



April 27, 2001

**Via Overnight Delivery**

Pamela Grubaugh-Littig  
 Permit Supervisor  
 Utah Department of Natural Resources,  
 Division of Oil, Gas and Mining  
 1594 West North Temple, Suite 1210  
 Salt Lake City, UT 84114-5801

*Copy Kurt Sed*  
*4/007/001*  
*Copy Act 1057/020 INCOMING*

Dear Pamela:

As discussed on the phone this afternoon, enclosed you will find copies of the "first-day" orders entered in the Lodestar bankruptcy proceedings.

Please feel free to contact me should you have questions or need more information.

Very truly yours,

R. Eberley Davis  
 Vice President & General Counsel

RED:cgs

Enclosures: As stated herein

RECEIVED

APR 30 2001

DIVISION OF  
 OIL, GAS AND MINING



Loedstar, sometimes referred to herein individually as a "Debtor" and collectively as "Debtors") seeking, inter alia:

- a. authority, pursuant to Sections 364(c)(1), 364(c)(2) and 364(c)(3) of the United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), for Debtors to obtain post-petition loans, advances and other financial accommodations on an emergency basis for a period commencing on the Petition Date (as hereinafter defined) and terminating on May \_\_, 2001 from the financial institutions from time to time parties to the Loan Agreement (as hereinafter defined) (collectively, the "Lenders"), Congress Financial Corporation ("Congress"), Congress in its capacity as administrative agent and collateral agent for the Lenders (in such capacity, "Agent"), The CIT Group/Business Credit, Inc. ("CIT"), and CIT in its capacity as co-agent for the Lenders (in such capacity, "Co-Agent"), inclusive of the amount of all Post-Petition Obligations (as hereinafter defined) incurred and/or arising on and after the Petition Date, in accordance with the lending formulae, the sublimits and the terms and conditions set forth in the Existing Loan Agreement and the other Existing Financing Agreements (as each term is hereinafter defined), secured by security interests in and liens upon all of the Collateral (as hereinafter defined) pursuant to Sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code;
- b. the modification of the automatic stay to the extent hereinafter set forth;
- c. the grant to Agent for the ratable benefit of the Lenders of super-priority administrative claim status pursuant to Section 364(c)(1) of the Code; and

d. the setting of an interim hearing on the Motion.

IT APPEARING THAT, at or prior to the hearing on the Motion, each of the parties set forth below received actual notice of the Motion, whether by telephone, telecopy, e-mail (if agreed to by the recipient), overnight courier or by hand delivery: (1) the Office of the United States Trustee, (2) the attorneys for Agent, (3) attorneys for Co-Agent, (4) all creditors known to Debtors who may have liens against any of each Debtor's assets, (5) the Debtors' twenty (20) largest unsecured creditors on a consolidated basis, (6) State Street Bank and Trust Company, as Trustee ("Senior Note Trustee"), (7) National City Bank, Kentucky ("National City Bank"), (8) Iracoal, Inc. ("Iracoal"), (9) Wexford Spectrum Investors, LLC, Solitair Corp., Valentis Investors LLC, Gordon C. McCormick, Peter Savitz, NORSE CBO, LTD, and REGIMENT CAPITAL, LTD (the "Petitioning Creditors"), (10) Kentucky Revenue Cabinet ("KRC"); and (11) the Internal Revenue Service ("IRS") and it further

APPEARING, that on March 30, 2001 (the "Petition Date"), the Petitioning Creditors filed an involuntary petition against each Debtor under the Bankruptcy Code; and it further

APPEARING, that on April \_\_, 2001 (the "Filing Date"), each Debtor filed the Consent Order for Relief under Chapter 11 of the Bankruptcy Code; and it further

APPEARING, that each Debtor is continuing in the management and possession of its business and properties as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code; and it further

APPEARING, that Agent and Debtors have represented to this Court that prior to the Petition Date, Agent and the Lenders made loans and advances and agreed to provide other credit accommodations to Lodestar pursuant to the terms and conditions set forth in various agreements, documents and instruments, including, without limitation, the following: the Amended and Restated Loan and Security Agreement, dated May 15, 1998, by and among Lodestar, Holdings, as guarantor, Agent, Co-Agent and Lenders, as amended pursuant to Amendment No. 1 to Amended and Restated Loan and Security Agreement, dated October 22, 1998, Amendment No. 2 to Amended and Restated Loan and Security Agreement, dated December 21, 1998, Amendment No. 3 to Amended and Restated Loan and Security Agreement, dated January 15, 1999, Amendment No. 4 to Amended and Restated Loan and Security Agreement, dated as of April 30, 1999, Amendment No. 5 to Amended and Restated Loan and Security Agreement, dated as of July 16, 1999, Amendment No. 6 to Amended and Restated Loan and Security Agreement, dated as of November 15, 1999, and Amendment No. 7 to Amended and Restated Loan and Security Agreement, dated March 10, 2000 (the "Existing Loan Agreement", a copy of which is annexed to the Exhibit Supplement to the Motion (the "Exhibit Supplement") as part of Exhibit "A" thereto); the Revolving Credit Note, dated May 15, 1998, made by Lodestar payable to the order of Congress in the original principal amount of \$45,000,000 (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "A" thereto); the Revolving Credit Note, dated May 15, 1998, made by Lodestar payable to the order of CIT in the original principal amount of \$45,000,000 (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "A" thereto); Letter of Credit Note, dated May 15, 1998, made by Lodestar payable to the order of Congress in the original principal amount of

\$15,000,000 (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "A" thereto); Letter of Credit Note, dated May 15, 1998, made by Lodestar payable to the order of CIT in the original principal amount of \$15,000,000 (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "A" thereto); Amended and Restated Patent Collateral Assignment and Security Agreement, dated May 15, 1998, by and between Agent and Lodestar (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "B" thereto), Amended and Restated Pledge and Security Agreement, dated May 15, 1998, by Lodestar in favor of Agent with respect to all of the capital stock of Industrial Fuels Minerals Company and Eastern Resources, Inc. (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "B" thereto); the Mortgages (as defined in the Existing Loan Agreement) (copies of which are annexed to the Exhibit Supplement as part of Exhibit "B" thereto); Uniform Commercial Code ("UCC") financing statements filed against each of Lodestar and Holdings in favor of Agent for itself and the ratable benefit of the Lenders (copies of such UCC filings are annexed to the Exhibit Supplement as Exhibit "C" thereto); Amended and Restated Guarantee, dated May 15, 1998 ("Holdings Guarantee"), by Holdings in favor of Agent, with respect to the obligations of Lodestar (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "D" thereto); General Security Agreement, dated March 14, 1997 ("Holdings Security Agreement", and together with the Holdings Guarantee, collectively, the "Holdings Guarantor Agreements"), executed and delivered by Holdings in favor of Agent (a copy of which is annexed to the Exhibit Supplement as part of Exhibit "D" thereto), and together with all other agreements, documents, instruments, notes, supplements, guarantees executed and/or delivered in connection therewith or related thereto (as all of the same have heretofore been amended, modified, extended, renewed,

restated or replaced, collectively referred to herein as the "Existing Financing Agreements"); and it further

