with the general ledgers, financial statements, balance sheets and the tax returns.

Later, as new companies evolved, such as Fox Mining Corporation, Fox Trucking Corporation, Fox Processing Corporation and Kentucky Processing Company, then Adena Processing, Inc. did the accounting and administrative work for them.

Fox Mining Corporation was formed as a Subchapter S Corporation on September 1, 1993, for the purpose of underground coal mining. The corporation was solely owned by Charles E. Yates. The mine site was situated at Line Fork in Letcher County, Kentucky. The permits, coal rights, etc., that Fox Mining Corporation was mining and the Tolson tipple were brought from the Laviers in 1993. With two production shifts and one maintenance shift, approximately ninety (90) underground workers were needed. A large warehouse was built on the mine site with offices on one side for the superintendents and foremen. The other side of the building housed the parts inventory, however that warehouse was not large enough to house enough parts to eliminate down time. The mine site was approximately twenty-two (22) miles from the main route, so, in January 1995, Adena Processing, Inc. was moved to Isom, Kentucky, to a very large warehouse which had many offices, a large shop and a warehouse. Having extra supplies located at the Isom warehouse was an excellent location with most of the parts and supplies coming from Hazard, Kentucky or Virginia and having a good supply of extra parts at Isom greatly minimized the downtime because the distance between Fox Mining Corporation mine site and Adena Fuels, Inc. mine site, a central location between the two mines, was needed to accommodate the needs of the employees of Adena Fuels, Inc. and Fox Mining Corporation. This made maintenance and repairs easier for Fox Mining Corporation due to the out-of-the-way location.

The quality of coal at Fox Mining Corporation was excellent and of high demand. The mine itself, however, had a low top and was difficult to mine. Even with difficulties, the sale contracts were met within specifications. The coal was trucked by Fox Trucking Corporation to the Tolson tipple where the raw coal was then loaded on railroad cars, then shipped to Kentucky Processing Company at Irvine, Kentucky (now owned by Charles E. Yates, having been purchased from Edward L. Clemons and Florida Power), where the coal was washed, processed and sold to fill sale orders.

Fox Trucking Corporation was incorporated as a Subchapter S Corporation on August 9, 1994. The corporation was solely owned by Charles E. Yates. The trucking company had approximately twenty-five (25) employee/truckers, two (2) mechanics, a general manager and a foreman. The coal was hauled from Fox Mining Corporation in the ten (10) eighteen-wheel tractor-trailers belonging to Fox Trucking Corporation. A large shop building was located between the mine and tipple was used for maintenance on the trucks. The haul from where the

coal was loaded onto the trucks to the tippie was approximately ten miles. Generally, two shifts were ran to keep the stockpile within its limits.

Kentucky Processing Company was incorporated on March 9, 1994. The partnership was of Kentucky Mineral & Clemons Coal. The coal processing and shipping plant was located at Calla, at Irvine, Kentucky. The plant lies on the Kentucky River at Irvine, and approximately six hundred (600) acres of land, with an airport, an office building, rail car shop, truck shop and machine shop, scale house and one thousand ton an hour prep plant. While running at full capacity, buying, processing and selling coal, it employed approximately 35 employees. The plant was constructed in the late 1960's. The first owner was Southeast Coal Co. sold to Mr. Laviers, sold to Clemons Coal and Kentucky Mineral and lastly sold to Charles E. Yates.

The company under Charles E. Yates lasted until 1998. The company fell into economic difficulty when two utility contracts were lost. Since all the above companies were linked together and had suffered so many losses, that, with the utility lost contracts, those losses added such hardships on Kentucky Processing Company so that it could no longer survive.

Fox Processing Corporation was formed as a Subchapter S Corporation on August 9, 1994 for the purpose of doing the engineering work for Adena Fuels, Inc., Fox Mining Corporation and Kentucky Processing Company. The company employed one engineer manager, who supervised other employees, did all permitting, surveying, mapping, working with bonds, etc., that had to do with Fox Mining Corporation and Adena Fuels, Inc., who also did permitting, mapping, surveying, working with bonds, checking ponds, etc. for Kentucky Processing Company. Two spad men were also employed, their job was to work underground setting spads using the map of the mines to show how wide to cut coal, when to make turns, basically to path the equipment needed to travel to mine the coal. Their office was located at the mine site until January 1995, but moved to Isom, Kentucky to be located centrally with the other companies.

Adena Processing, Inc. did the administrative and accounting for most of these corporations.

All of these companies were owned by Charles E. ("Chuck") Yates. Yates was born in Grundy, Virginia on January 18, 1947. He attended Southwest Community College in Richmond, Virginia, graduated from Virginia Tech Research, and attended Pikeville College in Pikeville, Kentucky.

He married Jacquelyn Davis Yates on July 17, 1971 and they have two children, Jocelyn Carol Yates and Charles Andrew Yates. They reside at 5996 Sulphur Well Road, Lexington, Kentucky and are members of the Athens Christian Church.

His work experience is as follows: 1968 thru 1969, Newport News Shipping & Dry Dock, Materials Specialist; 1970 thru 1976, State Farm Mutual Insurance Co., Charlottesville,

Virginia, Insurance Agent; 1978 thru 1979, Atlas Mining, Inc., contract miner (auger and strip) for Russelfork Mining in Pikeville, Kentucky, Owner/Operator; 1979 thru 1983, G & Y Coal Co., Inc., contract underground mining operations for Kentucky Prince Coal Co., Owner/Operator; 1983 thru 1985, G & Y Coal Co., Inc., contracted underground mining for Whitaker Coal Co., Inc., Owner/Operator; 1985 thru 1989, G & Y Coal Co., Inc., leased, mined, processed and sold coal, Owner/Operator; 1989 thru 1998, Adena Fuels, Inc., contracted underground mining-Diamond May Coal - 1989-1991, contracted underground mining-Diamond May Coal - 1991-1996, leased, mined, processed and sold coal - 1996-1998, Owner/Operator; 1993 thru 1996, Fox Mining Corporation, contracted underground mining - Kentucky Processing - owners Edward L. Clemons and Florida Power, Owner/Operator; 1996 thru 1998, Fox Mining Corporation, leased, mined, processed and sold coal, Owner/Operator; 1989 thru 1998, Irishman Creek Trucking Co., Inc., hauled mined coal for Adena Fuels, Inc., partnership Owner/Operator; 1994 thru 1998, Fox Trucking Corporation, hauled mined coal for Fox Mining Corporation, Owner/Operator; 1994 thru Present, Fox Trot Corporation (owned by his wife), farming, raising and selling cattle, tobacco and grain, President; 1994 thru 1998, Fox Processing Corporation, engineering for Fox Mining Corporation and Adena Fuels, Inc., Owner/Operator; 1994 thru 1998, Kentucky Processing Company, prep plant (buyer and seller of processed coal), Owner/Operator; 1991 thru 1998, Adena Processing, Inc., central accounting office where accounts payables, accounts receivables, payroll, bank records was done on a monthly basis then reports given to CPA, Larry Adams, he then did general ledgers, tax returns, etc. for Adena Fuels, Inc., Fox Mining Corporation, Fox Processing Corporation, Irishman Creek Trucking Co., Inc., Fox Trot Corporation, Kentucky Processing Company, Fox Trucking Corporation and Adena Processing, Inc., Owner/Operator; 1999 thru Present, currently disabled from on-the-job work performance due to health problems, drawing social security.

The Debtor's primary lender was TransFinancial Bank, which was acquired by Star Bank, which was acquired later by Firststar, and whose debt position was acquired in 2000 by Fox Trot Corporation, owned by Yates' wife, referred to herein as "Firststar's Assignee". In 1998, the Debtor was seriously in arrears with Firststar when it filed a foreclosure/lien enforcement action in the Estill Circuit Court, Irvine, Kentucky, and obtained a judgment in excess of \$13.0 million against the Debtor individual entities and Yates as a personal guarantor. Since Firststar had mortgages and liens on all the various companies' assets, a foreclosure sale was eminent and would have closed down the entire operation

The Debtor thereafter contacted present counsel for bankruptcy advice. After considering all the potential alternatives, the various companies were merged into one company, known as Kentucky Processing Company as the Debtor and the Debtor chose to file the within Chapter 11 reorganization case.

B. Activities During Reorganization

The Debtor's business went onto "idle status" in 1998, laying off its employees but retaining a staff of employees to continue maintenance, reclamation and security services. Faced

with the Bank's foreclosure action in the Estill Circuit Court, the Debtor filed this Chapter 11 case on September 25, 1998. The Petition's Schedules listed assets of \$3,648,428.00 in real property and \$4,642,226.32 in real and personal property, mostly mining equipment. They also listed secured claims of \$13,681,585.00, priority claims (mostly taxes and fines) of \$1,539,914.00 and unsecured claims of \$3,833,646.29. The total of \$19 million of debt against \$8.2 million in assets indicated a liquidating Chapter 11.

After extensive discussions with Firststar, the Debtor negotiated and entered into an Asset Purchase Contract on November 6, 1998, and on November 10, 1998, filed its "Motion for Leave to Sell Mining Operations Not in the Ordinary Course of Business." The agreement and motion envisioned the sale of the Debtor's Letcher County mining operations to Coastal Coal Company of Roanoke, Virginia, for \$5.75 million.

Concurrently with the motion to sell, the Debtor filed motions to assume, cure and assign its coal leases and other executory contracts to Coastal. All of the pending motions were sustained by the Court on November 30, 1998, and the transaction closed on December 11, 1998. At the closing, the following pre-petition debts were paid out of the closing sale proceeds (not including the proceeds paid to Firststar, which are listed on p. 15-16 infra):

Letcher County 1997 Property Taxes	\$ 57,908.37
Letcher County 1998 Property Taxes	53,648.34
Senstar	311,139.81
Marcap (Long-Airdox)	400,000.00
PNC	15,000.00
Peoples Bank & Trust Co. of Hazard	96,000.00
Kentucky River Coal	108,042.59
Internal Revenue Service (Feb-Sep 1998) Excise Tax (Black Lung) (9803)	121,313.47
Internal Revenue Service (Feb-Sept 1998) Excise Tax (Black Lung) (9806)	164,927.85
Internal Revenue Service - Excise Tax (Black Lung) (720)	258.16
Kentucky Revenue Cabinet - Coal Severance Tax (Jan-Sept 1998) - (changed from \$413,419.75 per G. Hensley telephone call on 12/9/98)	413,491.76
Kentucky Workers Compensation Funding Commission (Black Lung Taxes)	6,016.05
Office of Surface Mining (Coal Reclamation) Pittsburgh, PA (AML Fees) (867-5187)	13,361.92
Office of Surface Mining (Coal Reclamation) Pittsburgh, PA (AML Fees) (867-5179)	10,038.23
Mine Safety & Health Administration Fines constituting permit - blocks	7,576.05

Kentucky River Coal Co. - 1998 Taxes
 TOTAL CREDITORS PAID

4,701.16
\$1,783,423.76

The Debtor, realizing that the Estill County coal loading facility, idle for months, needed some income-production and security, agreed to file the Debtor's "Motion to Authorize Debtor to Enter into Contracts with New Horizons Syn-Fuel, LLC and EcoPrep, Inc. Not in the Ordinary Course of Business" on November 20, 1998. The motion sought Court approval to enter into a "Lease Agreement-Coal Processing Facility" dated September 25, 1998 and a "Feedstock Supply Agreement" dated November 19, 1998.

The former contract leased the coal fines ponds, the belting system and a part of the property to New Horizons so it could (a) erect a synthetic coal processing machine on the property and (b) mine and remove coal within refuse areas or ponds within the leases premises. The "Contract Processing Agreement" dated November 19, 1998, engaged EcoPrep to recover waste coal from refuse ponds on the Debtor's property, which coal would, in turn, be sold by the Debtor to supply the New Horizon's synfuel machine located on the Debtor's property. The Court approved these motions on December 1, 1998.

Throughout the first half of 1999, monthly payments were made to Debtor's Counsel by New Horizons, which payments were deposited in his IOLTA Escrow Account, then portions were wire-transferred to the Debtor for its Perry County DIP Account, pursuant to a budget approved by New Horizons with the concurrence of Firststar. During those months, either bills were paid on behalf of the Debtor or funds were transferred to the Debtor. The following is an accounting of Counsel's receipts and disbursements of these funds:

<u>Date</u>	<u>Receipts</u>		<u>To Debtor's DIP Account</u>
12-31-98	240,000.00	Payroll	35,000.00
		Insurance Check	17,500.00
01-07-99		Operations	20,898.00
		Professionals	50,000.00
01-14-99	52,500.00	Operations	65,551.00
		Wire Transfer Fee	15.00
01-25-99		Operations	10,553.00
02-04-99		Operations	7,900.00
01-28-99		Insurance Check	10,000.00
02-09-99		Bond Check	11,842.00
02-10-99	52,500.00	Operations	71,932.00
02-10-99		Operations	1,400.00
03-10-99	62,500.00	Operations	85,342.00
04-08-99	52,500.00	Operations	77,015.00
04-14-99		Workers Comp Check	3,000.00
05-10-99	52,500.00	Operations	52,515.00

02-19-00		Overpayment from IOLTA	(7,963.00)
Totals	<u>\$512,500.00</u>		<u>\$512,500.00</u>

These transfers to and on behalf of the Debtor included funds paid into Counsel's IOLTA Account, wire transfers out, less wire transfer fees reimbursed to the IOLTA account. Although there was an overpayment of New Horizons' monies from the DIP Account, other free funds were available to offset that overpayment. The balance of these funds, still held by Counsel, is reported in Exhibit 2 - Summary of Funds Held by Counsel.

As is noted above and as is shown in detail in Exhibits 2 and 9, the \$7,963 overpayment by Counsel of the New Horizons' monies was offset by other unencumbered estate funds also deposited in the IOLTA. Thus, after all disbursements and refunds authorized by Court Order, Counsel still holds \$65,857.78 in his IOLTA Account. These funds are therefore available for distribution to the post-Petition Administrative Claims, as estimated in Exhibit 9.

Little activity occurred from mid-1999 into early 2000, primarily due to the Debtor's inability to file Monthly Reports. In mid-1999, the Debtor's original accountant, Charles Lindon, suffered a series of hospitalizations rendering him unable to function and to prepare the reports. By early 2000, the Debtor obtained the appointment of the present CPA as the Accountant, and the monthly reports were brought current.

Toward the end of 1999, however, a dispute arose between the Debtor, New Horizons and Firststar about the number of syn-fuel machines that could be placed on the leased premises and whether a portion of the leased premises could be sublet by New Horizons to its chosen subtenant. After extensive negotiations, the parties entered into a new Sublease dated November 12, 1999, which altered the rent to \$10,000/month and provided for additional syn-fuel machines to be placed upon the property for an additional sublease rent of \$5,000/month for each additional machine. An "Agreed Order Amending Lease and Approving Sublease(s)" was entered by the Court on December 1, 1999.

