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Colorado, has agreed to take on all of Bowie's coal contracts.

There was an option in the sale deal that would have allowed Horizon to ask the court to reject any contracts Appalachian didn't like. But Appalachian did not exercise that option, Horizon told the judge. The contracts include a mainstay, 4-million-ton/year deal with the Tennessee Valley Authority.

Horizon gets approval for TVA, Georgia Power rejections

The judge on Dec. 31 approved the rejection of two contracts with TVA and retention of another.

Horizon asked the court to let it reject contracts to supply TVA's Kingston and Bull Run plants, retroactive to April 15, 2003 (CO 12/15/03). The judge approved that request, including the retroactivity. He also allowed Horizon to retain a contract to supply the Widows Creek plant.

Also, on Jan. 8, the judge approved Horizons rejection of a July 1999 contract with Georgia Power.

The utility has 30 days from Jan. 7 to file any damage claim due to this rejection.

Straight Creek sale deal approved

On Dec. 31, Howard signed off on an amended sale of much of the Straight Creek Resources operation in eastern Kentucky to Appalachian Fuels.

The original deal approved in November would have netted Horizon \$1.9 million. But Horizon came back to Howard on Dec. 10 and said Appalachian was disputing price adjustments related to advanced royalties. The amended deal slashed Horizon's net take on this sale to \$1.4 million, but the judge still said it gives Horizon a "fair and adequate" return.

Appalachian is owned by John Smith, the son-in-law of Horizon founder Larry Addington. It has been aggressively buying properties lately, including Bowie No. 2 and West Virginia properties held by bankrupt Island Fork Construction and the former Pittston Coal.

Lodestar trustee decides to go after Ira Rennert

The bankruptcy trustee for Lodestar Energy, coal industry veteran Bill Bishop, has decided to pursue claims against New York financier Ira Rennert, who bought Lodestar in 1997 and oversaw its descent into bankruptcy in 2001.

In a Jan. 2 motion with the U.S. Bankruptcy Court in eastern Kentucky, Bishop asked for permission to hire a law firm, Getty & Mayo LLP, as special litigation counsel to pursue the Rennert claim. Bishop didn't lay out any specific charges against Rennert, saying only that he would pursue "alleged violations of Rennert's duties as the sole shareholder of the debtors [and] potential fraudulent conveyances, among other issues."

Since the deadline in bankruptcy law for pursuing such a claim is fast approaching, the judge needs to decide quickly

on hiring Getty & Mayo, said Bishop. The request was set for a Jan. 9 hearing. Bishop noted that even if Getty & Mayo is hired, he'll still retain the option to settle directly with Rennert.

Rennert specializes in buying distressed companies and financing them with high-yield (junk) bond debt. He bought Lodestar, then known as Costain Coal, in 1997 from Britain's Costain Group. In 1998, he floated a high-yield bond offering that Lodestar had a lot of problems paying on as it spiraled into bankruptcy.

For details on the bond offering, a 1998 prospectus is on the SEC's web site at:

<http://www.sec.gov/Archives/edgar/data/1065493/0001047469-98-036688.txt>.

In other Lodestar news, Bishop has asked for a short extension on his time to decide whether to assume or reject any remaining leases or contracts.

In July, after more than two years of Chapter 11 protection in the U.S. Bankruptcy Court in eastern Kentucky, Lodestar's case was converted into a Chapter 7 dissolution. Bishop recently sold Lodestar's last major property in Knott County, Ky. He told the judge in a Dec. 30 filing that he doesn't believe there are any leases or contracts left, but that out of an "abundance of caution" he wants to extend the decision deadline from Dec. 30 to Jan. 30. The request also was due for a Jan. 9 hearing, and the Dec. 30 deadline was automatically suspended until then.

Also on Dec. 30, Bishop asked for permission to pay off Congress Financial, a Lodestar lender that has a secured claim against almost all of Lodestar's assets. Bishop said disputes have broken out between Congress and other parties to the case about what Congress is still owed. Much of what it was owed has already been paid, as Lodestar assets were sold in 2003. Mediation has been going on for a while on what's left to pay, with the latest mediation session due in late January.

Bishop said he wants permission from Judge Joseph Scott to pay off Congress now, which will halt the accrual of interest and fees on the unpaid balance. Then, after the mediation is done and a final agreement worked out, that amount can be adjusted based on the final deal. If the mediation fails, the rights of all the parties would still be reserved, Bishop noted.

This request was also on the Jan. 9 hearing schedule.

Cook and Sons gets extra reorganization time

Cook and Sons Mining, an eastern Kentucky producer, has been granted extra time from U.S. Bankruptcy Judge Joseph Scott to file a plan of Chapter 11 reorganization.

Cook and Sons sought Chapter 11 last August in the bankruptcy court in eastern Kentucky (CO 9/8/03). On Dec. 3, around the time its initial period to develop a reorganization plan was due to expire, it asked for an extension to March 31,