APPEARING, that Debtors and Agent have represented to the Court that (a) the principal amount of all loans, advances, and other indebtedness owed by Debtors to Agent, Co-Agent and Lenders, both absolute and contingent, pursuant to the Existing Loan Agreement and the other Existing Financing Agreements existing as of the Petition Date consists of Loans (as defined in the Existing Loan Agreement) in the aggregate principal amount of not less than \$60,540,242.19, together with interest accrued and accruing thereon and all fees, costs, expenses and other charges accrued and accruing with respect thereto, inclusive of Letter of Credit Accommodations (as defined in the Existing Loan Agreement) in the amount of not less than \$27,739,938.15, together with letter of credit fees accrued and accruing thereon (collectively, the "Pre-Petition Debt"), and (b) as of the Petition Date, the Pre-Petition Debt is fully secured pursuant to the Existing Financing Agreements by perfected and valid first priority security interests and liens granted by each Debtor to or for the benefit of Agent, for itself and the ratable benefit of the Lenders, upon all of the Collateral (as defined in the Existing Financing Agreements) existing as of the time immediately prior to the filing of the petitions for relief herein, and the post-petition proceeds and products thereof (collectively, together with any other property of each Debtor's estate in which a security interest or lien has been granted to or for the benefit of Agent, for itself and the ratable benefit of the Lenders, prior to the filing of the petitions for relief herein, the "Pre-Petition Collateral"); and it further

APPEARING, each Debtor has acknowledged that: (a) the Existing Loan Agreement, the Holdings Guarantor Agreements and the other Existing Financing Agreements executed and/or delivered with, to or in favor of Agent, Co-Agent and the Lenders are valid, binding and enforceable agreements and obligations of each Debtor, (b) the security interests and liens granted to or for the benefit of Agent, for itself and the ratable benefit of the Lenders, upon the Pre-Petition Collateral are valid, perfected, senior to all other security interests and liens upon the Pre-Petition Collateral (except for senior liens permitted pursuant to Section 7.4 and Schedule 6.8 of the Existing Loan Agreement) and are enforceable and non-avoidable, (c) all of the Pre-Petition Debt constitutes allowable claims against Debtors and is valid, enforceable and non-avoidable in the amount of the Pre-Petition Debt, and (d) Debtors do not possess and shall not assert any claim, counterclaim, setoff or defense of any kind or nature, which would in any way affect the validity, enforceability and/or non-avoidability of any of the Pre-Petition Debt and/or Agent's security interests in and liens upon the Pre-Petition Collateral, or which would in any way reduce or affect the absolute and unconditional obligation of each Debtor to pay to Agent, Co-Agent and the Lenders all of the Pre-Petition Debt; and it further

APPEARING, that prior to the Petition Date, Holdings, as issuer, Lodestar and certain other affiliated companies, as guarantors, and the Senior Note Trustee entered into a certain Indenture, dated as of May 15, 1998 (as amended, modified and supplemented, the "Senior Note Indenture") pursuant to which Holdings issued (a) the 11 ½% Senior Notes due 2005, Series A (the "Series A Notes") in the original principal amount of \$150,000,000 and (b) the 11 ½ Senior Notes due 2005, Series B ("Series B Notes"), which have identical terms to the Series A Notes

and are offered to the holders of the Series A Notes in exchange for such Series A Notes (collectively, the "Unsecured Senior Note Debt"); and it further

APPEARING, that the Unsecured Senior Note Debt owing by Holdings pursuant to the Senior Note Indenture is (i) a general unsecured obligation, and (ii) guaranteed by Lodestar, among other affiliated companies, on an unsecured basis; and it further

APPEARING, that the Senior Note Indenture contains provisions which, inter alia, restrict Debtors from incurring certain indebtedness and granting liens upon the assets and properties of Debtors (other than indebtedness and liens permitted thereunder); and it further

APPEARING, that prior to the Petition Date, Lodestar and Holdings entered into certain financing arrangements pursuant to which Holdings made loans and provided other financial accommodations to Lodestar; and it further

APPEARING, that Agent, Co-Agent, Lenders, Holdings and Lodestar entered into the Subordination Agreement, dated May 15, 1998 (the "Holdings Subordination Agreement", a copy of which is annexed to the Exhibit Supplement as part of Exhibit "E" thereto), pursuant to which Holdings agreed to subordinate its right to payment and satisfaction of the "Junior Debt" (as defined in the Holdings Subordination Agreement) to the full and final payment and satisfaction of all "Senior Debt" (as defined in the Holdings Subordination Agreement) owing by Lodestar to Agent, Co-Agent and Lenders pursuant to the terms and conditions set forth in the Holdings Subordination Agreement; and it further

APPEARING, that Debtors are unable to obtain unsecured credit for working capital purposes as an administrative expense of their estates in sufficient amounts to operate their businesses; and it further

APPEARING, that Agent and Debtors have represented to the Court that, at the time of the filing of the petitions for relief herein, the Pre-Petition Debt is fully secured by the Pre-Petition Collateral; and it further

APPEARING, that without the emergency financing proposed by the Motion pending an interim hearing on the proposed debtor-in-possession financing by Agent and Lenders of Debtors, Debtors will not have the funds necessary to pay their payroll, payroll taxes and other expenses critical to the continued operation of Debtors' businesses and the management and preservation of Debtors' assets and properties; and it further

APPEARING, that Agent and Debtors have represented to the Court that during the period commencing on the Petition Date through the Filing Date, Agent and the Lenders made post-petition Loans and Letter of Credit Accommodations to Lodestar, and Agent received proceeds of and collections with respect to the Collateral (as hereinafter defined) and applied such proceeds and collections against the outstanding amount of Obligations of Debtors to Agent and the Lenders wholly in the ordinary course of the Debtors' businesses and in accordance with the terms and conditions of the Existing Loan Agreement and the other Existing Financing Agreements; and it further

APPEARING, that Debtors have requested that Agent, Co-Agent and the Lenders make post-petition loans and advances and/or provide other financial and credit accommodations to Debtor in order to provide funds to be used by Debtors for general operating, working capital and other business purposes in order to effectuate a successful reorganization by Debtors; and it further

APPEARING, that all such additional loans, advances and other financial accommodations by Agent, Co-Agent and the Lenders will benefit Debtors, their estates and creditors; and it further

APPEARING, that Agent, Co-Agent and the Lenders are willing to make such loans and advances and provide such other financial and credit accommodations on a secured basis as more particularly described herein and subject to the terms and conditions contained herein; and it further

APPEARING, that the ability of Debtors to continue their businesses and remain an operating entities depends upon Debtors' obtaining such financing from Agent, Co-Agent and Lenders; and it further

APPEARING, that the relief requested in the Motion is necessary, essential, and appropriate for the preservation of Debtors' assets and properties and is in the best interests of Debtors, their estates and creditors; and it further

APPEARING, that this Court has jurisdiction to enter this Order pursuant to 28 U.S.C. §§ 157(b)(2)(A), (D) and (M) and 1334.