The Debtor also realized late in 1999 that the best plan of reorganization would be one to sell only the Assets in Estill County and decided that the remaining unsold assets in Letcher County (not sold to Coastal) should be sold separately and earlier.

On November 31, 1999, the Court approved the Debtor's "Motion to Sell the Letcher County Assets Not in the Ordinary Course of Business" over the objection of the U.S. Trustee. Phillip A. Childers of the Hindman Land Auction Company sold the Letcher County real property and the remaining personal property, mostly mining equipment, by absolute auctions on December 16-17, 1999.

Due to delays in the closings, the Debtor was unable to file its "Report of Sale of Letcher County Assets" until April 25, 2000. The real properties grossed \$435,885.00. After the last closing on April 20, 2000, several adjustments were made between the Debtor and the Bank,

leaving the Debtor holding net free cash of \$63,197.72. See Exhibit 2 - Summary of Cash Held by Counsel.

Some of the equipment sold was liened to Peoples Bank of Hazard, so it received \$39,060.00 net of the sale proceeds and Firststar-Peoples Bank disputed amount in escrow was settled later between the Bank and Firststar. Throughout the Chapter 11 case, Firststar received distributions as follows:

10-16-98	Cash Collateral	\$ 10,000.00
12-11-98	Coastal Sale Proceeds	3,318,417.63
12-18-99	Permit Transfer	310,000.00
04-15-99	Permit Transfer	130,541.08
7-12-99	EcoPrep Corporation	7,361.63
07-26-99	EcoPrep	6,149.76
09-03-99	EcoPrep	15,381.22
09-20-99	EcoPrep	6,988.66
09-21-99	EcoPrep	2,579.44
10-06-99	EcoPrep	5,980.44
10-21-99	EcoPrep	4,265.42
11-15-99	EcoPrep	8,162.12
12-03-99	EcoPrep	6,509.14
12-13-99	EcoPrep	3,864.38
12-24-99	EcoPrep	5,276.20
12-31-99	EcoPrep (EPC)	197,604.00
12-31-99	New Horizons (2-sublease, Nov & Dec)	10,000.00
01-10-00	New Horizons (1st lease payment)	10,000.00
01-10-00	Coastal Sale Proceeds	4,701.16
01-18-00	New Horizons	3,031.36
01-27-00	New Horizons (sublease Jan)	5,000.00
01-27-00	New Horizons	3,082.50
02-07-00	New Horizons (lease payment - Feb)	10,000.00
02-16-00	F-350 Sale Proceeds	3,150.00
02-23-00	New Horizons	659.02
02-28-00	New Horizons (sublease Feb)	5,000.00
03-14-00	New Horizons (lease payment - March)	10,000.00
03-15-00	New Horizons	1,278.16
03-20-00	New Horizons (sublease March)	5,000.00
03-15-00	New Horizons	5,338.84
03-21-00	Letcher County real estate proceeds	119,700.00
04-06-00	New Horizons	5,608.80
04-11-00	Letcher County real estate proceeds	108,174.78
04-12-00	New Horizons	7,775.62
04-12-00	New Horizons (lease payment - April)	10,000.00

04-24-00	Letcher County real estate proceeds	318,453.74
05-01-00	New Horizons (sublease April)	5,000.00
05-10-00	New Horizons (lease payment - May)	10,000.00
05-24-00	New Horizons (sublease May)	5,000.00
05-31-00	New Horizons	12,850.68
06-13-00	Letcher Co. Auction Proceeds	51,202.12
06-16-00	New Horizons (lease payment - June)	10,000.00
06-26-00	New Horizons	3,477.06
07-04-00	Auction Proceeds (truck)	29,700.00
07-19-00	New Horizons (sublease-June)	5,000.00
07-19-00	New Horizons (lease payment-July)	10,000.00
07-19-00	New Horizons	11,682.28
07-31-00	New Horizons(sublease-July)	5,000.00
07-31-00	New Horizons	2,824.90
08-18-00	New Horizons (lease payment-August)	10,000.00
08-24-00	New Horizons	8,196.54
08-24-00	New Horizons (sublease-August)	5,000.00
08-24-00	New Horizons	2,486.48
09-12-00	New Horizons (lease payment-September)	10,000.00
09-21-00	New Horizons (sublease-September)	5,000.00
11-07-00	New Horizons (lease-October)	10,000.00
11-07-00	New Horizons	<u>1,962.18</u>
TOTAL PAID BANK		<u>\$4,899,417.34</u>

Thus the Bank's original Judgment of \$13,090,493.05 has had \$4,899,417.34 paid on it during the Chapter 11, leaving an unpaid principal balance (excluding accrued interest) due Firststar's Assignee of \$8,191,075.71. The judgment in favor of Firststar (now held by Fox Trot) was entered in the Estill Circuit Court on September 21, 1998, with interest running from July 20, 1998, in the amount of \$3,492.28 per day.

In November 2000, Firststar sold and assigned all of its claims respecting the Debtors Estate, including its notes, mortgages and liens to Fox Trot Corporation, a Kentucky corporation owned by Jacqueline Yates, the wife of Charles E. Yates, the Debtor's owner. The assignment price was contracted to be confidential, but Firststar's debt and security positions are now Fox Trot's debt and positions. Thus any plan must treat Fox Trot in the same manner as Firststar. Throughout this Disclosure Statement and in the Plan, Fox Trot is designated as "Firststar's Assigncc."

Since the assignment from Firststar to Fox Trot, New Horizons has continued to make payments, but those payments have not necessarily been on time. Firststar's Assignee, Fox Trot, has declared New Horizons in default from time to time because of the late payments. New Horizons contends that it has not been in default. This dispute has escalated into charges and countercharges between the two sides. Firststar's Assignee, acting for itself as a party to the

agreements and beneficiary of the flow-of-cash AND acting independently of the Debtor, has served notification of termination to New Horizons. New Horizons has countered that it has never been in default and has threatened a claim of damages for the breach of lease by the Debtor.

The Debtor, acting within its fiduciary obligations, has taken an absolute neutral position in this dispute. It has neither assisted nor impeded either side. Firststar's Assignee has not acted with any authority from the Debtor, and the Debtor has not encouraged Firststar's Assignee. Indeed, because Firststar's Assignee, Fox Trot, is owned by the wife of Chuck Yates, the Debtor's sole shareholder and officer, Debtor's Counsel insisted that he (Yates) and Firststar's Assignee obtain separate counsel. Thus all actions in this dispute have been taken through D. Duane Cook, Firststar's Assignee's attorney, and not through Counsel.

Even though Firststar's Assignee's Judgment of \$13,090,493.05 has been reduced by payments from New Horizons/Echo Prep and the several sales by \$4,899,416.78, leaving a principal balance of \$8,191,075.71, this does not account for the per diem interest of \$3,492.29: assuming 365 days/year times 3 years to a sale date, then \$8,191,075.71 has accrued. This means that Firststar's Assignee's total Secured Claim (assuming a sale equal to its debt) would be \$3,824,057.00 of interest and its claim of \$8,191,077.00 as principal is a total debt of \$12,015,132.71. By agreeing to a Secured Claim cap of \$7.5 million, then Firststar's Assignee is giving up \$4,515,132.71. As noted hereinafter, this cap enables the Unsecured Creditors to have an opportunity for some realization of their Claims if a sale price is higher than \$7.7 million.

Throughout the Chapter 11 case, the U.S. Trustee was to routinely monitor the Debtor's activities and, in absence of an unsecured creditors' committee, more than routinely monitored the Debtor's activities. In 1998, the U.S. Trustee objected to the Coastal sale motion, in 1999 objected to the Letcher County sale motion, and in 2000 objected to Counsel's holding DIP funds in his escrow account. In each motion, the U.S. Trustee sought conversion of the Chapter 11 to a Chapter 7 liquidation bankruptcy.

Finally, eleven underground storage tanks were removed from the Debtor's facility in Estill County in 1996. The Debtor believes that at least three underground storage tanks are still in the ground at the site. The Debtor has been advised that the remaining tanks must be removed and has recently been notified by the Kentucky Natural Resources and Environmental Protection Cabinet, Department for Environmental Protection, that soil borings and soil sampling will be required on the site, for the purpose of testing for contamination around the sites of the tanks which have been removed.

In each instance, the Court refused to convert to Chapter 7, but in the February, 2000 Order required the Debtor to file its plan of reorganization on or before August 28, 2000. After preliminary discussions with Firststar, a Plan of Reorganization was formulated and timely filed.

After some objections by Creditors, voiced to Counsel and after discussions with Firststar's Assignee, the Amended Plan and this Amended Disclosure Statement were drafted and filed.

C. Future Operations

The Debtor is now closed, does not anticipate reactivation and will have no future operations. The Plan simply requires an absolute auction sale of the Debtor's Assets, including the Estill County Property, to the highest bidder. The Auctioneer, Philip Childers of Hindman Land & Auction Co., will be designated as Auctioneer in the Confirmation Order and thereafter he will advertise and offer the Assets to the highest bidder. Because the property is subject to reclamation bonds, the Auctioneer has agreed to make an announcement at the sale concerning the potential costs of the reclamation bonds to the ultimate purchaser. If any entity other than Firststar's Assignee buys the property, then the funds will be paid to Firststar's Assignee to the extent of \$7.5 million, then to the Unclassified Claims (the post-Petition Administrative Claims) and then to the Creditors in the order of priority fixed by the Plan. If Firststar's Assignee exercises its right to credit-bid and is successful, there will be no funds available for the Creditors.

Under either scenario, the Debtor will never conduct any future operations, but will be construed to be defunct.

III. RECOMMENDATION OF THE DEBTOR

The Debtor has approved the terms of the Plan and believes that the Plan is in the best interests of all of the Creditors; will permit the possible maximum recovery for all Classes of Claims; and is the fairest method of distribution of the Debtor's Assets' sale proceeds. Firststar's Assignee has pre-reviewed both the Plan and this Disclosure Statement. The Debtor believes that Firststar's Assignee will support the Plan and urges the other Creditors Classes also to support it.

IV. THE PLAN

Set forth below is a brief description of the Plan which highlights its major terms and provisions. The following description is qualified in its entirety by reference to the Plan itself, a copy of which is attached hereto as Exhibit 6.

A. Concept of the Plan

The concept of the Plan is to allow the Debtor's creditors to receive an Allowed Claim against the Debtor's Estate that can be repaid according to the terms of the Plan.

In summary, the Plan provides for the distribution of the Distribution Proceeds to the Creditors with an attempt to balance the relative rights and interests of the Creditors with their respective interests. The terms of the Plan are based upon the Debtor's analysis of all claims, the rights of any Claimant, a compromise between such Claims consistent with the fairness of distribution of liquidation of all of the Debtor's Assets and the payback to Creditors by the pledging of Distribution Proceeds to the Creditors.

B. Classification and Treatment of Claims and Interests

Section 1123 of the Code provides that a plan of reorganization shall classify the claims of a debtor's creditors and interest holders. The Plan divides claims and interests into classes and sets forth the treatment afforded to each class. Under the Plan, each claim or interest is either unimpaired or impaired. A claim is unimpaired under the Plan if the Plan (i) leaves unaltered the legal, equitable and contractual rights of the holder of such claim, (ii) provides for cash payment of the full amount of such claim on the effective date of the Plan or (iii) notwithstanding any contractual provision or law that entitles the holder of the claim to demand or receive accelerated payment after the occurrence of a default, cures any such default, reinstates the maturity of the claim as it existed before the default, and compensates the holder of the claim for any damages incurred as a result of any reasonable reliance by such holder on any provision or law that entitles the holder of such claim to demand accelerated payment. All claims that are not unimpaired by the definition set out above are impaired. As discussed below, only certain Creditors that are or may be impaired under the Plan are entitled to vote to accept or reject the Plan.

Similarly, Section 1123(a)(4) of the Code requires that a plan must provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtor believes that it has complied with Section 1123(a)(4).

The following is a summary of the Classes of Creditors of the Debtor under the Plan and of the payment provisions made therein for each class.

Unclassified Claims -- Administrative Expenses

Administrative expenses are comprised of the Professionals' expenses and claims under Section 503(b) of the Bankruptcy Code, and all fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code, including the U.S. Trustee's fees, and such post-petition claims entitled to priority under Code §503(a). Such expenses normally include all allowances of compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Code for attorneys, accountants and other professionals. Other than court costs, the only claims payable under this class would normally be attorneys' fees and their reimbursement of expenses allowed by the Court and any unpaid U.S. Trustee fees.

Other than U.S. Trustee's fees, the Professionals to receive allowances and payment of administrative expenses include W. Thomas Bunch and Bunch & Brock, the Debtor's Attorneys, Lexington, Kentucky, and any other Court approved professionals, such as accountants and appraisers. The Debtor hired accountants to fulfill some of its bankruptcy-required duties. The accountants were Charles Lindon of Lexington, Kentucky, the former CPA and David Beck of Potter & Company of Lexington, Kentucky, the present CPA; the amount due them for their services is not yet fixed by the Court but should not exceed the figures in Exhibit 9 as estimates of the professionals' fees. This non-class also includes the Auctioneer proposed to be appointed under the Plan, but his compensation is 5% of the total sale price if over \$7.5 million or an allowance not to exceed \$25,000 to be paid by Firststar's Assignee if Firststar's Assignee successfully bids in the Assets at the auction.

The Debtor has estimated that allowances of compensation and reimbursement of expenses of Professionals and other costs and expenses associated with this Chapter 11 case after the filing of the petition may amount to over \$152,103.00 for the Debtors' Professionals if the Plan is accepted by all classes of impaired creditors pursuant to this solicitation and no material amendments to the Plan are made that would require re-solicitation of Creditors' votes. Further, such estimate does not assume the costs of any material litigation in the Chapter 11 proceeding involving the prosecution of the Debtor's claims and that the Plan will be confirmed without substantial controversy. If any such events occur or if Confirmation of the Plan is delayed for any reason, such administrative expenses could be substantially greater than estimated herein.

In addition to Counsel and the Accountants the other Professionals included herein to be paid are Phillip Childers of Hindman Land Auction Company of Hindman, Kentucky, who will conduct an absolute auction of the Assets. Counsel and the Accountants (but not the Auctioneer) will first be paid their allowances made by the Court out of Available Cash held by Counsel (See Exhibit 2) along with other Administration Claims in pari passu and pro rata, and then the balance of the Counsel's allowed fee will be paid out of the Professionals' Allowance but not to exceed a cap of \$50,000.00 for Counsel. The Auctioneer's commissions/expenses, if Firststar's Assignee successfully bids on the Assets at the auction, shall be paid by Firststar's Assignee after allowance by the Court, not to exceed the \$25,000.00 cap.

