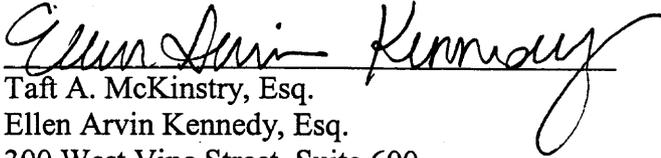


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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was served via First-Class U.S. Mail, postage pre-paid, upon those listed parties listed below, as indicated, on this the 23 day of January, 2002:

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COUNSEL FOR PLAINTIFFS

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
(LEXINGTON DIVISION)

In re: : Chapter 11 Proceeding
LODESTAR ENERGY, INC. et al., :
Debtors : Case Nos. 01-50969 and 01-50972
: Jointly Administered under
: Case No. 01-50969
: Judge Joseph M. Scott, Jr.

LODESTAR ENERGY, INC., et al. Adversary Proceeding No. 02-5001

PLAINTIFFS

vs.

THE STATE OF UTAH, et al.

DEFENDANTS

AFFIDAVIT

Comes now Troy L. Francisco, being first duly sworn, and deposes and states as follows:

I. INTRODUCTION

1. I am now and have been since November 1, 2001 the interim CEO and since August 16, 1999, Vice President of Marketing and Business Development of Debtor Lodestar Energy, Inc. ("Lodestar"). As such, I have personal knowledge of and familiarity with the administration and operation of the Debtors, including the Utah mining operations.

2. I have previously provided testimony regarding my experience and responsibilities in the context of the adversary proceeding (No. 01-5248) brought in this Court by the Debtors against officials in the administration for the Commonwealth of Kentucky.

II. STATUS OF LODESTAR REORGANIZATION

3. Lodestar is well positioned to attain the objectives established in the reorganization process over the next three to six months. However, the Utah mining operations are critical to a successful reorganization.

4. David Miller is Lodestar's Business Manager for the Utah operations and he is knowledgeable about the intimate day-to-day activities of the Utah operations. His Affidavit is being tendered contemporaneously with my own. Although I am not routinely involved in the day-to-day activities of the Utah operations, I am knowledgeable as to the significance of the Utah operations and their contribution to the reorganization effort.

5. The Utah operations are about to enter a phase of increased profitability. The Debtors have already incurred many of the fixed expenses associated with the Utah mines. The Utah operations are expected to generate vital cash flow and positive net income critical to a successful reorganization.

III. FRONTIER INSURANCE COMPANY

6. At all times relevant, the Utah mining operations were bonded through Frontier Insurance Company ("Frontier"). Lodestar has historically purchased reclamation bonds by paying a fixed percentage of the face amount of the bonds. The cost of reclamation bonds does not depend upon the quality of Lodestar's mining or reclamation operations.

7. Upon receipt of notification that Frontier was experiencing financial difficulties resulting in rehabilitation in New York, Lodestar investigated various alternatives to the Frontier bonds. In this context, the Debtors evaluated both alternative bonding solutions and the substitution of cash bonds as required on a case-by-case basis. It was immediately apparent that there are no viable options that can be pursued by Lodestar to substitute the Frontier bonds. Quite simply, the substitution is cost prohibitive.

IV. IMPACT OF UTAH'S THREATENED ACTIONS

8. At the present time, Lodestar is entertaining various proposals from prospective customers for the utilization of the Utah coal resources. The anticipated contracts will involve satisfying the requirements of these various customers over extended time periods, thus contributing significantly to the longer term stability of the reorganization. However, we cannot commit ourselves contractually with the looming threat of imminent shutdown.

9. If Utah is permitted to proceed with the threatened actions (referred to as the "Adverse Actions" in the Complaint), it will be difficult if not impossible for Lodestar to continue operations, not only in Utah, but overall as well. The cash flow from the Utah operations is vital to the future success of the Debtors and, without it, Lodestar again is confronting the likelihood of a complete shutdown of operations.

10. Imposition by Utah of the threatened actions would necessarily result in the immediate shutdown of the Utah operations, and most probably, in a very short time, the shutdown of Lodestar itself.

V. STATUS OF RECLAMATION

11. At the present time, to the best of my knowledge, Lodestar is current on all reclamation obligations in Utah.

12. At the present time, there are no outstanding demands for action issued by Utah in connection with the White Oak and Horizon mines. The State of Utah has recently determined that the reclamation bonding requirements at both Lodestar operations have decreased from \$4,292,000 to \$3,832,000 at the White Oak mine, and from \$711,000 to \$342,000 at the Horizon mine.

13. I have just returned from Utah where I again had the opportunity to observe the Lodestar operations firsthand. Nothing associated with the current status of those mining operations could properly be considered as threatening to the health, safety and or environment

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By:

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DEBTORS IN POSSESSION**