NOW, THEREFORE, upon the record set forth by Debtors, including the Motion, the filings and pleadings in this case, the record of the proceedings heretofore held before this Court with respect to the Motion and upon completion of the emergency hearing on the Motion and sufficient cause appearing therefor, the Court hereby finds as follows:

A. Debtors are unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code, or pursuant to Sections 364(a) and (b) of the Bankruptcy Code in sufficient amounts to operate their businesses.

B. Under the circumstances, no other source of financing exists on terms more favorable than those offered by Agent, Co-Agent and the Lenders.

C. The Motion was filed on April \_\_, 2001, and Debtors have provided notice of the Motion and the relief requested thereunder, the interim hearing in respect of the Motion and the terms of this Order, whether by telephone, telecopy, e-mail (if agreed to by the recipient), overnight courier, by-hand delivery or by first-class mail to (1) the Office of the United States Trustee, (2) the attorneys for Agent, (3) attorneys for Co-Agent, (4) all creditors known to Debtors who may have liens against any of each Debtor's assets, (5) the Debtors' twenty (20) largest unsecured creditors on a consolidated basis, (6) Senior Note Trustee, (7) National City Bank, (8) Iracoal, (9) Petitioning Creditors, (10) the KRC, and (11) the IRS.

D. Consideration of the Motion constitutes a "core proceeding" as defined in 28 U.S.C. §§ 157(b)(2)(A), (D), (G), (K), (M) and (O). This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157 and 1334.

E. Agent, Co-Agent and the Lenders have extended and are extending financing to Debtors in good faith and each of Agent, Co-Agent and the Lenders is entitled to the benefits of the provisions of Section 364(e) of the Bankruptcy Code. The terms of the Existing Loan Agreement and the other Existing Financing Agreements, pursuant to which the post-petition loans, advances or other financial and credit accommodations will be made or provided to Debtors by Agent, Co-Agent and the Lenders have been negotiated at arm's length and in good faith, as that term is defined in Section 364(e) of the Bankruptcy Code, and are in the best interest of Debtors, their estates and creditors.

F. Adequate notice of the hearing requesting the entry of this Order and the hearing thereon has been provided.

G. The relief granted by this Court pursuant to this Order is necessary to avoid immediate and irreparable harm and injury to Debtors' estates.

H. Adequate and sufficient cause has been shown to justify the granting of the emergency relief requested herein, and the immediate entry of this Order.

I. An official committee of Unsecured Creditors (the "Committee") has not yet been appointed in these cases pursuant to Section 1102 of the Bankruptcy Code.

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that:

1. The Motion is granted and approved to the extent provided below. This Order shall hereinafter be referred to as the "Emergency Order":

2. Lodestar is hereby authorized and empowered to immediately borrow and obtain Loans and Letter of Credit Accommodations (as each term is defined in the Existing Loan Agreement) from Agent, Co-Agent and the Lenders pursuant to the terms of this Emergency Order and the other Existing Financing Agreements, in such amount or amounts as may be made available to Lodestar by Agent, Co-Agent and the Lenders pursuant to the lending formulae and the terms and conditions set forth in the Existing Loan Agreement and this Emergency Order for the period commencing on the Petition Date and terminating on May \_\_, 2001 (the "Emergency Financing Period"); provided, that, in no event shall the aggregate amount of the Loans and Letter of Credit Accommodations outstanding at any time during the Emergency Financing Period exceed \$7,000,000.

3. Debtors shall use the proceeds of the Loans and Letter of Credit Accommodations provided to Lodestar pursuant to this Emergency Order and the Existing Loan Agreement for the payment of employee salaries, payroll, taxes, and other expenses critical to the continued operation of Debtors' businesses and the management and preservation of Debtors' assets and properties.

4. All of the terms, conditions, provisions and covenants of the Existing Financing Agreements are hereby ratified and reaffirmed and shall remain in full force and

effect, and Debtors are hereby authorized and directed to continue to perform and comply with all of the terms, conditions, provisions and covenants of the Existing Loan Agreements, the Holdings Guarantor Agreements and the other Existing Financing Agreements, including, without limitation, the Blocked Account Agreement, dated March 14, 1997, by and among Agent, Costain Coal Inc., as predecessor in interest to Lodestar, and National City Bank (the "Blocked Account Agreement", a copy of which is annexed to the Exhibit Supplement as part of Exhibit "E" thereto) and the Supplement to Lockbox Agreement, dated as of March 14, 1997, by and among Agent Costain Coal Inc., as predecessor in interest to Debtor, and National City Bank (the "Lockbox Agreement", a copy of which is annexed to the Exhibit Supplement as part of Exhibit "E" thereto). During the Emergency Financing Period, Agent and Lenders are authorized to apply all proceeds of and collections with respect to the Collateral (other than proceeds of collateral of any party holding a valid and enforceable prior perfected lien superior to Agent's and Lenders'), including, without limitation, all payments by account obligors indebted to any Debtor with respect to transactions entered into or concluded before, on or after the Petition Date, against the then outstanding Loans, Letter of Credit Accommodations and other Post-Petition Obligations in accordance with the terms and conditions of the Existing Loan Agreement, the other Existing Financing Agreements and this Emergency Order.

5. The terms, conditions, provisions and covenants of the Existing Financing Agreements shall be sufficient and conclusive evidence of the borrowing arrangements by and among Debtors, Agent, Co-Agent and the Lenders and of each Debtor's assumption and adoption of the terms, conditions, provisions and covenants of the Existing Loan Agreement, the Holdings

Guarantor Agreements and the other Existing Financing Agreements for all purposes, including, without limitation, to the extent applicable, the payment of all principal, interest, commissions, Letter of Credit Accommodations fees, servicing fees, unused line fees, early termination fee, and other fees and expenses, including attorneys' fees and legal expenses, as more fully set forth in the Existing Financing Agreements.