The Auctioneer, whose Affidavit of Disinterest is in the Court's record due to his prior appointment, is to be reappointed in the Confirmation Order. Under the U.S. Trustee's guidelines, the Auctioneer must apply for his compensation like any other professional. Thus, after the sale, Counsel will file a report of the sale and an application for allowance of the Auctioneer's fees/reimbursements.

Under the Plan, if the Auctioneer sells the property to any entity other than Firststar's Assignee, then Firststar's Assignee receives the first \$7.5 million and the balance will be available for Professionals' fees, Auctioneer's Commissions of 5% and reimbursements, but only after Court allowance. The balances available will thereafter be shared among all Administrative Claimants, with the remainder to the Class 6 Unsecured Creditors.

If, however, Firststar's Assignee exercises its right to credit-bid its Secured Claim and is successful, there will be no cash funds available for Counsel or the Auctioneer, Firststar's Assignee has agreed to fund Counsel's fees and the Auctioneer's commissions, after application and allowance by the Court, to the extent of \$50,000 for Counsel and \$25,000 for the Auctioneer. These funds, belonging to Firststar's Assignee, will not be available to fund any other Administrative Claim.

This non-class also includes other Administrative Expenses to be paid in pari passu with Professional Allowances, such as post-petition Tax Claims AIG Insurance for post-Petition workers compensation premiums, Kentucky River Authority fees that arose post-Petition, and Cumberland Surety Insurance Company for post-Petition bond costs (See Exhibit 9), but only out of the Available Cash held by Counsel, so they will be paid pro rata with the Professionals. At the time of the preparation of this Disclosure Statement, the Debtor had several Administrative Claims other than Professionals' fees (and the U.S. Trustee fees in an unknown amount) as set forth in Exhibit 9. If other such claims arise, the Creditors will be notified by an Addendum to this Disclosure Statement prior to the voting period. No other Administrative Claims are anticipated.

These Claims are to be paid in full after Confirmation out of the Available Cash held by Counsel first, pro rata, and then the unpaid balances are to be paid in full out of the Distribution Proceeds derived from the Assets' sales. Because these claimants will have been paid or are proposed to be paid in full, then such Claims will not be impaired under the Plan and acceptance of the Plan by the holders of such Claims will not be required.

There is, however, the possibility that there will not be sufficient net sale proceeds to pay all of these Claims in full - See Exhibit 9. Firststar's Assignee, as holder of the mortgage on the Estill County Property, has agreed to fund the \$50,000.00 Professionals' Allowance. Thus, after allowances are made to the Professionals by the Court, the Disbursing Agent shall distribute first the Available Cash as is available then to all Administrative Claimants, including the Professionals (except the Auctioneer), in pari passu, then the balance of Counsel's allowance will be paid out of the Assets' sales proceeds or out of the Professionals' Allowance to the extent of the cap thereon. If Firststar's Assignee bids in its debt on the Assets' auction, then only the Auctioneer and Counsel will be paid in full, and the other unpaid professionals will not be paid in full. After Counsel is paid in full, then the balance of the Professionals Allowance carveout will be refunded to Firststar's Assignee.

Class 1 -- Firststar's Assignee

Firststar's Assignee has a first, prior, perfected and superior mortgage on all of the Assets, subject to a judgment debt in the amount of approximately \$14 million (\$13,090,493.05), less payments made during the Chapter 11 case (\$4,899,417.34), leaving a net debt of approximately \$8,191,075.71 million. With accrued interest of approximately \$3.8 million (\$3,824,057-see page 16 supra), then the total debt is over a net of \$12 million (\$12,015,132.71). Thus, absent the Plan and the concessions made therein by Firststar's Assignee, a sale of its collateral (for, e.g., \$10 million) will result in all of the expected sale proceeds going to Firststar's Assignee.

Firstar's Assignee, however, has agreed to subordinate its mortgage/liens to the extent of the Professionals' Allowance carveout with a cap of \$50,000, has agreed to a cap of its debt at \$7.5 million on its Secured Claim, and has agreed to waive its deficiency balance, if any.

Within thirty days of the Effective Date after Confirmation, Phillip Childers of Hindman Land Auction Company will auction the Estill County Property for hopefully approximately \$10 million as a best case scenario (See Exhibit 5). As set forth below, any sale price above \$7.7 million will benefit the Creditors.

Thus after the Assets are sold, the Auctioneer shall deduct the costs of the sale, including his 5% commission and advertising expenses and the balance of Counsel's allowed fee not to exceed \$50,000 (after application and allowance by the Court), pay the current property taxes, pay Firstar's Assignee's Secured Claim of \$7.5 million, and pay the balance of the sale proceeds to the Disbursing Agent. The Disbursing Agent shall, using the Available Cash, pay the Administrative Claims pro rata, including Professionals' fees, then the Administrative Claims are paid in full out of the remaining sale proceeds, if any. The Disbursing Agent will thereafter use the funds remaining as Distribution Proceeds for the Creditors.

Firstar's Assignee shall have the right at any sale of the Estill County Property to credit-bid its total debt, provided, however, that (A) if the credit-bid exceeds the \$7.5 million cap, the Disbursing Agent shall receive all cash in excess of \$7.5 million plus any amounts that would pay the Auctioneer and the Professionals' Allowance; or (B) if the credit-bid is less than \$7.5 million then Counsel shall use the Professionals' Allowance to pay Counsel's Allowance after application, allowance and Court approval not to exceed the \$50,000 cap, and Firstar's Assignee shall pay the Auctioneer's fee not to exceed the cap of \$25,000.00.

The Debtor believes that Firstar's Assignee, Fox Trot Corporation, will be a bidder on the Assets at the sale. An affiliate of Fox Trot Corporation, Calla Energy Partners, LLC ("CEP"), is investigating possible uses of the real property Assets in Estill County after their sale by the Debtor, including the use of the property as the site of an electric generating facility. CEP has engaged Charles E. Yates, president of the Debtor, to assist it in these efforts and CEP anticipates that these efforts will continue. If Fox Trot Corporation acquires the Assets, it expects to transfer some interest in the Estill County property to CEP. The Debtor does not believe that this possible use of the Assets or the credit-bidding by Firstar's Assignee will adversely affect the Asset sale.

Firstar's Assignee is impaired and will be entitled to vote for or against the Plan. Fox Trot may, however, be an "insider" and under Code §1129(a)(10), at least one Impaired Class must accept the Plan, determined without including any acceptance of the Plan by an insider. Yates does not own Fox Trot; his wife does and she has owned it for years. Fox Trot, as Firstar's Assignee, ostensibly is not an insider under Code §101(31)(B) because it is not an affiliate or a relative of a person in control of the Debtor. If cramdown occurs, the Court will have to determine whether Firstar's Assignee's vote should be counted.

Class 2 -- Wage Claims

Class 2 contains pre-petition wage claims due former employees earned within 180 days of the Petition Date not to exceed \$4,300.00. These Claims are entitled to priority in payment pursuant to Code §507(a)(2). The Debtor did have one Wage Claim and it is listed in Exhibit 8.

The Class 2 Wage Claimant will be paid in full after Confirmation from Distribution Proceeds to the extent of their availability, after payment in full of the Allowed Secured Claim in Class 1 . Because this Claim may not be paid in full, it is impaired and is entitled to vote for or against the Plan.

Class 3 -- Tax Claims

Class 3 contains all pre-petition priority taxes due governmental taxing entities. At the time of the preparation of this Disclosure Statement, the Debtor had substantial Tax Claims. Some are pre-petition priority claims (Exhibit 4), some are post-petition administrative claims(Exhibit 9) and some are pre-petition unsecured claims (Exhibit 7). If any more such tax claims arise, the Creditors will be notified by an Addendum to this Disclosure Statement prior to the voting period.

The Class 3 Claims are to be paid after Confirmation from Distribution Proceeds to the extent of their availability, after payment in full of the Class 2 Wage Claim. Because these Tax Claims may not be paid in full, they are impaired and are entitled to vote for or against the Plan.

Class 4 -- Unsecured Creditors

The Unsecured Creditors' Class will include all Creditors existing as of the date of the Petition who held no collateral. These Creditors are to be repaid their claims from the Distribution Proceeds, to the extent of their availability after payment in full of Class 3. These Creditors are listed on Exhibit 7 attached hereto.

This Class is impaired and will be entitled to vote for or against the Plan.

Class 5 -- The Equityholder's Interest

Charles E. ("Chuck") Yates is the Debtor's Equityholder. He will retain his ownership interest in the Debtor, but the Debtor will have no assets. He is therefore impaired and will have the right to vote for or against the Plan although, as an insider, his vote cannot be counted for Confirmation in case of cramdown.

V. METHODS OF EFFECTING PAYMENTS TO CLASSES

A. Submission of Debtor's Sale Proceeds for Distribution to Creditors

The Plan is essentially a systematic liquidation Plan whereby the Debtor's Assets are to be sold publicly and the net proceeds distributed to the Creditors. First the Secured Claim will be paid to the extent of its cap. Then the Distribution Proceeds, the amounts to be paid to the Creditors, will be paid to the Creditors in Classes 2, 3 and 4 to the extent of the priorities fixed by the Plan and the Code and the extent of the monies available. After the Assets' sale and distribution, the Debtor will be totally liquidated.

B. Duties of Disbursing Agent

The Plan also provides that the Debtor's Assets' sale proceeds be paid to a disbursing agent, being the Debtor's Counsel, and the Disbursing Agent then would make disbursements to the Creditors in accordance with the priorities set forth in the Plan. The Disbursing Agent's duties will include keeping track of payments made to each Class of Creditors, and seeing that each Creditor is paid its full pro rata share in each Class. The Disbursing Agent shall receive no compensation, but shall be entitled to copy and postage costs and other costs actually incurred in making the distributions.

VI. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Under Code Section 365, the Debtor may assume or reject executory contracts and unexpired leases. The Debtor's Plan includes rejection of all unexpired leases and executory contracts in place as of the Petition Date and listed in Schedule G thereof.

If any other pre-petition executory contracts or unexpired leases are discovered, they will be reported to the Court with written notice to the Creditors. No executory contracts or leases either in or not in the ordinary course of business have been incurred by the Debtor during the pendency of the Chapter 11 case, except the New Horizon and Eco-Prep Leases, which are attached to the Estill County asset and will continue in accordance with their terms. Note that a dispute has arisen between Firststar's Assignee and New Horizons as to the existence of the New Horizons lease, whether it was breached by one side or the other, and whether it has been terminated. See commentary in B - "Activities During Reorganization," supra at p. 11 et seq. and Exhibit 9, fn. 11.

Despite this conflict, New Horizons is not a creditor and is not entitled to vote for or against the Plan. Until it can establish that it is a creditor, New Horizons should have not standing to object to Confirmation of the Plan.

VII. LEGALLY BINDING EFFECT; DISCHARGE OF CLAIMS AND INTERESTS

The provisions of the Plan will bind the Debtor, all Creditors and the Equityholder, i.e., the Shareholder Yates, whether or not they accept the Plan, and will satisfy in full all debts if those debts arose before or after the Petition Date.

The distributions provided for in the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims against and interests in the Debtor or any Assets sold, including any claim or interest accruing after the Chapter 11 filing date and prior to Confirmation. After Confirmation, all holders of impaired claims and interests will be precluded from asserting any claim against the Debtor and the Assets based on any transaction or other activity of any kind that has occurred.

VIII. MODIFICATION OF THE PLAN

Amendments to the Plan's classification or treatment of one or more classes of claims or interests under the Plan that do not materially and adversely change the treatment of the other Classes of Claims or interests may be made to the Plan either before or after the Plan is confirmed. Such amendments may be approved by the Bankruptcy Court without re-solicitation of Creditors and Interest holders who are not further impaired.

IX. JURISDICTION OF BANKRUPTCY COURT

Following the Consummation Date, the Bankruptcy Court will retain jurisdiction to enter and implement such orders as may be necessary (i) to assure performance by the Debtor of their obligations to make distributions under the Plan (ii) to reclassify, re-allow or disallow claims under the Plan, (iii) to direct distributions under the Plan and hear and determine any controversies pertaining to distributions, (iv) to hear and determine any and all applications, adversary proceedings, and other matters pending before it (including any matter on appeal from it, if remanded) at the time the order confirming the Plan is entered or at the time such order becomes final, or on the Consummation Date and, (v) to enter and implement such Orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked or vacated.

X. FEASIBILITY OF THE PLAN

A. Generally

For the Plan to be confirmed, the Debtor has the obligation to present to the Court evidence of feasibility of the Plan. Such feasibility is traditionally shown by projections of estimates of the Debtor's anticipated gross profit, expenses and net profit capable of convincing the Court that the Plan so proposed can be accomplished by the Debtor. Since the Debtor's projections here are predicated upon a sale, only sale projections should be analyzed.

The Debtor's predicted distribution is set forth in Exhibit 5 as projections of Distribution Proceeds. This exhibit is essentially a summary based upon projections by the Debtor and its attorneys as based upon the cash on hand and predicted Assets' sale values.

B. Economic Analysis of Feasibility

(1) Summary of Sources of Funds for Distribution. The Plan simply provides for the sale of all of the Debtor's Assets, the payout of Firststar's Assignee's Secured Claim capped at \$7.5 million, and for distribution to the Creditors of the remaining funds, known as Distribution Proceeds. See Exhibit 1 for list of assets to be sold.

Since the Debtor owns all of the Assets set forth in its Schedules and attached hereto as Exhibit 1, then the sale of the Assets contained therein can produce cash that could be applicable for distribution to the Unsecured Creditors. By virtue of the property being liquidated then the Creditors are guaranteed receipt of all proceeds which would be equal to the amount that they would receive under a Chapter 7 Liquidation.

(2) Feasibility Analysis. Since the Bankruptcy Code requires that the Debtor's Plan provide for repayment to its creditors more than those creditors would receive in a Chapter 7 Liquidation, an analysis of such liquidation is normally contained in "Chapter 7 Liquidation Analysis" that would be attached hereto as an exhibit. Since this Plan proposes to pay all Creditors all Assets' net sale proceeds via Distribution Proceeds to the extent that unencumbered funds exist, then no such exhibit is attached.

Based on the projections of the Distribution Proceeds, however, it appears that the Debtor could possibly be able to obtain some funds for a portion of a payback to Creditors. This payback would be equal to the minimum return Creditors would receive under a Chapter 7 Liquidation. See Exhibit 5 - "Estimates of Potential Distribution."

The prime reason that some proceeds may be available for the Unsecured Creditors is that Firststar's Assignee has agreed to reduce its approximately \$12 million Claim to \$7.5 million. Thus if the Assets' sale sells for more than a net of approximately \$7.7 million, there will be Distribution Proceeds available for the Unsecured Creditors. Otherwise, without the cap, the

Estill County Property would have to sell for more than \$12.6 million (including the Auctioneers Commissions) for anything to be available for the Unsecured Creditors.

Regardless of how the Debtor's Distribution Proceeds are distributed, all Creditors will receive their full share as is determined by the Court to be fair, equitable and not unfairly discriminating. So long as the Creditors receive the distributions, then the Creditors get at least the liquidation value; therefore, the Plan is feasible.

C. Disclaimer of Projections

The financial projections in Exhibit 5 present the expected results of distribution of the Distribution Proceeds to the best of the Debtor's belief. These projections reflect its judgment, based on current facts and circumstances, of the expected conditions and its anticipated course of action upon the Confirmation Date of the Plan. While the Debtor believes the assumptions of sale set forth in Exhibit 5 are reasonable, their validity may be affected by the occurrence of events and the existence of conditions not now contemplated and by other factors, many of which are beyond the control of the Debtor. The projections are, therefore, not intended to be representations of actual best-case scenario and worst-case scenario performance. Actual results during the sale periods may vary from the projections and such variations may be material.

XI. VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadline

A ballot form to be used for voting to accept or reject the Plan and a return envelope are enclosed with this Disclosure Statement. You must affix postage to the return envelope.

Pursuant to Rule 3018 of the Bankruptcy Rules, the Court has fixed a specific date shown on the face of the attached ballot as the date for the Impaired Creditors to submit their acceptances or rejections of the Plan. Except to the extent allowed by the Court, ballots that are received after the expiration of the aforesaid date will not be accepted or counted by the Debtor for Confirmation of the Plan or any modification thereof.

B. Classes Entitled to Vote

Only Classes that are impaired under the Plan are entitled to vote to accept or reject the Plan. Code Section 1124 provides that a class of claims or interest is considered to be impaired under a plan of reorganization unless the plan does not alter the legal, equitable, and contractual rights of the holders of such claims or interests. Such classes are considered impaired unless all outstanding defaults, other than defaults relating to the insolvency or financial condition of the Debtor or the commencement of a bankruptcy case, are to be cured and the holders of claims or interests in such classes are to be compensated for any damages incurred as a result of any reasonable reliance by such holders on any contractual provisions or applicable law to demand

accelerated payment. Pursuant to these reasons, the Debtor has determined that only the following Classes of its Creditors are impaired under the Plan:

- Class 1 -- Firststar's Assignee (Fox Trot Corporation)
- Class 2 -- Wage Claims (Dewey Francis)
- Class 3 -- Tax Claims (See Exhibit 4)
- Class 4 -- Unsecured Creditors (See Exhibit 7)
- Class 5 -- Equityholder (Charles E. Yates)

C. Vote Required For Class Acceptance

The Court will determine whether the Impaired Classes described above have accepted the Plan by determining whether sufficient acceptances have been received from the holders of Allowed Claims in such classes. An Impaired Class of Claims will be determined to have accepted the Plan if the holders of allowed claims in that class casting votes in favor of the Plan (i) hold at least two-thirds of the allowed amount of the allowed claims of the holders in such class who vote and (ii) comprising more than one-half the number of holders of the allowed claims in such class voting on the Plan. Ballots of holders of impaired claims that are signed and returned, but not expressly voted either for acceptance or rejection of the Plan, will be counted as ballots for the acceptance of the Plan. Except as may be allowed by the Bankruptcy Court, a ballot accepting the Plan may not be revoked.

D. Confirmation Hearing

The Code requires the Court, after notice, to hold a Confirmation Hearing. The Confirmation Hearing will be heard on the date fixed by separate notice to all Creditors, a few days after the deadline for the voting period has lapsed. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing to those who are present.

E. Requirements For Confirmation Of The Plan

At the Confirmation Hearing, the Court will determine whether the requirements of Section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. Such requirements include:

(a) Best Interests Test. With respect to each impaired class of creditors and interests, each holder of an allowed claim or allowed interest in such class has either (i) accepted the Plan or (ii) receives or retains under the Plan, on account of its claim or interest, property of a value, as of the effective date, that is not less than the amount such holder would receive or retain if the Debtor was to be liquidated under Chapter 7 of the Code.

To determine what the holders in each impaired class of claims and interests would receive if the Debtor was to be liquidated, the Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in a context of Chapter 7 liquidation case. The cash amount that would be available for satisfaction of the allowed claims and allowed interests of the Debtor would consist of the proceeds resulting from the disposition of the Debtor's assets augmented by the cash held by the Debtor at the time of the commencement of the Chapter 7 case. Such cash amount would be reduced by the costs and expenses of the liquidation and by such additional administrative and priority claims that might result from the termination of the Debtor's business and the use of a Chapter 7 proceeding for the purposes of liquidation.

The Debtor's costs of liquidation under Chapter 7 would include the fees payable to the trustee appointed in the Chapter 7 case, as well as those that might be payable to additional attorneys and other professionals that the trustee might engage. Such costs of liquidation would also include any unpaid expenses incurred by the Debtor during the Chapter 11 case, such as compensation for attorneys and accountants. In addition, claims may arise by reason of the breach or rejection of obligations incurred and executory contracts entered into by the Debtor during the pendency of the Chapter 11 case.

To determine if the Plan is in the best interests of each impaired class of the creditors, the present value of the distributions from the proceeds of the liquidation of the Debtor's assets and properties (after subtracting the amounts attributable to the claims described above) are then compared with the present value offered to each of the classes of creditors recognized under the Plan.

(b) Feasibility of the Plan. In order for the Plan to be confirmed, the Court must also determine that the need for further reorganization or a subsequent liquidation of the Debtor is not likely to result following Confirmation of the Plan. Insofar as the Plan contemplates that the Debtor's creditors will be satisfied by future cash payments from the Distribution Proceeds realized from the liquidation of all Assets, the Debtor does not believe that further reorganization or liquidation will be necessary.

(c) Acceptance by Impaired Classes. Section 1129(a)(8) of the Bankruptcy Code requires that each impaired class must accept the Plan by the requisite votes for Confirmation to occur. As described herein, a class of impaired claims will have accepted the Plan if at least two-thirds in an amount and more than half in number of claims in such class voting to accept or reject the Plan have voted in favor of acceptance.

(d) Fair and Equitable Test: "Cram-Down". In the event that any impaired class of claims or interests do not accept the Plan, the Court may still confirm the Plan at the request of the Debtor in what is commonly referred to as a "cram-down", if, as to such impaired class, the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to reorganization. The Plan does not discriminate unfairly if no class receives more than it is legally

F. Effect Of Confirmation

If the Court orders Confirmation of the Plan, then the Debtor will be obligated to implement the Plan and begin paying the pre-petition debts. Confirmation makes the Plan binding upon the Debtor and all Creditors, regardless of whether or not they have accepted the Plan.

XII. CONCLUSION

The Plan constitutes an economically-viable chance for any Creditor to receive an orderly distribution of asset liquidation value to allow the Debtor to pay Creditors earlier than a Chapter 7 Trustee could do. The Creditors receive their distributions per the repayment priority schedule. The acceptance of the Plan is therefore economically justified. To that extent, ultimate potential benefits far outweigh the disadvantages and risk factors discussed herein.

Respectfully submitted,

KENTUCKY PROCESSING COMPANY

Dated: February 19, 2001

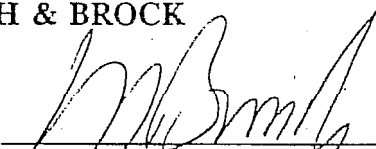
BY:


CHARLES E. YATES, PRESIDENT

PREPARED BY:

BUNCH & BROCK

By:


W. THOMAS BUNCH
805 Security Trust Building
271 West Short Street
P. O. Box 2086
Lexington, Kentucky 40588
(859) 254-5522
COUNSEL FOR THE DEBTOR

entitled to receive from its claims or equity interests. "Fair and equitable" has different meanings for secured claims, unsecured claims and interests.

With respect to an unsecured claim, "fair and equitable" means either (i) each impaired unsecured creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan of reorganization.

With respect to an interest, "fair and equitable" means either (i) each holder of an impaired interest of such class receives or retains property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest or (ii) the holders of all interests that are junior to the interests of the dissenting class will not receive any property under the plan. "Interests" are normally equityholders (of the Debtor) or partners and is defined in the Plan as the Equity Holder. Since this is a liquidation plan and the Equity Holder receives value only if all Creditors are paid in full with interest, then "cram-down" is legally viable and this portion of the Code is satisfied.

As indicated above, the Debtor may seek to use the cram-down provisions of the Code in lieu of a favorable vote from the impaired creditors.

LIST OF EXHIBITS

1. List of Assets to be Sold
2. Summary of Funds Held by Counsel
3. List of Potential Causes of Action
4. List of Class 2 Tax Claims
5. Estimate of Potential Distribution
6. Debtor's Plan of Orderly Liquidation
7. List of Unsecured Creditors in Class 4
8. List of Wage Claims in Class 1
9. Summary of Administrative Priority Claims

EXHIBIT 1
LIST OF ASSETS TO BE SOLD

The Assets to be sold shall include any and all real and personal property of the Debtor, including, but not limited to, the following:

<u>Item</u>	<u>Qty.</u>	<u>Brand</u>	<u>Model</u>	<u>Description</u>
4	1	Terex	1.75YD	End Loader
5	1	Cat	D8L	Dozer
	1	Repair for above	D8L	Engine Under Carriage
7	1	Linkbelt	5400	Trackhoe
	1	Repair for above	6400	Under Carriage Replacement
8	2	Mack	DM 800	Dump Trucks
9	2	Grove	6 Ton	HYD Carry Deck Crane
	1	Repair for above	6 Ton	Radiator & Hub Replacement
10	1	P & H	30 Ton	HYD Truck Crane
11	1	Ford	F-350	Truck .75 Ton
12	1	Ford	F-150	Truck .5 Ton
13	1	Western Star	Tandem	Tractor
14	1	Office Bldg.	5,000 sq.ft.	Real Estate
15	1	Machine Shop	30,000 sq.ft.	Bldg. Equipment Materials
16	1	House	3 Bedroom	Real Estate
17	1	Load Out Facility		Truck Fast Load Out Sub Station
	1	Concrete Pad	.5 acre	Coal In Output Storage
	1	Concrete Pad	.25 acre	Coal Drying Facility
18	1	Scale House		Truck Weighing Facility
19	1	Truck Repair Shop	4,000 sq.ft.	Complete Repair Facility
20	1	Permit and Bond	Costs	Monthly Bonding/Permit Cost
21	1	Parts Inventory		Parts from W.House & Plant
22	1	Parts Inventory		Unknown Parts and Supplies

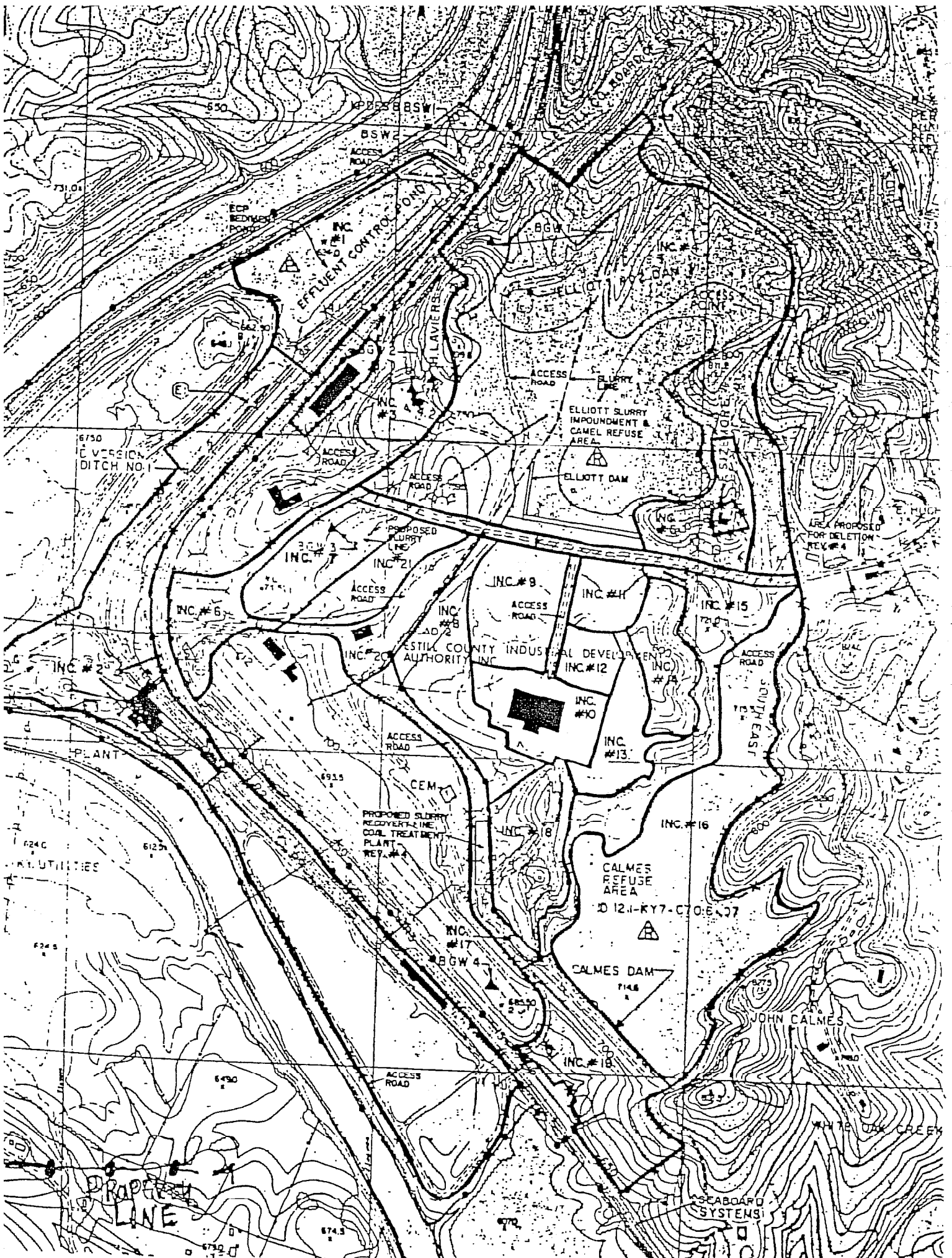
and all other miscellaneous parts, inventory, and other assets located on the property. See map attached hereto.

The land is to be sold subject to the New Horizons Syn-Fuel and EcoPrep, Inc. lease and subleases attached thereto.

The Estill County Property is also to be sold with the Reclamation Bonds thereon, a list of which is attached hereto.

The value range herein is between \$500,000 to \$10 million, depending upon the bidding procedure at a good or great sale.

The Assets also include all of the assets currently held by the Debtor, which include, but not by way of limitation, the assets listed in the Debtor's Schedules that remain unliquidated, including also, all of the Debtor's ownership interests in the real and personal property, the permits, bonds and all of the interests thereof and located therein and/or the coal processing facility, including all licenses, agreements, leases and subleases, both pre-petition and post-petition, right-of-way, and choses in action relating to the Assets.