~~6. The extent, validity, perfection and enforceability of the Pre-Petition Debt, Agent's first priority pre-petition liens upon and security interests in the Pre-Petition Collateral securing the Pre-Petition Debt are for all purposes subject only to the rights of the Committee in Debtors' Chapter 11 cases, for a period, commencing on the date of formation of the Committee, of sixty (60) days to file a complaint pursuant to Bankruptcy Rule 7001, seeking to invalidate, subordinate or otherwise challenge the Pre-Petition Debt, Agent's first priority pre-petition liens upon and security interests in the Pre-Petition Collateral pursuant to the Bankruptcy Code. If such complaint is not timely filed within such sixty (60) day period set forth above, (a) the Pre-Petition Debt and Agent's first priority security interests in and liens upon the Pre-Petition Collateral shall be recognized and allowable as valid, binding, in full force and effect, not subject to any claims, counterclaims, setoff or defenses, perfected and senior to all other liens upon and claims against the Pre-Petition Collateral with respect to all parties in this case, except for Permitted Liens (as hereinafter defined) or to the extent entitled to priority as provided in paragraph 8 below; and (b) each of Agent, Co-Agent, and the Lenders and its and their respective agents, officers, directors and employees shall be deemed released and~~

~~Discharged from all claims and causes of action arising out of the Existing Financing Agreements entered into with Debtors prior to the entry of this Emergency Order.~~

7. To secure the prompt payment and performance of any and all post-petition obligations, liabilities or indebtedness of each Debtor to Agent, Co-Agent and the Lenders of whatever kind or nature or description, absolute or contingent, existing or arising on or after the Petition Date, including, without limitation, arising in connection with or related to the Existing Financing Agreements (collectively, the "Post-Petition Obligations"), Agent, for itself and the ratable benefit of the Lenders, shall have and is hereby granted, effective on and after the Petition Date, valid and perfected security interests and liens, superior to all other creditors of each Debtor's estate, except for Permitted Liens to the extent entitled to priority as provided in paragraph 8 below, in and upon all of the existing and future assets and properties of each Debtor, whether acquired prior to, concurrently with or after the filing of the petitions commencing Debtors' Chapter 11 cases (collectively, the "Collateral")<sup>1</sup>, including, without limitation, and by way of general description:

- (i) all of the Pre-Petition Collateral;
- (ii) (A) all Accounts; (B) all monies, securities and other property and the proceeds thereof, now or hereafter held or received by, or in transit to, Agent or any Lender or Participant from or for any Debtor, whether for safekeeping, pledge, custody, transmission, collection or otherwise and all of Debtors' deposits (general or special), balances, sums and credits with Agent or any Lender or Participant at any time existing; (C) all right, title and interest, and all enforcement and other rights, remedies, and security and liens,

---

<sup>1</sup> All capitalized terms used in this paragraph 7 that are not otherwise defined herein shall have the meanings ascribed to such terms in the Existing Loan Agreement.

in, to and in respect of the Accounts and other Collateral, including, without limitation, rights of stoppage in transit, replevin, repossession, sequestration and reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, guaranties or other contracts of suretyship with respect to the Accounts, deposits or other security for the obligation of any Account Debtor, credit and other insurance; (D) all right, title and interest in, to and in respect of all goods relating to Accounts, including, without limitation, all goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, any Account or other Collateral, including, without limitation, all returned, reclaimed or repossessed goods; (E) all deposit accounts; all securities and other investment property; and all other general intangibles of every kind and description, including, without limitation, (1) the interests of any Debtor in any surety, insurance or bonds, letters of credit or other guaranties, (2) tradenames and trademarks and the goodwill of the business symbolized thereby, (3) patents, (4) copyrights, (5) licenses, (6) claims and other choses in action, and (7) federal, state, local and foreign tax refund claims of all kinds;

- (iii) all Inventory;
- (iv) all Equipment;
- (v) all Real Property;
- (vi) all present and future books and records relating to any of the above, including, without limitation, all ledgers, books of account, records, tapes, cards, computer programs, computer disks or tape files, computer printouts, computer runs, computer data and other computer prepared information in the possession or control of any Debtor, any computer service bureau or other third person; and
- (vii) all products and proceeds of the foregoing, in any form, including, without limitation, any insurance proceeds and any claims against third persons for loss or damage to or destruction of any or all of the foregoing.

8. Notwithstanding anything to the contrary set forth in this Emergency Order, including paragraph 7 of this Emergency Order, Agent's and Lenders' security interests in and liens upon the Collateral shall not have priority over (a) the liens on Debtors' properties set

forth in Section 7.4 and Schedule 6.8 of the Loan Agreement ("Permitted Liens"), provided, that, such Permitted Liens are valid, perfected and non-avoidable in accordance with applicable law, (b) the pre-petition security interests and liens of Agent and Lenders as security for the Pre-Petition Debt, to the extent such pre-petition security interests and liens are valid, duly perfected, enforceable and unavoidable liens and security interests with respect to the Pre-Petition Collateral, and (c) the fees of the Clerk of the Bankruptcy Court for the Eastern District of Kentucky and the Office of the United States Trustee. Notwithstanding anything to the contrary set forth in paragraph 7 of this Emergency Order, the Collateral shall not include the capital stock of Lodestar.

9. As adequate protection pursuant to Sections 361 and 363 of the Bankruptcy Code for Debtors' use, sale or other disposition of any of the Pre-Petition Collateral:

(a) Agent, for itself and the ratable benefit of the Lenders, is hereby granted a replacement lien in and to all of the Post-Petition Collateral as partial adequate protection to Agent, Co-Agent and Lenders for the diminution in value of the Pre-Petition Collateral as a result of the Debtors' use, sale or other disposition of any of the Pre-Petition Collateral;

(b) All proceeds of and collections with respect to the Pre-Petition Collateral (other than proceeds of collateral of any party holding a valid and enforceable prior perfected lien superior to Agent's and Lenders'), including, without limitation, all payments by account obligors indebted to any Debtor with respect to transactions entered into or concluded prior to the Petition Date, shall be remitted directly to Agent and applied by Agent to the Pre-Petition Debt

until the Pre-Petition Debt is repaid in full and thereafter turned over to Agent for application to the Post-Petition Obligations.

10. Notwithstanding the provisions of the Senior Note Indenture or any other pre-petition agreement to which any Debtor is a party, any provision that restricts or limits in any way any Debtor from entering into, performing and/or complying with all of the terms, conditions and provisions of the Existing Loan Agreement, the Holdings Guarantor Agreements, the other Existing Financing Agreements and/or this Emergency Order, including, without limitation, the granting by Debtors to Agent, for itself and the ratable benefit of the Lenders, of liens upon and security interests in the Collateral to secure the Post-Petition Obligations of Debtors to Agent, Co-Agent and the Lenders, shall be unenforceable against the Debtors, Agent, Co-Agent and the Lenders and, therefore, shall not adversely affect any of the liens, security interests, rights, priorities, remedies or protections granted to Agent, for itself and the ratable benefit of the Lenders, pursuant to this Emergency Order, the Existing Loan Agreement, the Holdings Guarantor Agreements and the other Existing Financing Agreements.

11. To the extent that any outstanding indebtedness of Lodestar to Holdings is valid, binding and enforceable, the respective rights, obligations and priorities of Agent, Co-Agent and the Lenders, on one hand, and Holdings, on the other hand, with respect to the "Senior Debt" and the "Junior Debt" (as each such term is defined, and as such rights, obligations and priorities are set forth, in the Holdings Subordination Agreement) are hereby ratified, reaffirmed, assumed and adopted and each of Agent, Co-Agent, Lenders and Holdings shall remain bound by the terms and conditions set forth in the Holdings Subordination Agreement.