SURETY BONDS

Listed below are the outstanding surety bonds which have been posted with the Department for Surface Mining as of September 8, 1998.

Company	Permit No.	Increment No.	Surface Acres	Underground Acres	Bond Amount	Bond Number
KPC	833-8002	1	21.00	0	\$46,500	0497-833-8002-01MR4
		2	70.48	0	\$211,500	0497-833-8002-02MR4
		3	2.99	0	\$9,000	0497-833-8002-03MR4
		4	104.44	0	\$314,900	0497-833-8002-04MR4
		5	6.34	0	\$20,300	0497-833-8002-05MR4
		6	9.73	0	\$24,700	0497-833-8002-06MR4
		7	8.70	0	\$27,800	0497-833-8002-07MR4
		8	11.46	0	\$36,700	0497-833-8002-08MR4
		9	8.86	0	\$28,400	0497-833-8002-09MR4
		13	5.40	0	\$17,300	0497-833-8002-013MR4
		15	15.36	0	\$48,000	0497-833-8002-015MR4
		16	46.42	0	\$141,500	0497-833-8002-016MR4
		17	5.89	0	\$13,000	0497-833-8002-017MR4
		19	14.00	0	\$27,700	0497-833-8002-019MR4
		20	6.95	0	\$19,700	0497-833-8002-020MR4
		21	5.00	0	\$16,000	0497-833-8002-021MR4

EXHIBIT 2
SUMMARY OF FUNDS HELD BY COUNSEL

Funds Received from New Horizons ¹	\$460,000.00	
Transfers to DIP Account/Expenses	<u>\$467,963.00</u>	
Net Funds from New Horizons		\$ (7,963.00)
Funds Received from Letcher County Sale	\$96,047.72	
Less Refunds to Firstar	<u>\$32,850.00</u>	
Net Funds from Sale		<u>\$ 63,197.72</u>
Total Fund from operations/sales		\$55,234.72
Austin Powder Co. Preference Payment (See <u>Exhibit 9</u> No. 1)		<u>10,623.06</u>
Total Funds in Counsel's IOLTA Account ²		<u>\$65,857.78</u>

¹ Some of these payments were made by New Horizons directly into the KPC payroll account or directly to CIC Insurance Agency. This accounting only covers funds received by Counsel that were deposited in the IOLTA Escrow Account. Vouchers showed New Horizons paid \$35,000.00 directly to the Debtor and paid \$17,500.00 for insurance (see Disclosure Statement Section II-B). Counsel received original payments of \$187,500.00 out of the \$240,000.00 cash down payment and subsequently thereto received the monthly payments. Thus Counsel received a total of \$460,000.00 and actually expended \$467,963.00, leaving shortfall of \$7,963.00 of New Horizons' money (See Section II-B of Amended Disclosure Statement and the accounting of the IOLTA on the next page hereto) but, as noted in this Exhibit, other monies offset the overpayment.

² Not included in these calculations is the \$4,075.00 of IOLTA-held funds earmarked for Charlie Lindon, CPA, as part of the Letcher Co. Mine Sale Proceeds and still held by Counsel in his IOLTA Account under a Charles Lindon, CPA heading. Cf. Exhibit 9 for application of these funds after Court allowance to the former CPA. Assuming the Court approves Lindon's application for at least \$4,075.00, then he is assured of payment of this amount. If allowed more, then Lindon would share in the total funds with all other Administrative Claims. If disallowed or allowed for less than \$4,075.00, the \$4,075.00 or the unused portion would be added into the total cash held in the IOLTA Account.

The original escrow of \$10,000.00 had \$5,025.00 drafted out of the IOLTA Account on January 7, 1999, pursuant to a Court-approved fee allowance to Lindon. The balance of \$4,075.00 has remained in the IOLTA Account since then.

Accounting of New Horizons Payments

1.	<u>Total Paid Summary</u>	
	Total paid by New Horizons	\$512,500.00
	Less Direct Transfers by New Horizons:	
	Commercial Insurance	(17,500.00)
	DIP Payroll	<u>(35,000.00)</u>
	Total paid to IOLTA Account:	<u>\$460,000.00</u>

2. IOLTA Receipts/Disbursements

<u>Date</u>	<u>Source or Payee</u>	<u>Deposit</u>	<u>Expenditure</u>	<u>Running Balance</u>
12-31-98	New Horizons (NH)	\$102,500.00		\$102,500.00
	NH	85,000.00		187,500.00
01-07-99	DIP & Wire Transfer Fee (WT #1)		20,898.00	166,602.00
	WTB Attorneys Fee (Check #1095)		40,000.00	126,602.00
	Lindon, CPA Reserve *		10,000.00	116,602.00
01-13-99	NH	52,500.00		169,102.00
01-14-99	DIP (WT #2)		65,551.00	103,551.00
	WT Fee (WT #2)		15.00	103,536.00
01-25-99	DIP (Check #1064)		10,553.00	92,983.00
01-28-99	DIP (Check #1065)		10,000.00	82,983.00
	DIP (Check #1072)		7,900.00	75,083.00
02-14-99	DIP (Check #1075)		11,842.00	63,241.00
02-09-99	NH	52,500.00		115,741.00
	DIP (Check #1077)		1,400.00	114,341.00
	DIP & WT (WT #3)		67,732.00	46,609.00
02-12-99	U.S. Trustee (WT #3)		4,200.00	42,409.00
03-10-99	NH	62,500.00		104,909.00
	DIP (WT #4)		85,327.00	19,582.00
	WT Fee (WT #4)		15.00	19,567.00
04-08-99	NH	52,500.00		72,067.00
04-09-99	DIP & WT Fee (WT #5)		77,015.00	(4,948.00)
04-14-99	WC Ins (Check #1116)		3,000.00	(7,948.00)
05-07-99	NH	52,500.00		44,552.00
05-10-99	DIP & WT Fee (WT #6)		<u>52,515.00</u>	<u>(7,963.00)</u>
		<u>\$460,000.00</u>	<u>\$467,963.00</u>	<u>\$ (7,963.00)</u>

* Of this reserve, \$5,025.00 was paid to Charles Lindon per Court allowance and Counsel still holds \$4,075.00 in IOLTA Account.

EXHIBIT 3

LIST OF POTENTIAL CAUSES OF ACTION

1. Austin Powder Co. (Pre-Petition Preference from September 1998 Garnishment) \$15,000.00¹
2. New Horizons- issues relating to the lack of payment of the power bills, nonpayment of rents, royalties and Commissions, environmental testing costs and for lack of payment for the use of the equipment parts, supplies and other facilities not covered by the lease. Unknown Value²
3. Possible other potential claims or choses in action arising out of or related to the New Horizons and EcoPrep contracts.

¹ Settled in December, 2000, pursuant to a Court Order tendered December 15, 2000 to the Court approving a \$10,623.06 cash out and an increase of Austin Powder's Proof of Claim to \$31,267.44 (See Exhibit 9) Check was deposited in Counsel's IOLTA Account on January 2, 2001 - see Exhibit 2.

² By letter notice dated February 20, 2001, Firststar's Assignee, Fox Trot, notified New Horizons Syn-fuel, Limited Partnership, and New Horizons Syn-fuel, LLC, of the termination of their lease and ordered New Horizons to vacate the property immediately. By review of prior correspondence, Counsel believes New Horizons will contest the notice and that litigation will occur. On March 29, 2001, at the Disclosure Statement Approval Hearing, New Horizons filed in Court its Response to Firststar's Assignee's claims of breach incorporating New Horizons' March 14, 2001 letter denying breaches. The Debtor has not sided and will not side with either party and it is not believed that the litigation will affect the sale of the Estill County property. New Horizons has, however, removed its equipment from the property and is no longer conducting its syn-fuel operations on the site.

EXHIBIT 4

LIST OF CLASS 3 TAX CLAIMS

Kentucky Unemployment Insurance	\$ 51,556.01
Internal Revenue Service	198,627.60
Kentucky Revenue Cabinet	84,615.12
Kentucky Department of Vehicle Registration	14,017.12
VA Department of Taxation	1,516.57
U.S. Department of Labor (MSHA Excise) ¹	336,108.00
Estill County Treasurer (Intangible & Tangible Taxes) ²	<u>1,796.00</u>
	<u>\$ 688,236.42</u>

¹ The MSHA Excise Taxes were probably satisfied at the time of the sale of the Letcher County coal mine, where mining took place. There is no mining on the Estill County Property, but MSHA has not withdrawn its Proof of Claim. After Confirmation and if Distribution Proceeds are available for this class, the Debtor will probably object to this Claim.

² The Estill County Treasurer is one Creditor whose debt is a superpriority tax debt which will be satisfied in full upon the sale of the Estill County Property. Thus the net Class 3 Tax Claims will be \$686,440.42.

EXHIBIT 5

ESTIMATES OF POTENTIAL DISTRIBUTION

I. <u>Best Case Scenario</u>		
A.	Gross Sale Price (from Exhibit 1)	\$10,000,000.00
B.	Less Sale Commissions (5%)	<u>(500,000.00)</u>
C.	Net Proceeds	9,500,000.00
D.	Less Firststar's Assignee's Cap	<u>(7,500,000.00)</u>
E.	Gross for Creditors	2,000,000.00
F.	Add Cash Held by Counsel (Exhibit 2)	<u>86,217.00</u>
		2,086,217.00
G.	Less Administrative Claims (Exhibit 9)	<u>(152,103.00)</u>
H.	Net for Creditors	1,934,114.00
I.	Less Class 2 Wage Claims	(2,003.00)
	Less Class 3 Tax Claims	<u>(688,236.00)</u> ¹
I.	Available for Class 4 Unsecured Creditors	<u>\$1,243,875.00</u>
J.	Percentage of Return to Unsecured Creditors	<u>30.3874%</u>
II. <u>Worst Case Scenario</u>		
A.	Gross Sale Price (from Exhibit 1) ²	\$500,000.00
B.	Less Sale Commissions (fixed)	<u>(25,000.00)</u>
		475,000.00
C.	Add Cash Held by Counsel (Exhibit 2) ³	<u>N.A.</u>
		475,000.00
D.	Less Professionals Fee (estimated) ⁴	<u>(50,000.00)</u>
E.	Balance Paid to Firststar's Assignee	<u>425,000.00</u>
F.	Balance (No Distribution to any Class of Creditors)	<u>0.00</u>

¹ See Exhibit 4: If the MSHA Proof of Claim is objected to and found to have been satisfied by the sale of the Letcher County coal mine, then the Tax Claims would total only \$388,401.12, which would leave extra money to be paid to the Class 4 Unsecured Creditors, making their total receipts \$1,543,710 or a 37.712% instead of 30.3874%.

² Assumes Firststar's Assignee credit bids in the Assets at the auction and no one else bids.

³ Would be distributed pro-rata with all Allowed Post-Petition Administration Claims, so none would be available for the Wage and Tax Claims or the Unsecured Creditors.

⁴ Professional Allowance of \$50,000 after expenditure of the \$86,287 of Available Cash to the Unclassified Administrative Claimants. Does not include Auctioneer's commissions that are capped at \$25,000.00 but unknown as to exact amount at this time.

EXHIBIT 6

THE DEBTOR'S AMENDED PLAN OF ORDERLY
LIQUIDATION AND DISTRIBUTION

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION

IN THE MATTER OF:

CHAPTER 11

KENTUCKY PROCESSING COMPANY

CASE NO. 98-52437

fdba FOX MINING CORPORATION
FOX PROCESSING CORPORATION
FOX TRUCKING CORPORATION
FOX LEASING CORPORATION
G & Y COAL CO., INC.
ADENA FUELS, INC.
ADENA PROCESSING, INC.
CLEMONS COAL COMPANY
KENTUCKY MINERAL PROCESSING, INC.

DEBTOR

DEBTOR'S AMENDED PLAN OF ORDERLY
LIQUIDATION AND DISTRIBUTION

Comes the Debtor, KENTUCKY PROCESSING COMPANY, and proposes this Amended Plan of Orderly Liquidation and Distribution ("Plan") pursuant to Bankruptcy Code §1121(c).

ARTICLE 1
Definitions

1.1 Unless otherwise stated, all terms not defined herein which are defined in the Bankruptcy Code shall have the meaning set forth in the Code. The following terms when used in the Plan shall have the meanings set forth in this Article.

"Accountants" shall mean Charles H. Lindon, CPA, the Debtor's former accountant, and David Beck of Potter & Co., the Debtor's present accountant, previously appointed by the Court in such capacity, and any other accountant appointed by the Court to perform accounting services for the Debtor. They shall be deemed Professionals.

1.2 "Administrative Claim" or "Administrative Expense" shall mean any cost or expense of administration of the Case allowable under Code §503(b) or §365(d)(3) and entitled to priority under §507(a)(1) or §507(b) and shall include any actual necessary expense of preserving or liquidating property of the Debtor and operating the business of the Debtor within the purview and context of the Plan.

1.3 "Allowed Claim" shall mean a Claim against the Debtor allowable under Code §502 to the extent that (a) such Claim shall have been listed by the Debtor in the Schedules as liquidated in amount, undisputed and not contingent filed; or (b) that a proof of Claim is timely filed, deemed filed, or, with leave of Court or without objection by the Debtor, late-filed, and as to which either (i) does not timely file an objection which (if granted) would affect the distribution to the Creditor asserting such Claim or (ii) which is allowed by final order; or (c) any Unliquidated Claim which becomes an Ultimately Allowed Claim. An Allowed Claim shall not include any Claim which may be disallowed under Code §502(d). Where there is a difference between the amounts of a Claim set forth in the Schedules as undisputed and the amount set forth in the proof of Claim filed by an affected Creditor, the amount shown in the proof of Claim shall govern for purposes of allowance of the Claim unless objected to by the Debtor or the Committee in which case the Claim shall be in the amount allowed by the Court.

1.4 "Assets" shall mean all of the Debtor's ownership interests in the real and personal property located near Calla, in Estill County, Kentucky, including without limitation all of the real and personal property, the permits, bonds and all other interests thereof and therein located therein and/or at the coal processing facility, including all licenses, agreements, leases and subleases, both pre-Petition and post-Petition, rights-of-way, and choses in action. "Assets" shall also mean any and all of the assets of the Debtor, which include, but not by way of limitation, the remaining unliquidated assets listed in the Debtor's Schedules.

1.5 "Auctioneer" shall mean Phillip A. Childers and Hindman Land Auction Company who shall conduct the auction sale(s) of the Assets. He shall be deemed a Professional.

1.6 "Available Cash" shall mean the unencumbered monies held by Counsel as of Confirmation, except the Professionals' Allowances deposit.

1.7 "Bankruptcy Rules" shall mean the Federal Rules of Bankruptcy Procedure, as may be amended and as supplemented by any local bankruptcy rules adopted by the Court.

1.8 "Business Day" shall mean any day on which national banks are open to carry on their ordinary commercial banking business in the Commonwealth of Kentucky.

1.9 "Case" shall mean this Chapter 11 case, Number 98-5-2437 commenced under the provisions of the Code on September 25, 1998, in the Court.

1.10 "Claim" shall mean the same as "claim" is defined in Code §101(5), if such claim against the Debtor was in existence on or as of the Petition Date or as allowed or authorized by the Court after the Petition Date. The term Claim, when preceded by a reference to a class of Claims, shall mean an Allowed Claim of that Class.

1.11 "Claimant" shall mean the holder of a Claim.

1.12 "Class" shall mean a category of Allowed Claims or interests that are substantially similar to other Allowed Claims or interests in such Class.

1.13 "Code" shall mean the United States Bankruptcy Code set forth in Title 11, United States Code, as amended.

1.14 "Confirmation" shall mean the entry of an Order by the Court approving or confirming this Plan.

1.15 "Confirmation Date" shall mean the date upon which an Order of Confirmation is entered by the Court confirming this Plan.

1.16 "Consummation" shall mean the accomplishment of all things necessary for implementation all of the provisions of this Plan.

1.17 "Counsel" shall mean W. Thomas Bunch and/or Bunch & Brock, the Debtor's attorney of record, or such other attorney of record appointed by the Court to represent the Debtor. He shall be deemed a Professional.

1.18 "Court" shall mean the United States Bankruptcy Court for the Eastern District of Kentucky, Lexington Division, including the United States Bankruptcy Judge presiding in this case, or such other court having jurisdiction over this Case.

1.19 "Creditor" shall mean generically the holder of a Claim. The term Creditor, when preceding a reference to a Class of Claims, shall mean a Creditor in its capacity as a holder of an Allowed Claim of that Class.

1.20 "Debtor" shall mean Kentucky Processing Company, a Kentucky corporation, the Debtor in this Case.

1.21 "Disbursing Agent" shall mean the Debtor's Counsel.

1.22 "Distribution Proceeds" shall mean the net sales proceeds from liquidation of the Assets. The net sales proceeds shall be determined by deducting from the gross sale proceeds all costs and expenses of sale approved by Firststar's Assignee, including the Auctioneer's commissions, if any, the Professionals' Allowances, if applicable; other ordinary expenses of sale; the ad valorem and other taxes having a lien or claim thereon; and the Secured Claim of Firststar's Assignee not to exceed \$7.5 million. The net remaining balance shall be the Distribution Proceeds and shall be distributable to the Creditors having Allowed Claims in the order of priority set forth in the Plan.

1.23 "Effective Date" shall mean the date eleven (11) days after entry of a Order of Confirmation by the Court provided, however, that (a) if the eleventh (11th) day following the entry of the Order of Confirmation falls on a Saturday, Sunday or legal holiday, then the Effective Date shall on the first Business Day thereafter, and (b) if any act required to be performed on the Effective Date, or any condition required to exist on the Effective Date cannot be performed or made to exist on the eleventh (11th) day after entry of the Order of Confirmation due to the existence of a Court order staying or otherwise precluding execution of the Plan, or any part thereof, then the Effective Date shall be the eleventh (11th) day after

the later of the date on which the order staying or otherwise precluding execution of the Plan or any part thereof has been nullified, vacated or otherwise modified, or the date on which the appeal, and any further appeals, have been resolved and the time for any further appeal has expired, if the appellant has obtained a stay prior to its appeal.

1.24 "Equity Holder" shall mean the Debtor's 100% shareholder, Charles E. ("Chuck") Yates, of Lexington, Kentucky.

1.25 "Final Order" shall mean an order of the Court as to which any appeal that has been or may be taken has been resolved or as to which the time for appeal including the twenty (20) day extension available for excusable neglect under Bankruptcy Rule 8002(c) has expired.

1.26 "Firststar's Assignee" shall mean Fox Trot Corporation, Assignee of Firststar Bank, N.A., formerly known as Star Bank, N.A., successor to TransFinancial Bank, a Creditor secured by liens/mortgages on all of the Debtor's Assets and whose Secured Claim is fixed at a cap of \$7.5 million.

1.27 "Impaired Class" shall mean a Class of Claims or interests which are impaired under Code §1124 and as set forth in Article 6 hereof.

1.28 "Order of Confirmation" shall mean the Order entered by the Court confirming this Plan in accordance with the provisions of the Code.

1.29 "Person" shall include an individual, corporation, partnership, joint venture, trust, estate, unincorporated organization, or a governmental unit or any agency or political subdivision thereof.

1.30 "Petition" shall mean the original petition filed in the Court on September 25, 1998 seeking reorganization under the Code, and any amendments or modifications thereto.

1.31 "Petition Date" shall mean the date of the filing of the Petition initiating this Case on September 25, 1998.

1.32 "Plan" shall mean this Chapter 11 plan of reorganization proposed by the Debtor either in its present form or as it may be altered, amended or modified.

1.33 "Professionals" shall mean Debtor's Counsel, Accountants, Auctioneer and any other professionals properly retained by the Debtor and approved by the Court under the Code or proposed to be approved by Confirmation of this Plan, and who performed professional services for or on behalf of the Debtor from the Petition Date during and to or through the Effective Date whose services and expenses are allowed by the Court under Code §330.

1.34 "Professionals' Allowances" shall mean the funds, not to exceed \$50,000.00, carved out of the Assets gross sales proceeds, and subordinated to Firststar's Assignee's Class 1 Secured Claim, to be used to compensate Counsel for his allowance of pre- and post-Confirmation legal services if Firststar's Assignee successfully exercises its right to bid its Allowed Secured Claim against the sale of the Assets.

1.35 "Schedules" shall mean the Schedules of Assets and Liabilities, and all amendments thereto, filed by the Debtor in this Case, in the Petition.

1.36 "Secured Claim" shall mean the Allowed Claim of Firststar's Assignee with liens and mortgages on the Assets capped at \$7.5 million of the net of the gross sale proceeds, subject to the subordination of the Professionals' Allowances to the extent a cap of \$50,000.00.

1.37 "Tax Claims" shall include all pre-petition priority taxes due and owing any governmental taxing entity under Code §507(a)(7), including all penalties and interest accrued thereon.

1.38 "Term" shall mean that period of time that the Confirmed Plan shall remain in full force and effect as is specifically set forth in Section. 5.7.

1.39 "Unsecured Claim" or "Unsecured Creditor" shall mean a Creditor holding a Claim against the Debtor, which Claim is not secured by any collateral and which Claim is not entitled to any priority treatment under the Code.

1.40 "Wage Claim" shall mean the claim of a former employee of the Debtor for wages earned within 90 days before the Petition Date not to exceed \$4,300.00 which are entitled to priority status under Code §507(a)(3).

ARTICLE 2 Treatment of Allowed Administrative Claims and Allowed Priority Tax Claims

2.1 Allowed Administrative Claims. Except to the extent the Debtor and the holder of an Allowed Administrative Claim agree to a different treatment, the Debtor shall pay to each holder of an Allowed Administrative Claim Cash from Available Cash on the later of (i) the Effective Date; (ii) 30 days after the date on which such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable. Any Administrative Claim not paid out of Available Cash shall be paid first out of Distribution Proceeds, when and if such funds become available.

Upon the sale of the Assets to any successful bidder other than the Bank's Assignee, the unpaid balances, if any, of Allowed Administrative Claims, including Debtor's Counsel's fee/expenses and the Auctioneer's 5% commission, shall be paid from the gross sales proceeds not to exceed caps of \$50,000 for Counsel and \$25,000 for Auctioneer.

Upon the sale of the Assets to the Bank's Assignee made subject to its right to credit-bid, then the unpaid balances, if any, of Debtor's Counsel's fees/expenses shall be paid from the Professionals' Allowance by Counsel, not to exceed the cap of \$50,000 for Counsel; and the Auctioneer's fee, not to exceed a cap of \$25,000.00 shall be paid by Firststar's Assignee.

Allowed Administrative Claims representing obligations incurred in the ordinary course of business of the Debtors shall be paid in full and performed by the Debtor in accordance with the terms and conditions of the particular transactions and any applicable agreements. Any fees and expenses due Counsel after Confirmation shall be paid monthly out of the Professionals' Allowance, but with approval by Firststar's Assignee upon monthly invoices submitted to it by Counsel.

2.2 U.S. Trustee Fees. All fees payable to the U.S. Trustee have been paid or shall be paid on or before the Effective Date of the Plan from the Professionals' Allowance, and the Debtors' obligation to pay U.S. Trustee fees shall continue until the Chapter 11 Case is either converted, dismissed or closed, whichever event occurs first.

2.3 Requests for Allowance of Administrative Claim. All Persons including Professionals with requests for the allowance of an Administrative Claim shall file an application for an allowance of Administrative Claim or the allowance of a Professional's Claim incurred in the Chapter 11 Case through the Confirmation Date on or before 20 days following the entry of the Confirmation Order. Any Person who had previously obtained a Court Order granting if an Administrative Priority shall be excused from this section.

2.4 The Professionals Allowance. Upon Confirmation of this Plan, Firststar's Assignee shall be deemed to have agreed to permit the Professionals' Allowances to be deducted from the Assets gross sale proceeds or from the Professionals' Allowance placed in Counsel's escrow and earmarked for the sole purpose of compensating the Allowed Claims of Counsel, his post-Confirmation fees and expenses. The Disbursing Agent shall first distribute Available Cash to the Allowed Administrative Claims (including any unpaid U.S. Trustee's fees) including Professionals' Claims, either in full payment or in pari passu, and any unpaid allowances due Counsel shall be paid out of the Assets' gross sale proceeds or out of the Professionals' Allowance if the Assets are successfully credit-bid by Firststar's Assignee, but subject to the maximum caps set forth above.

ARTICLE 3

Classification of Claims and Interests

3.1 The Claims and interests shall be classified in the following Classes set forth hereinafter.

3.2 Class 1 shall include Firststar's Assignee, whose Secured Claim shall be fixed at \$7.5 million.

3.3 Class 2 (Wage Claims) shall include the Wage Claims.

3.4 Class 3 (Tax Claims) shall include the Tax Claims.

3.5 Class 4 (Unsecured Claims) shall include all Unsecured Claims.

3.6 Class 5 (Equity Holder) shall consist of the Equity Holder or ownership interests of the Debtor.

ARTICLE 4 **Treatment of Classes of Claims**

4.1 The following Classes of Creditors shall be paid after the Confirmation Order becomes a Final Order, or when funds become available, to the Allowed Claims of the Creditors of the following Classes:

4.1.1 Treatment of Class 1 - Firststar's Assignee. The Class 1 Claim shall be paid its Secured Claim from the net sale proceeds of the Assets, less the subordinated amount equal to the capped amount of the Professionals' Allowance, the Auctioneer's commissions and the cost of the sale and closing. Any proceeds remaining after satisfaction of Firststar's Assignee's Secured Claim shall be Distribution Proceeds.

4.1.2 Treatment of Class 2 - Wage Claims. The Class 2 Creditors shall be paid in full or to the extent of available funds from Distribution Proceeds after payment of the Allowed Secured Claim of Class 1.

4.1.3 Treatment of Class 3 - Tax Claims. The Class 3 Creditors shall be paid in full or to the extent of available funds from Distribution Proceeds after payment in full of Class 2.

4.1.4 Treatment of Class 4 - Unsecured Creditors. The Class 4 Claims shall be paid in full or to the extent of available funds from Distribution Proceeds after payment in full of the Class 2 and 3 Claims, until their Claims are either paid in full or the funds are exhausted.

4.1.5 Treatment of Class 5 - Equity Holder. The Equity Holder shall retain their ownership interest in the Debtor, but the Debtor shall possess no assets after Consummation.

ARTICLE 5 **Means for Execution of the Plan**

5.1 Appointment of Professionals. In the Confirmation Order, the Debtor shall obtain the appointment from the Court of the Auctioneer in conformity with Code §327. His compensation shall be fixed at 5% of the gross sale proceeds of the sale of the Assets plus advertising costs if the property is purchased by any bidder other than Firststar's Assignee, or his commission not to exceed \$25,000, inclusive of advertising, if the property is purchased by Firststar's Assignee by availing itself of its right to credit-bid its secured claim. The Auctioneer's

Auctioneer, Counsel's allowance not to exceed the cap of \$50,000 and the Secured Claim of Firststar's Assignee. He shall then pay the balance thereof, if any, to the Disbursing Agent.

5.3.6 Firststar's Assignee's Right to Credit-Bid. Firststar's Assignee shall have the right at any sale of the Assets to credit-bid its total debt, provided, however, that (A) if the credit-bid exceeds the \$7.5 million cap, Firststar's Assignee shall pay to the Disbursing Agent all cash in excess of \$7.5 million plus any additional amounts necessary to pay the Auctioneer and the Professionals' Allowance; or (B) if the credit-bid is less than \$7.5 million then the Firststar's Assignee shall pay the Auctioneer his Commission not to exceed \$25,000, after allowance thereof by the Court.

5.4 The Disbursing Agent. The Disbursing Agent shall be subject to the following:

5.4.1 Duties of the Disbursing Agent. The Disbursing Agent shall receive the balance of sale proceeds (Distribution Proceeds) from the Auctioneer. He shall receive no compensation but shall deduct reimbursement of all reasonable expenses incurred. He shall deposit all funds received by him in bank accounts at such banks approved by the U.S. Trustee and shall make all distributions, with accountings therefor, of the Distribution Proceeds to the Creditors. He shall not be liable in any manner in the performance of his duties, except for criminal acts, malfeasance or gross recklessness. No bond shall be required of him. After distribution of all Assets sale proceeds, he shall file his final report with the Court.

5.4.2 Removal of Disbursing Agent. At any time during the Term, any Creditor shall have the option, upon notice and hearing before the Court, to seek removal of the Disbursing Agent for incompetence, dishonesty, malfeasance or negligence. Any successor thereof shall be appointed by the Court, which shall consider but not be bound by Firststar's Assignee's recommendations.

5.4.3 Disbursing Agent's Reserves. After entry of final orders of allowance by the Court, he shall pay the Administrative Claims to the designated recipients thereof, and any unused balance shall be paid to the remaining Classes of Creditors in the order of the priority of such Classes. If all Classes of Creditors are paid in full with interest then the funds remaining shall be paid to the Class 5 Interestholders.

5.4.4 Monitoring of Distribution Proceeds. The Creditors, their attorneys, agents or representatives, shall have the right and obligation to monitor in its discretion the collection, accounting, treatment and distribution of the Distribution Proceeds and the disposition by the Disbursing Agent of the Proceeds of the sale of the Assets.

5.4.4.1 The Disbursing Agent shall make available its books, records, office and personnel to the Creditors, their members, attorneys, representatives or accountants at any reasonable time but not so as to interfere with the Disbursing Agent's business, upon at least a 24-hour fax notice.

5.4.4.2 The Creditors, upon effectuating any monitoring activities, shall report the results thereof and the cost therefor to all Creditors.