12. This Emergency Order shall be sufficient and conclusive evidence of the priority, perfection and validity of all of the post-petition security interests in and liens upon the property of each Debtor's estate granted to Agent, for itself and the ratable benefit of the Lenders, pursuant to this Emergency Order without the necessity of filing, recording or serving any financing statements, mortgages or other documents which may otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the post-petition security interests and liens granted to each Agent, for itself and the ratable benefit of the Lenders, in this Emergency Order and the Existing Financing Agreements. If Agent shall, in its discretion, elect for any reason to file any such financing statements, mortgages or other documents with respect to such security interests and liens, Debtors are authorized and directed to execute, or cause to be executed, all such financing statements, mortgages or other documents upon Agent's request and the filing, recording or service thereof (as the case may be) of such financing statements, mortgages or similar documents shall be deemed to have been made at the time of and on the Petition Date. Agent may, in its discretion, file a certified copy of this Emergency Order in any filing or recording office in any county or other jurisdiction in which any Debtor has an interest in real or personal property and, in such event, the subject filing or recording office is authorized to file or record such certified copy of this Emergency Order in accordance with applicable law.

13. Debtors are authorized to (a) continue the existing blocked account and lockbox arrangements in favor of Agent with National City Bank and to enter into similar arrangements with such other banks as are designated for such purposes pursuant to the Existing

Loan Agreement (the "Collection Accounts"); (b) to deposit or caused to be deposited, or to remit, in kind, immediately to Agent, for itself and the ratable benefit of the Lenders, all monies, checks, credit card sales drafts, credit card sales or charge slips or receipts, or other forms of store receipts, drafts and any other payments or proceeds of Collateral received from account debtors and other parties, now or hereafter obligated to pay for inventory or other property of the Debtors' estates into the Collection Accounts established for the benefit of Agent; (c) to instruct all parties now or hereafter in possession of monies, claims or other payments for the account of Debtors or other property of Debtors' estates in which Agent has a security interest or lien to remit such payments to the Collection Accounts; and (d) to enter into such agreements as may be necessary to effectuate the foregoing.

14. Debtors are authorized, without further order of this Court, to pay or reimburse Agent, Co-Agent and the Lenders for all present and future costs and expenses, including reasonable professional fees and legal expenses, paid or incurred by either Agent, Co-Agent or the Lenders, to effectuate the financing transactions as provided in this Emergency Order and the Existing Financing Agreements, all of which shall be and are included as part of the principal amount of the Post-Petition Obligations, and shall be secured by the Collateral.

15. The automatic stay provisions of Section 362 of the Bankruptcy Code are vacated and modified to the extent necessary to permit Agent, Co-Agent and the Lenders to implement the terms and conditions of the Existing Financing Agreements and this Emergency Order.

16. As additional security for all of the Post-Petition Obligations of Debtors to Agent, Co-Agent and the Lenders existing or arising on and after the Petition Date pursuant to this Emergency Order, the Existing Financing Agreements or otherwise, Agent, for itself and the ratable benefit of the Lenders, is hereby granted an allowed super-priority administrative claim in accordance with Section 364(c)(1) of the Bankruptcy Code having priority in right of payment over any and all other obligations, liabilities and indebtedness of Debtors, now in existence or hereafter incurred by Debtors and over any and all administrative expenses or priority claims of the kind specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b) and 726(b) of the Bankruptcy Code, subject only to the fees of the Clerk of the Bankruptcy Court for the Eastern District of Kentucky and the Office of the United States Trustee.

17. The provisions of this Emergency Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (a) converting any Debtor's Chapter 11 case to a Chapter 7 case, (b) confirming or consummating any plan of reorganization of any Debtor or (c) dismissing any Debtor's Chapter 11 case or any subsequent Chapter 7 case pursuant to Sections 303, 305 or 1112 of the Bankruptcy Code, and the terms and provisions of this Emergency Order as well as the priorities in payment, liens, and security interests granted pursuant to this Emergency Order and the Existing Financing Agreements shall continue in this or any superseding case under the Bankruptcy Code, and such priorities in payment, liens and security interests shall maintain their priority as provided by this Emergency Order until all Post-Petition Obligations are indefeasibly paid and satisfied in full.

18. The provisions of this Emergency Order shall, where applicable, inure to the benefit of each of Debtors, Agent, Co-Agent and the Lenders and shall be binding upon each of Debtors, Agent, Co-Agent and the Lenders and their respective successors and assigns, including any Trustee or other fiduciary hereafter appointed as a legal representative of Debtors or with respect to property of the estates of Debtors, whether under Chapter 11 of the Bankruptcy Code or any subsequent Chapter 7 case, and shall also be binding upon all creditors of Debtors and other parties in interest.

19. The provisions of this Emergency Order shall be effective immediately upon entry of this Emergency Order by the Court pursuant to Bankruptcy Rules 6004(g) and 7062 and any actions taken pursuant thereto shall survive entry of, and shall govern with respect to any conflict with any Order which may be entered confirming any plan of reorganization, dismissing the Chapter 11 Case pursuant to Sections 303, 305 or 1112 of the Bankruptcy Code, or converting the Chapter 11 Case from Chapter 11 to Chapter 7, and the terms and provisions of this Emergency Order as well as the priorities in payment, liens, and security interests granted pursuant to this Emergency Order and the Existing Financing Agreements shall continue in this or any superseding case under the Bankruptcy Code, and such priorities in payment, liens and security interests shall maintain their priority as provided by this Emergency Order until all Post-Petition Obligations are indefeasibly paid and satisfied in full.

20. Debtors waive any right to seek any modifications or extensions of this Emergency Order without the prior written consent of Agent, and no such consent shall be implied by any other action, inaction or acquiescence by Agent.

21. To the extent the terms and conditions of the Existing Financing Agreements are in conflict with the terms and conditions of this Emergency Order, the terms and conditions of this Emergency Order shall control.

22. The terms of the financing arrangements among Debtors, Agent, Co-Agent and the Lenders have been negotiated in good faith and at arms' length between Debtors, on one hand, and Agent, Co-Agent and the Lenders, on the other hand, and any loans, advances or other financial and credit accommodations which are made or caused to be made to Lodestar by Agent, Co-Agent and the Lenders pursuant to the Existing Financing Agreements on and after the Petition Date are deemed to have been extended in good faith, as the term "good faith" is used in Sections 363(m) and 364(e) of the Bankruptcy Code, and shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code in the event that this Emergency Order or any provision hereof is vacated, reversed or modified, on appeal or otherwise.