5.5 Funding of Professionals Allowance. As security or guarantee of the payment of Counsel's allowance, when allowed by the Court, Firststar's Assignee shall deposit \$50,000 with Counsel, \$35,000 upon the filing of this Plan and \$15,000 upon Confirmation. Counsel shall hold said deposit in his IOLTA Escrow Account as the Professionals Allowance, pending allowance by the Court, provided, however, Counsel may charge against said deposit after Confirmation in conformity with Sections 2.1 and 2.4, supra. Upon the conclusion, dismissal or closing of the case, any unused portion of the Professional's Allowance shall be refunded to Firststar's Assignee.

If Firststar's Assignee successfully exercises its right to credit-bid its Secured Claim against the sale of the Assets, then upon approval of the Auctioneer's fee by the Court, Firststar's Assignee shall pay the auctioneer such allowance, not to exceed a cap of \$25,000 including advertising and expenses of the sale.

5.6 Objections to Claims and Proofs Thereof. The Debtor and any Creditor and the Equity Holder shall have the right to object to Claims and the allowances of such Claims, subject to the procedures and limitations set forth in the Bankruptcy Rules. Any Creditor disagreeing with the amount of its Claim listed in the Petition or as amended shall file a proof of claim within thirty (30) days after the Confirmation Date with service on Counsel and Firststar's Assignee; otherwise the Claim listed in the Petition or the Creditor's proof of claim, if filed, shall be final and binding as the Creditor's Allowed Claim.

5.7 Duration of Plan and Consummation. This Plan shall remain in full force and effect from the date of Confirmation until all Classes have been paid in full with interest, penalties and reasonable attorneys' fees, or until such time as all Assets and claims or choses in action have been liquidated, collected or determined not collectible or not worth collecting, and all Distribution Proceeds have been distributed to the Creditors, at which time the Plan shall be deemed fully Consummated, whichever event first occurs.

5.8 Treatment of Executory Contracts. All executory contracts and unexpired leases as defined in Code §365, not otherwise assumed by specific Court Order authorizing assumption thereof or herein or approved by the Court by Order during the Chapter 11 Case shall be rejected upon Confirmation and any resulting Claim shall be treated as a Class 4 Unsecured Claim.

ARTICLE 6

Identification of Classes as Impaired or Unimpaired

6.1 Impaired Classes of Claims. Classes 1, 2, 3, 4 and 5 are Impaired Classes under this Plan within the meaning of Code §1124 and shall be entitled to vote for or against this Plan.

6.2 Controversies. In the event of any controversy as to whether any Class of Claims or interests is impaired under this Plan, the Court shall, after notice and hearing, determine such controversy.

ARTICLE 7

General Provisions

7.1 Modification of Plan. The Debtor may propose amendments to or modifications of this Plan under Code §1127 at any time prior to the Confirmation Date. After the Confirmation Date the Debtor may remedy any defects or omissions or reconcile any inconsistencies in this Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of this Plan so long as the interests of the Creditors and the Equity Holder are not materially and adversely affected.

7.2 Retention of Jurisdiction. Following the Consummation Date, the Bankruptcy Court will retain jurisdiction to enter and implement such orders as may be necessary (i) to assure performance by the Debtor of their obligations to make distributions under the Plan (ii) to reclassify, re-allow or disallow claims under the Plan, (iii) to direct distributions under the Plan and here and determine any controversies pertaining to distributions, (iv) to here and determine any and all applications, adversary proceedings, and other matters pending before it (including any matter on appeal from it, if remanded) at the time of the order confirming the Plan is entered or at the time such order becomes final, or on the Consummation Date, and (v) to enter and implement such Orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked or vacated.

7.3 Distribution Pending Stay on Appeal. Any delay in distribution under any stay pending appeal shall be limited by the Court only to the extent of any amounts in controversy and distribution of amounts not in controversy may continue to be distributed.

7.4 Extension of Time. Notwithstanding any time limitations in this Plan, the Court may for good cause shown extend such time limitations by Court Order.

7.5 Post-Confirmation Actions, Reports and Final Decree. After Confirmation of this Plan, the following event shall occur: The Disbursing Agent shall annually file a report with the Court with a copy to the U.S. Trustee of its distribution of the Distribution Proceeds.

7.6 Notice to Debtor. After Confirmation of this Plan, any Notice required to be given to the Debtor hereunder or pursuant to the Code or Bankruptcy Rules shall be in writing

and, if by telegram or telecopier, shall be deemed to have been given when sent and, if mailed, shall be deemed to have been given fifteen (15) days after the date sent. If such Notice is sent by mail it shall be sent by first-class mail, postage prepaid. All Notices to the Debtor shall be sent as follows:

The Debtor

Hon. W. Thomas Bunch
BUNCH & BROCK
P. O. Box 2086
Lexington, Kentucky 40594-2086

Kentucky Processing Co.
c/o Charles E. Yates, President
5996 Sulphur Wells Road
Lexington, Kentucky 40509

Firststar's Assignee
c/o D. Duane Cook
Attorney at Law
2424 Stamping Ground Road
Stamping Ground, KY 40379

7.7 Reduction of Notice Periods. The Notice period applicable to service of any Notice on the Creditors otherwise applicable, as modified in Paragraph 7.6 hereof, pursuant to the provisions of the Code, the Bankruptcy Rules or this Plan, is reduced to a fifteen (15) day period, exclusive of the three (3) days for mailing pursuant to Bankruptcy Rule 9006(f), with the exception of any applicable Notice period relating to modification of the Plan prior to or after Confirmation pursuant to Code §1127.

7.8 Transfer of Claims. Claims may be transferred and will be honored only if applicable Notice is given to the Debtor and only in accordance with Bankruptcy Rule 3001.

7.9 Captions. Paragraph captions used herein are for convenience only and shall not affect the construction of this Plan.

7.10 Choice of Law. Except to the extent that the Code is applicable, the rights and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the law of the Commonwealth of Kentucky.

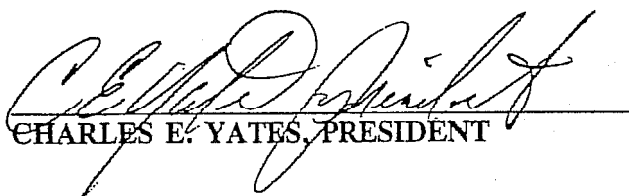
7.11 Binding Effect. The rights and obligations of any Person named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the successors, heirs and assigns of such Person.

7.12 Unclaimed Funds. All unclaimed payments or distributions made to any Creditor under the Plan, including but not limited to unnegotiated checks or drafts, shall revert, after one hundred and eighty (180) days, to the Disbursing Agent, shall be forfeited as to the affected Creditors and shall be re-distributed to the remaining Creditors in accordance with the priorities established herein.

Dated on this the 19th day of February, 2001.

KENTUCKY PROCESSING COMPANY

BY:


CHARLES E. YATES, PRESIDENT

PREPARED BY:

BUNCH & BROCK

By:



W. THOMAS BUNCH
805 Security Trust Building
271 West Short Street
P. O. Box 2086
Lexington, Kentucky 40588
(859) 254-5522

EXHIBIT 7

LIST OF UNSECURED CREDITORS IN CLASS 4

<u>Creditor</u>	<u>As Petition</u>	<u>As Proof of Claim</u>
A & C Equipment		13,004.45
A & T Mfg.		500.00
Abresist Corp.		6,129.56
Adams & Adams		11,300.00
Adams Enterprise		3,986.00
Adams Concrete Co.		16,505.00
Akers Maunetite		28,200.00
AKJ Industries	22,737.00	
Air Gas Lexington		12,796.75
Allied Industrial Tech (Brueing Bearings)		9,045.75
American Electric	82,223.00	
American International Group (AIG)		192,451.20
American Mine Saw	1,030.00	
Ameritas L. Ins. Co.		3,947.48
AOKS	55.00	
Apollo Oil		2,778.59
Arch Paging	591.00	
Association of American R	104.00	
Austin Powder Co.		31,267.44 ¹
Baker Perform. Tech.	6,827.94	
Barrett, Hayes, Mayer, Combs	736.00	
BellSouth Communication		2,608.88
BellSouth Mobility		603.27
BellSouth Telecommunications		3,131.46
Belo Mine Supply		10,337.38
Blain Tire	50,353.89	
Blizzard Industrial Supplies	1,032.98	
Bluegrass Bandag		105.71
BRS, Inc.		35,176.77
Buchanan Pump	2,500.00	
Burke Parson Bowles (Bowlby Corp.)		4,622.13
Busy Bee Septic System	500.00	
Carl Engle Rebuilders	1,296.00	
Carlisle Equipment		138.91

¹ Because this Creditor settled the preference claim against it, allowance will be made without objection by the Debtor (See Exhibit 2).

Carroll Engineer		4,950.65
Catapillar Financial Services Group		4,053.12
Cathy Rose	960.00	
Cellular One	239.00	
Central Hydraulics		10,538.85
Childers Oil		75,000.00
Cincinnati Mine Machinery		55,744.53
City Electrical Motors	24.00	
Concrete Masonary Product		25,234.00
Conjun Lab		4,800.00
Conjun Lab		4,800.00
Contel of Kentucky		1,342.89
Coyle Textile	6,468.64	
CSX Transport		56,120.47
Cumberland Surety	38,700.00	
Cummins Cumberland, Inc.		6,441.48
Deluxe Business Forms	154.00	
Dewar, Inc.		2,155.49
Drill Steel Service		90,968.98
Drives & Conveyors		3,538.28
Dynatech Electronics		13,749.69
Eagle Electrical Contractors		19,300.00
		3,030.00
		5,895.00
		1,000.00
Eastern Screens & Drivers		16,544.43
Eastern Telephone		2,143.64
Engines, Inc.		339.00
Estill Co. Auto Parts	115.00	
FMC Loop		5,633.40
Frazier Farmer Supply		730.00
G & G Communications	626.00	
Garrett Trucking		2,134.09
Gauley Sales Co.		15,535.21
General Engineering	14,165.00	
General Rubber & Plastics	504.00	
George R. Chaney, MD	21,100.00	
George R. Silcott Ryway	1,265.00	
GLA Collection Co.		518.00
Greenbriar Leasing Corp.		307,051.43
Hardy Oil Co.	47,605.00	
Hayes Hazard Service		678.13
Hollon Hollon & Collins		283.03
Home Lumber Co.		2,761.14

Horns Machine Shop	2,864.00	
Hydroplate of Ky.		1,316.18
Industrial Rubber Products		49,950.28
Internal Revenue Service		33,787.16
Irvine Municipal Utilities	703.00	
J & J Communications		10,317.06
J & L Industr. Supply		870.36
J & P Septic Service	251.22	
Jabo Supply Corp.	5,977.00	
Jackson Energy Co-Op.	391.00	
Jeffrey Mining Products		36,447.91
Jimmy Shepherd		8,060.00
JM Tull Metals Co.		9,596.64
Joy Technology	289,950.84	
K & K Sales Service	258.00	
Kennametal Inc.	22,958.30	
Kentuckiana Railcar Repair	30,271.00	
Kentucky Freightliner Truck	3,265.00	
Kentucky May Coal Co.	7,424.00	
Kentucky River Authority		436.30
Kentucky Service & Mine Shop	179.66	
Kentucky Service Co.		92.69
Kentucky Utilities		52,919.09
Kimball Midwest	113.51	
Kris Electric Mfg.		524.70
Ky. Freightliner Truck		3,265.41
L & M Trucking & Equipment	325.00	
Lake Shore Mining Equipment	6,969.00	
Landauer, Inc.	75.00	
LCI International	2,044.00	
Leshar Fire Protection	325.00	
Letcher Co. Solid Waste		3,179.41
Lex. Auto Spring	757.88	
Lex. Industrial Co.		1,012.66
Lisle & Rader Hardware		721.29
M & J Electrical Enterprises	26,582.20	
M & M Battery Co.	365.88	
Mac Tools	150.00	
Magnetite, Inc.		28,200.00
Marcap dba Long Air-Dox		0.00 ²

² Leases were assumed and assigned in Coastal Sale of the Letcher County Mine in 1998, so Claim was abated when assumed by Coastal.

Marilyn Benge McGhee	1,962.00	
Martin Signs	2,237.80	
Mazzella Wire Rope		485.06
McMaster-Car Supply	3,336.26	
Merasso	70,207.00	
Mid America Tire		5,722.65
Midwestern Ins. Alliance	70,257.00	
Midwestern Ins. Collison		6,318.00
Miller Griffin & Marks		8,565.49
Mine Service Co.		320,491.26
Mine Supply Analyst	1,575.00	
Mineral Labs, Inc.		7,647.29
M. Master Wire Supply		3,336.26
Motion Industries		5,973.20
Motive Power, Inc.	3,287.00	
Mountain Ford		1,089.50
Mountain Lubricant		34,817.22
Mountain Tarp	729.00	
Mountain Truck Parts	7,385.00	
Nales Chemical Co.		11,700.00
Nally & Haydon Cumberland		47,196.64
National Mine Service		42,249.98
Necessary Oil Co.	25.00	
Network Supply	172.89	
New Philadelphia Fan		4,376.91
Nicky Shepherd	7,155.00	
Orkin Pest Control	105.00	
PACCAR Financial Group		54,980.65
Paul Miller Ford	68.00	
Pennington Electric	2,387.75	
Peoples Bank & Trust Co.	100,000.00 ³	
Perry Co. Tire Co.		5,147.72
Perry Farm & Home Supply	233.00	
Perry Oil co.	10,304.00	
Perry's Auto Repair		2,614.19
Perry's Auto Service	2,370.00	
Persinger Supply Co.		35,375.63
Pitney Bowes	294.27	
Pohl Corp.	24,570.00	
Ravenna Greenhouse	40.00	
Roger G. Combs		2,502.00

³ Estimated deficiency.

PNC Leasing		637,029.67
Rudd Equipment		4,073.25
S & S Service		2,595.12
S & S Tire Co.		4,694.20
S & W Glass	143.00	
Saylor Electric & Equipment		70,882.39
Saylor Mine Supply		24,032.02
Schroeder Industries		687.38
Schroeder Industry		1,246.59
Scott Gross	281.20	
Service Pump & Supply		1,873.38
Shamrock Scale Co.		663.75
Shelton Will Equipment	12,782.00	
Snider Bott & Screw	1,850.00	
Spartan Rock Products	10,120.00	
Standard Business Machine	750.00	
Standard Lab	228.00	
State Electric Supply		788.60
Superior Alloy Steel		1,535.85
The Rock Group LLC		1,216.41
The Sollami CC		21,203.15
Tri-State Mine Repair	350.00	
Truck Supplies, Inc.		2,374.31
United Central Industrial Supplies		41,978.27
UPS	80.01	
Upstream Techs.		162.92
Valley Mine Services	1,302.00	
Viking Office Supplies		3,000.76
Volunteer Coal	1,343.00	
W & B Fabricators, Inc.		14,200.00
Waste Mgt.	143.00	
Weinburg, Campbell, Slone	4,690.00	
Western Surety Co.		3,046.88
Whayne Supply Co.		65,772.56
Whayne Supply Co.		2,979.17
Wholesale Tool Co.		221.05
Wyatt Tarrant & Combs		163,060.67
X-Ergon	86.00	
Xerox		2,689.13
Zee Medical Supplies		1,483.45
Total:	<u>\$1,046,961.24</u>	\$3,046,429.38

Total Unsecured Claims \$4,093,390.62

EXHIBIT 8

LIST OF WAGE CLAIMS IN CLASS 2

Dewey Francis

\$ 2,003.43

EXHIBIT 9
SUMMARY OF ADMINISTRATIVE PRIORITY CLAIMS¹

1 Funds held by Counsel in IOLTA Escrow - See <u>Exhibit 2</u> ²	\$ 65,857.78
2. Known Claims Against Escrow:	
W. Thomas Bunch, Attorney (estimated) ³	50,000.00
Potter & Co., CPA's (12-18-00) ⁴	18,984.91 ⁵
Charles Lindon, CPA ⁶ (18,600 bill)	14,525.00 ⁷
IRS - Payroll taxes ⁸	21,556.76
AIG Insurance	45,100.66
Kentucky River Authority ⁹	1,936.30
Cumberland Surety Ins. Co.	<u>22,137.32¹⁰</u>
Total Claims	<u>174,240.95</u>
Percentage of Claim	37.79695%

¹ This summary of potential distribution is subject to a possible claim that might be made by New Horizons in the form of a post-Petition claim for damages arising from the Debtor's alleged breach of its lease/contract with New Horizons. Although there is a dispute between Firststar's Assignee and New Horizons, the Debtor as Debtor in Possession, in the exercise of its fiduciary duties, has taken an absolute neutral position in the conflict and has neither assisted nor impeded either party. The Debtor believes that the allowance of a post-Petition damage claim is remote and, if asserted, the Debtor will resist such a claim.

² The action approving the Settlement of the Austin Powder Adversary Action for the Preference was approved by the Court on December 19, 2000, for \$10,623.06. This sum has been paid to Counsel on January 2, 2001. See Exhibit 2.

³ Estimated Fee must be approved by Court; it could be higher or lower, but probably lower.

⁴ The CPA's are continuing their work, so this balance will be higher.

⁵ The CPAs are continuing their work, so this balance will be higher.

⁶ Due to the incompetent accounting work done by this CPA, it is anticipated that either the Creditors, the U.S. Trustee, the Equity holder or others will object to this Allowance.

⁷ This CPA has finished his work so his fee will not be higher. Mr. Lindon's total application is for \$18,600.00, but Counsel is holding earmarked funds in his IOLTA Escrow Account in the amount of \$4,075.00 since January 7, 1999, specifically for Mr. Lindon's accounting services. These funds were "earned" by Mr. Lindon prior to his 1999 illness that required his replacement by Potter & Company in early 2000, so upon an allowance of \$18,600.00, the \$4,075.00 will be paid to him and then he would receive the balance of the cash held by Counsel pro rated with the other Claimants. See Exhibit 2 fn.2.

⁸ This could go down.

⁹ The Debtor has continued to report its wake wage to KRA, but has not paid its past due amounts incurred post-petition. These charges are construed to be administrative claims.

¹⁰ This Administrative Priority Allowance was approved by Court Order dated February 10, 1999 and the amount was supplied to Counsel by CSIC on March 16, 2001.

3. Potential Distribution:

W. Thomas Bunch	18,898.48
Potter & Co.	7,175.72
Charles Lindon	5,490.00
IRS	8,147.79
AIG	17,046.68
KRA	731.87
CSIC	8,367.24
	<u>\$65,857.78¹¹</u>

¹¹ These figures do not include the unscheduled amount of U.S. Trustee's fees due. Those fees will increase this pool amount and decrease the actual amounts paid to the priority claimants.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION

(W. Titus Branch)
254-5522

IN THE MATTER OF:

CHAPTER 11

KENTUCKY PROCESSING COMPANY
fdba FOX MINING CORPORATION
FOX PROCESSING CORPORATION
FOX TRUCKING CORPORATION
FOX LEASING CORPORATION
G & Y COAL CO., INC.
ADENA FUELS, INC.
ADENA PROCESSING, INC.
CLEMONS COAL COMPANY
KENTUCKY MINERAL PROCESSING, INC.

CASE NO. 98-52437

EASTERN DISTRICT OF KENTUCKY
FILED

MAY 31 2001

AT LEXINGTON
U.S. BANKRUPTCY COURT

DEBTOR

ORDER OF CONFIRMATION

The Confirmation of the "Debtor's Amended Plan of Orderly Liquidation and Distribution" ("Plan") dated February 19, 2001, having been heard by the Court on May 23, 2001, pursuant to proper notice thereof, and the Court having heard Debtor's Counsel and objections in opposition to Confirmation and, pursuant to the "Debtor's Report of Balloting" filed herein on May 15, 2001 and arguments made by Counsel and others at the Confirmation Hearing on May 23, 2001 and it now appearing to the Court that all Impaired Classes of Creditors voted in favor of the Plan and the Court being otherwise sufficiently advised, IT IS ORDERED AND ADJUDGED as follows:

1. The Court hereby finds that:
 - a. The Plan complies with the application provisions of Chapter 11 of the Code;

- b. The Debtor as the proponent of the Plan has complied with the applicable provisions of Chapter 11 of the Code;
- c. The Plan has been proposed in good faith and not by any means forbidden by law;
- d. Any payment made or promised by the Debtor or any person representing them for or services or for cost and expenses in, or in connection with the case, or in connection with the Plan of the case, have been disclosed to the Court;
- e. With respect to each holder of a Claim or interest in each Class, such Class has accepted the Plan or will receive or retain under the Plan on account of such Claim or interest property of a value as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated under Chapter 7 of the Code;
- f. With respect to each Class, such Class has accepted the Plan, or such Class is not impaired under the Plan, or is so impaired, such Class shall be deemed to have accepted the Plan pursuant to this Order of Confirmation in that said Plan is fair, equitable, feasible and does not unfairly discriminate against said Creditor;
- g. At least one Class of Claims have accepted the Plan, determined without including any acceptance of the Plan by an insider holding a Claim of such Class;
- h. Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors.

2. As a result of the foregoing, the Objections to Confirmation are overruled and the Plan is hereby confirmed pursuant to Code §1129(a).

3. W. Thomas Bunch is hereby appointed as Disbursing Agent and upon the Effective Date, as defined in the Plan, the Debtor and the Disbursing Agent shall commence his duties thereof in conformity with the terms of the Plan and shall commence the performance of such acts required by the Plan.

4. Subject to the terms set forth in the Plan and subject to the Order of this

Court:

- a. Pursuant to Plan §5.1, Phillip A. Childers and Hindman Land Auction Company of Hindman, Kentucky, should be and he and it are hereby appointed Auctioneer, as defined in Plan §1.5;
- b. Pursuant to Plan §5.1, the Auctioneer's fee is fixed at 5% of the gross sale proceeds of the sale of the Assets, as defined in the Plan, plus advertising costs if the property is purchased by any bidder other than Firststar's Assignee, as defined in the Plan (Fox Trot Corp.); or his commission not to exceed \$25,000, inclusive of advertising, if the Assets are purchased by Firststar's Assignee by availing itself of its right to credit-bid its secured claim;
- c. The Auctioneer shall cause the Assets to be sold within thirty days after the Effective Date, as defined in the Plan, in conformity with the terms of the Plan, §§5.2, 5.3 through 5.3.6 inclusive, which provisions are incorporated herein, free and clear of all liens, claims and encumbrances thereon, with such liens, claims and encumbrances attaching to the sale proceeds thereof to the extent as provided for in the Plan.

5. As soon as practicable after the sale of the Assets, Counsel shall report to the Court of the results of the sale. If the property is purchased by any bidder other than Firststar's Assignee, Counsel shall notify in writing the U.S. Trustee who shall then have the right to obtain an Order from this Court requiring a fidelity bond for the Disbursing Agent in an amount fixed by the Court, upon motion, notice and a hearing.

6. Counsel and attorneys for Cumberland Surety and Firststar's Assignee shall agree to the phraseology of an announcement to be made by the Auctioneer prior to the sale of the Assets as relates to the potential costs to the successful bidder for the reclamation bonds. If the attorneys cannot agree on the phraseology, then their disagreement(s) shall be presented to the Court for settlement.

7. Within 21 days of the entry of the Order or as soon as practicable, DLX, Inc., will use its best efforts to determine whether its claims conflict in any material way with the Assets as defined in the Plan by taking such steps as are reasonably necessary, including title work, comparison of deeds, maps, engaging a surveyor or other professionals, etc., at DLX, Inc.'s costs. The Debtor shall deliver to DLX, prior to the closing of any sale, a copy of the proposed deed-out to the successful bidder. If the deed-out description does not conflict in any material way with DLX's title to its land, DLX shall advise the Auctioneer in writing and the closing may proceed. If, however, there is, in DLX's opinion, a material conflict, then, if the parties cannot reach an agreement on the deed-out description, then the closing shall proceed, but the automatic stay will be lifted, without further Court Order, for the purpose of allowing DLX, Inc., to file such actions as may be necessary to protect any claim or claims that it may have against or pertaining to the Estill County Property, as defined in the Plan, and a right-of-way thereto that may be included within the Assets. DLX shall be entitled to file a lis pendens in pursuance thereof and to be permitted to go upon the property in question for the purpose of ascertaining its claim and surveying the same.

If the sale of the property occurs prior to the conclusion of the title work, etc., mentioned above, then the Auctioneer shall give notice to said claim or claims to prospective bidders at any auction or sale held pursuant to the Plan and shall announce at the sale the following disclaimer:

The Assets to be sold include only the real property actually owned by the Debtor. The attached map given to you may not include the "pre-law" refuse pile, makes no provision for a right-of-way to it and does not show

any tracts across the Kentucky River that were possibly included by inadvertence in the mortgage from the Debtor to Firststar and which land may be owned by DLX, Inc. In the Order of Confirmation in the Bankruptcy Court, DLX has been given the right to file a declaratory action or like action in the Bankruptcy Court to quiet the title thereto after this sale and a transfer of the Assets to the highest bidder if it appears that the Debtor has delivered a deed-out to the successful bidder that contains a description of land owned by DLX.

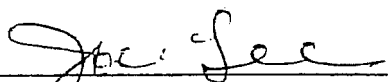
8. Any claims that New Horizons Syn-Fuel, LLC may have against the Debtor and any claims that the Debtor or New Horizons Syn-Fuel, LLC may have against Firststar's Assignee shall be preserved and shall survive Confirmation.

9. In conformity with Plan §5.8, all unexpired leases and executory contracts not otherwise assumed by specific Court Order authorizing assumption thereof or approved by the Court by Order during the Chapter 11 Case shall be stand rejected upon the entry of this Order and any resulting Claim shall be treated as a Class 4 Unsecured Claim.

10. Counsel shall forthwith serve this Order on all Creditors, attorneys of record and the U.S. Trustee and file this Affidavit of Service herein.

11. There being no just cause for delay, this is a final and appealable order.

Dated at Lexington, Kentucky on this the 31 day of May, 2001.



JOE LEE
U.S. BANKRUPTCY JUDGE

Pursuant to Local Rule 9022-1(c), W. Thomas Bunch, shall cause a copy of this order to be served on each of the parties designated to receive this order pursuant to Local Rule 9022-1(a) and shall file with the court a certificate of service of the order upon such parties within (10) days hereof.

Hindman Land Auction Company

PO Box 75 • Hindman, KY 41822 • 606-785-4938

Licensed and Bonded Real Estate Brokers. We Sell The Earth.

CONTRACT OF SALE

Commonwealth of Kentucky

County of Estill

I, (WE), Fox Trot Properties LLC.
of 200 Sulphur Hill Rd. Lox. Ky.

have this day purchased the following described Real Estate to wit:

Case # 98-52437

Ky Processing Company FDBA Fox Mining Corp.
and FTAI

Exhibit A. Local Description

Parcels - I - II - III - IV - V - VI - VII - VIII - IX, X,
and XI, Calmes Tract #2, Tract N and Tract O
in Deed March 14, 1993 + Corrective Deed

Book 210 Page 91 11-4-94.

All Real Estate + Machinery owned by Ky Processing

From Ky Processing Company Fdba Fox Mining Corp. et al
of AND ALL OTHER ASSETS OF KENTUCKY PROCESSING COMPANY

at the price of \$ 700,000, and have at the signing of this instrument paid
\$ _____, as earnest money, the receipt of which is hereby acknowl-

edged, and have further agreed and do by this instrument agree to pay the balance of \$ _____

upon delivery of the deed to the hereinabove described property. (I further agree to comply with all the stipula-

tions and conditions of the sale of said property as follows:) Earnest money as used in this contract shall mean

"A part of the purchase price paid in advance to guarantee payment of the whole when deed is presented."

Hindman Land Auction Co. acts as Agents only and are not responsible for title or acreage.

In testimony whereof I have hereunto set my signature this 20 day of July 2001

[Signature]
Witness

[Signature]
Purchaser

Witness

Purchaser

Seller

Deed property to _____

Address _____

Telephone _____

Hindman Land Auction Company

Box 75

HINDMAN, KENTUCKY 41822

PHONE (606) 785-4938

Licensed and Bonded Real Estate Brokers. We Sell The Earth

Col. Phillip Childers
Real Estate Broker, Auctioneer

James Orbin Childers
Real Estate Broker

Col. Talmadge Childers
App. Auctioneer

Report of KY Processing Sale

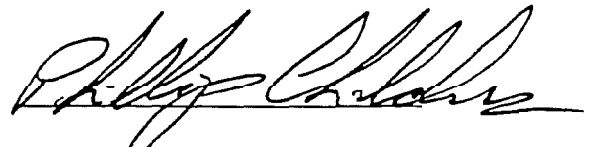
7-20-01

10:00 A.M.

Case # 98-52437
KY Processing ETAL

After proper advertising for 2 weeks in the Lexington-Herald and 2 weeks in local papers in Estill Co. and Mail-outs of Flyers, the sale was held on July 20, 2001 on the KY processing Property in Irvine. Prior to the sale the reading of all the terms and conditions of the sale were given to me by Attorney Thomas Bunch and D Duane Cook. The sale commenced with a crowd and bidding started at \$250,000.00 and ending at \$700,000.00 with Fox Trot Properties LLC. Being the successful bidder and First Star Assignee.

As written in the Order of Confirmation Signed May 31, 2001, Hindman Land Auction receive \$25,000.00 and the advertising is included in this commission.



Hindman Land Auction Inc.

Phillip Childers