23. This matter is set for a interim hearing on 9:00<sup>AM</sup> o'clock on 5/3, 2001 ("Interim Hearing"), at Coxington, Ky, at which time any party-in-interest may appear and state its objections, if any, to the post-petition financing arrangements among Debtors, Agent, Co-Agent and the Lenders in accordance with the Existing Financing Agreements and this Emergency Order. The following parties shall immediately, but in no event later than noon, 5/2, 2001, be mailed copies of this Emergency Order or such written summary of this Emergency Order as the Court may approve: (1) the Office of the United States Trustee, (2) the attorneys for Agent, (3) attorneys for Co-Agent, (4) all creditors known to Debtors who may have liens against any of Debtors' assets, (5)

the Debtors' twenty (20) largest unsecured creditors on a consolidated basis, (6) Senior Note Trustee, (7) National City Bank, (8) Iracoal, (9) the Petitioning Creditors, (10) United States Internal Revenue Service, (11) all landlords, owners, operators and/or mortgagors of the premises at which any Debtor's inventory or equipment is located, (12) all equipment lessors of each Debtor, (13) the state taxing authorities, (14) all utilities providing services to each Debtor and (15) all parties in interest that have filed notices of appearance in this Chapter 11 case.

Objections shall be in writing and shall be filed with the Clerk of the Bankruptcy Court, with a copy served upon Greenebaum Doll & McDonald PLLC 3300 National City Tower, Louisville, Kentucky 40202, Attention: John W. Ames, Esq.; and Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, New York 10169, Attention: Jonathan N. Helfat, Esq., so that

such objections are received on or before <sup>noon</sup> ~~the close of business~~ 5/2, 2001; any

objections by creditors or other parties-in-interest to any of the provisions of this Emergency Order shall be deemed waived unless filed and received in accordance with the notice on or

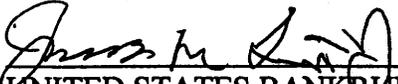
before the close of business on such date. Except as otherwise provided in this paragraph, the terms of this Emergency Order shall be valid and binding upon Debtors, all creditors of Debtors and all other parties-in-interest from and after the date of the entry of this Emergency Order by

this Court. In the event this Court modifies any of the provisions of this Emergency Order and the Existing Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of Agent, Co-Agent and the Lenders pursuant to this Emergency

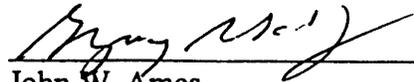
Order with respect to the Collateral, and any portion of the Post-Petition Obligations which arises or is incurred or is advanced prior to such modifications (or otherwise arising prior to such

modifications), and this Emergency Order shall remain in full force and effect except as specifically amended or modified at such Interim Hearing.

Dated: Lexington, Kentucky  
April 22, 2001

  
UNITED STATES BANKRUPTCY JUDGE

Tendered by:



---

John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & McDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

Telephone: (859) 231-8500

Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST  
ATTACHED TO THE MOTION.**

APR 26 2001

EASTERN DISTRICT OF KENTUCKY  
FILED

APR 27 2001

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

IN RE: )  
 )  
LODESTAR ENERGY, INC. )  
LODESTAR HOLDINGS, INC. )  
 )  
DEBTORS )  
\_\_\_\_\_ )

CASE NO. 01-50969 ✓  
CASE NO. 01-50972  
CHAPTER 11 PROCEEDING

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

**ORDER GRANTING EMERGENCY  
MOTION FOR EXPEDITED HEARING**

Upon consideration of the emergency motion (the "Motion") of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), for an expedited hearing; the Court having reviewed the Motion; the relief requested being reasonable and the Court being otherwise sufficiently advised, it is hereby:

ORDERED that the relief requested in the Motion is granted; and it is further

ORDERED that the Court finds good cause exists for an immediate hearing on the following matters (collectively, the "Emergency Motions"):

- a. Consent to Entry of Order for Relief Under Chapter 11 Bankruptcy Code
- b. Debtors' Motion for Expedited Hearing;
- c. Motion for Order Directing Joint Administration and Procedural Consolidation;
- d. Emergency Application for Order Under 11 U.S.C. §§ 327(a) and 329

Authorizing the Employment of Greenebaum Doll & McDonald PLLC;

- e. Motion to Authorize Maintenance of Prepetition Bank Accounts;
- f. Motion of Debtors in Possession for an Order (i) Authorizing the Payment of Prepetition and Gap Period Employee Salaries and Other Business Expenses and (ii) Ratifying Payment of Employee Salaries and Other Employee Business Expenses Made During the Gap Period
- g. Motion for Entry of an Order Approving Postpetition Secured Financing Pursuant to 11 U.S.C. § 364;
- h. Debtor's Motion for an Order (i) Approving Method of Furnishing Adequate Protection of Payment for Utility Services, (ii) Establishing Further Procedures Pursuant to 11 U.S.C. § 366(b) and (iii) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Utility Services;
- i. Motion to Establish Notice Procedures;
- j. Debtors' Motion for an Order Authorizing Debtors to pay Critical Pre-Petition and §507(a)(2) Trade Vendors;
- k. Motion to Extend Time to File Schedules

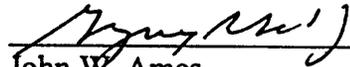
And, it is further ORDERED pursuant to 11 U.S.C. § 102(a) and Bankruptcy Rules 2002(a) and 9007 that the notice provided is sufficient in these particular circumstances based on the relief requested and the need for prompt action thereon, without which irreparable harm to the Debtors would occur; and it is further

ORDERED that hearings on the foregoing matters shall be held before the undersigned on April 27, 2001 at 9:00 a.m.

DATED: 4/27/01

  
United States Bankruptcy Judge

Tendered by:

  
John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & McDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

Telephone: (859) 231-8500

Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**A COPY OF THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST ATTACHED TO THE MOTION.**

LEX:554711.1

APR 27 2001

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

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

IN RE:	)	
	)	
LODESTAR ENERGY, INC.	)	CASE NO. 01-50969
LODESTAR HOLDINGS, INC.	)	CASE NO. 01-50972
	)	
DEBTORS	)	CHAPTER 11 PROCEEDING
_____)		

**ORDER ESTABLISHING NOTICE PROCEDURES**

Upon consideration of the motion (the "Motion") of the above-referenced debtors and debtors-in-possession (the "Debtors") for an Order establishing notice procedures as set forth therein, the Court finds that a significant amount of the Debtors' assets will be consumed by the copying costs, postage charges and handling expenses associated with providing notice to all possible creditors and interested parties in all proceedings herein due to the large number of parties-in-interest in this case. The Court also finds that the relief requested in the Debtors' Motion should be approved and that the establishing of noticing requirements is a matter that relates to the routine administration of this case and may be considered by the Court on a ex parte basis. Therefore, it is hereby

ORDERED that the "Short List" for service in this case shall consist of: (i) the creditors holding the twenty (20) largest unsecured claims against the Debtors; (ii) Secured Lenders (as defined in the Motion); (iii) counsel for any committee appointed by this Court; (iv) those

persons who (A) have filed a notice of appearance and request for notices in this case and (B) served a copy of their notice of appearance and request for notices upon Greenebaum Doll & McDonald PLLC, Attn: Gregory R. Schaaf, 333 W. Vine Street, Suite 1400, Lexington, KY 40507; and (v) government agencies required to receive notice under the Bankruptcy Rules and the Local Rules, including, but not limited to, the Internal Revenue Service and the Kentucky Revenue Cabinet; and it is further

ORDERED that, consistent with the foregoing, the initial Short List is attached hereto as Exhibit "A"; and it is further

ORDERED that the inclusion of any person on the Short List shall not imply or constitute evidence that such person is a creditor or party-in-interest or that such person has standing or the right to be heard on any particular matter; and it is further

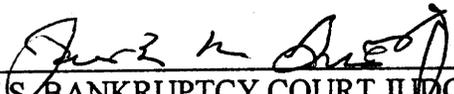
ORDERED that, with respect to all matters covered by Bankruptcy Rule 2002, all notice requirements shall be deemed satisfied for all purposes if notice is given to persons on the Short List; provided, however, that notice will not be limited to the Short List for the following notices: (a) notice of time fixed for filing proofs of claim pursuant to Bankruptcy Rule 3003; (b) notice of any disclosure statement or plan of reorganization, and transmittal of ballots for accepting or rejecting such plan; and (c) notice of time fixed for filing objections and the hearing to consider approval of the disclosure statement or confirmation of a plan; and it is further

ORDERED that whenever notice of a proceeding is required by any Bankruptcy Rule or Local Rule or otherwise to be given to creditors or parties-in-interest, the notice requirement shall

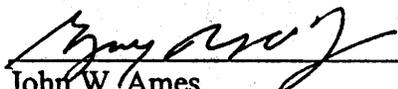
be deemed satisfied for all purposes if notice is given to those persons on the Short List; and it is further

ORDERED that the Debtors shall provide the then current Short List to any party upon request.

Dated: 4/27/81

  
U.S. BANKRUPTCY COURT JUDGE

Tendered by:

  
John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & McDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

Telephone: (859) 231-8500

Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE CURRENT SHORT SERVICE APPROVED BY THE COURT, A COPY OF WHICH IS ATTACHED HERETO.**

SERVICE LIST

**John R. Stonitsch**  
Assistant U.S. Trustee  
100 East Vine Street, #803  
Lexington, KY 40507

**John S. Sawyer**  
Sawyer & Glancy PLLC  
3120 Wall Street, Suite 310  
Lexington, KY 40513

**Revenue Cabinet**  
200 Fair Oaks, Building 2  
P.O. Box 930  
Frankfort, KY 40601-0930

**Internal Revenue Service**  
John C. Stocker, District Director  
801 Broadway, Stop 01  
Nashville, TN 37203

**Timothy S. Peterson**  
Regiment Capital Advisors, LLC  
70 Federal Street, 7th Floor  
Boston, MA 02110

**Lodestar Energy, Inc.**  
333 West Vine Street, Suite #1700  
Lexington, KY 40507

**Wexford Spectrum Investors, LLC**  
c/o Wexford Capital, LLC  
Wexford Plaza  
411 W. Putnam Avenue  
Greenwich, CT 06830

**Solitair Corp.**  
c/o Wexford Capital, LLC  
Wexford Plaza  
411 W. Putnam Avenue  
Greenwich, CT 06830

**Peter S. Partee**  
Hunton & Williams  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond, VA 23219-4074  
COUNSEL FOR INDIANTOWN  
COGENERATION, L.P.

**Valentis Investors, LLC**  
c/o Wexford Capital, LLC  
411 W. Putnam Avenue  
Greenwich, CT 06830

**Peter Savitz**  
50 Perkins Road  
Greenwich, CT 06830

**Gordon C. McCormick**  
1701 Croton Lake Road  
Croton On Hudson, NY 10520

**Charles I. Jones, Jr.**  
Campbell, Woods, Bagley,  
Emerson, McNeer & Herndon,  
P.L.L.C.  
300 Summers Street, Suite 810  
Post Office Box 2393  
Charleston, WV 25328-2393  
COUNSEL FOR KOMATSU  
FINANCIAL LIMITED PARTNERSHIP

**State Street (Bondholders)**  
225 Asylum Street, 23<sup>rd</sup> Floor  
Hartford, CT 06103

**El Dorado**  
655 Craig Road  
St. Louis, MO 63141

**Anthem Blue Cross Blue Shield**  
9901 Linn Station Road  
Louisville, KY 40223

**Larry Blake & Gail Pinson**  
P.O. Box 431  
Pikeville, KY 41501

**Robert Pinson**  
P.O. Box 948  
Pikeville, KY 41501

**Joy Manufacturing**  
P.O. Box 640020  
Pittsburgh, PA 15264-0020

**Horce & Geraldine Boggess**  
1510 State Route 132 W  
Dixon, KY 42409

**Principal Financial**  
P.O. Box 9396  
DesMoines, IA 50306-9396

**Brandeis Machinery**  
1801 Watterson Trail  
Louisville, KY 40232

**Clay Machine**  
P.O. Box 465  
Clay, KY 42404

**Gooding Rubber**  
391 Borax Drive  
Henderson, KY 42420

**Mine Supply**  
P.O. Box 1330  
Carlsbad, NM 88221

**Mine Equipment**  
P.O. Box 968  
Nortonville, KY 42442

**Emerald International**  
7310 Turfway Road, Suite 330  
Florence, KY 41042

**Branham & Baker**  
P.O. Box 271  
Prestonsburg, KY 41653

**Alcoa Fuels Inc**  
P.O. Box 10  
Newburgh, IN 47630

**Minerals Management**  
P.O. Box 5640  
Denver, CO 80217

**DBT America**  
P.O. Box 641589  
Pittsburgh, PA 15264-1589

**Sumiton Mine**  
P.O. Box 638  
Sumiton, AL 35148

**Morgantown-National**  
P.O. Box 98261  
Chicago, IL 60693-8261

**Action Petroleum**  
P.O. Box 609  
Prestonburg, Kentucky 41653

**Glen & Jean Watson**  
800 North Main Street  
Henderson, KY 42420

**Starta Products**  
P.O. Box 3281  
Charleston, WV 25326

**Century Lubricants**  
2140 South 88<sup>th</sup> Street  
Kansas City, KS 66111

**Western Kentucky Railway**  
P.O. Box 2153  
Birmingham, AL 35287-3299

**Ridgetop Mining, Inc.**  
P.O. Box 234  
Grayson, KY 41143

**Hatcher-Trimble Trust**  
c/o Henry Hatcher  
509 Tolie Lane  
Pikeville, KY 41501

**Wright Trucking, Inc.**  
517 West Railroad  
Clay, KY 42404

**Congress Financial Corporation**  
1133 Avenue of the Americas  
New York, New York 10036

**Otterbourg, Steindler, Houston & Rosen**  
230 Park Avenue  
New York, New York 10169  
Attn. Barry Seidel, Esq.

**The Cit Group/Business Credit, Inc.**  
1211 Avenue of the Americas  
New York, New York 10036

**Wilmington Trust Company**  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890-0001  
Attn. Corporate Trust Administration

**Keycorp Leasing Ltd.**  
54 State Street  
Albany, New York 12207  
Attn. Leveraged Lease Manager

**National City Leasing Corporation**  
101 South 5<sup>th</sup> Street  
Louisville, Kentucky 40202  
Attn. Ronald L. Johnson

**KBID Leasing Corporation**  
c/o KeyCorp Leasing Ltd.  
54 State Street  
Albany, New York 12207  
Attn. Leveraged Lease Manager

**Transamerica Equipment Financial  
Services Corporation**  
144 Merchant St., Suite 150  
Cincinnati, Ohio 45246  
Attn. Regional Credit Manager

**Transamerica Equipment Financial  
Services Corporation**  
5080 Spectrum Drive, Suite 1100 West  
Addison, Texas 75001  
Attn. Legal Department

**Colonial Coal Company, Inc.**  
P. O. Box 72  
Paintsville, Kentucky 41240  
Attn. B. W. McDonald, President

**D. B. Kazee**  
Kazee, Kinner, Chafin, Heaberlin & Patton  
P. O. Box 700  
Prestonsburg, KY 41653

**The Cit Group/equipment Financing, Inc.**  
P. O. Box 27248  
Tempe, Arizona 85285-7248

**Grand Valley Rural Power Lines, Inc.**  
P. O. Box 190  
2727 Grand Avenue  
Grand Junction, Colorado 81502-0190

**Komatsu Financial Limited Partnership**  
1333 Butterfield Road, Suite 600  
P. O. Box 7049  
Downers Grove, Illinois 60515-7049  
Attn. Charles A. Naglevitch

**Provident Commercial Group, Inc.**  
One East Fourth Street  
Cincinnati, Ohio 45202

**Kentucky Employers' Mutual Insurance**  
250 West Main Street, Suite 900  
Lexington, KY 40507

**CSX Transportation Inc.**  
6735 Southpoint Drive South  
Jacksonville, Florida 32216-6177  
Attn. Bobbie League J675

**Whayne Supply Company**  
1400 Cecil Avenue  
P. O. Box 35900  
Louisville, Kentucky 40232-5900

**The American Home Assurance Co.**  
80 Pine Street, 5<sup>th</sup> Floor  
P. O. Box 923, Wall Street Station  
New York, New York 10268  
Attn. Mr. Art Stillwell

**U. S. Department of Labor**  
Office of Workers Compensation  
Programs  
Division of Longshore and Harbor  
Workers' Compensation  
200 Constitution Avenue, N. W.  
Room C-4315  
Washington, DC 20210

**Pacific Employers Insurance Company**  
1601 Chestnut Street  
Philadelphia, Pennsylvania 19192

**Frontier Insurance Company**  
195 Lake Louise Marie Road  
Rock Hill, New York 12701  
Attn. Bond Department

**Old Republic Insurance Company**  
P. O. Box 789  
414 W. Pittsburgh Street  
Greensburg, Pennsylvania 15601  
Attn. Mr. John R. Kling, Account  
Executive

**United Pacific Insurance Company**  
Reliance National  
77 Water Street  
New York, New York 10005

**Reliance National Indemnity Company**  
77 Water Street  
New York, New York 10005

**Commonwealth of Kentucky**  
Department of Workers Claims  
Perimeter Park West, Building C  
1270 Louisville Road  
Frankfort, KY 40601

LEX:556277.1

**APR 27 2001**

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

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

IN RE:	)	
	)	
LODESTAR ENERGY, INC.	)	CASE NO. 01-50969
LODESTAR HOLDINGS, INC.	)	CASE NO. 01-50972
	)	
DEBTORS	)	CHAPTER 11 PROCEEDING
<hr/>		

**ORDER DIRECTING JOINT ADMINISTRATION  
AND PROCEDURAL CONSOLIDATION**

Upon consideration of the motion (the "Motion") of the above-referenced debtors and debtors-in-possession (the "Debtors") for an Order directing joint administration and procedural consolidation of their pending Chapter 11 cases, as above-captioned; the Court having found that good and sufficient cause exists for granting the Motion, it appearing that joint administration and procedural consolidation of these cases will be in the best interests of the Debtors' creditors and estates, and will further the economic and efficient administration of these cases; it further appearing that notice of the Motion was proper and adequate under the circumstances of these cases, and that no further notice of the Motion is required; it is hereby

ORDERED, for the reasons set forth in the Motion, that the above-captioned cases shall be procedurally consolidated and jointly administered by this Court and by the Office of the United States Trustee, but shall not be substantively consolidated at this time; and it is further

ORDERED that the caption of the jointly administered Chapter 11 cases shall be as

follows:

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

IN RE ) CHAPTER 11 PROCEEDING  
 )  
LODESTAR ENERGY, INC., )  
LODESTAR HOLDINGS, INC. ) CASE NOS. 01-50969 and  
 ) 01-50972  
DEBTORS )  
 ) Jointly Administered

and it is further

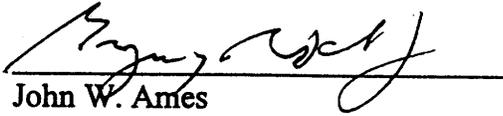
ORDERED that the Clerk of this Court be, and hereby is, directed to make separate docket entries with respect to the other captioned cases as follows:

An order has been entered in this case consolidating this case with the Chapter 11 bankruptcy case of Lodestar Energy, Inc., Case No. 01-50969 for procedural purposes only, and providing for its joint administration in accordance with the terms thereof. All further pleadings and other papers are filed in, and all further docket entries are made in, In re Lodestar Energy, Inc., Chapter 11 Case No. 01-50969.

Dated: 4/27/01

  
U.S. BANKRUPTCY COURT JUDGE

Tendered by:



John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & McDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

Telephone: (859) 231-8500

Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST  
ATTACHED TO THE MOTION.**

LEX:554896.1

APR 26 2001

EASTERN DISTRICT OF KENTUCKY  
FILED

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
LEXINGTON DIVISION

APR 27 2001

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

IN RE:	)	CHAPTER 11
	)	
LODESTAR HOLDINGS, INC.	)	CASE NO. 01-50972
	)	
DEBTOR	)	
<hr/>		

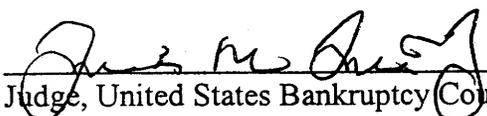
**ORDER FOR RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Upon the involuntary petition (the "Involuntary Petition") filed with this Court on March 30, 2001 against Lodestar Holdings, Inc. ("LHI") by Wexford Spectrum Investors LLC, Solitair Corp., Valentis Investors LLC, Gordon C. McCormick, and Peter Savitz; and upon the Notices of Joining Involuntary Case: Creditors' Petition filed by Regiment Capital, LTD. and Norse CBO, LTD; and upon the consent of LHI to the relief requested in the Involuntary Petition, it is therefore

**ORDERED** that pursuant to 11 U.S.C. § 303(h), the relief requested in the Involuntary Petition is hereby granted and an order for relief shall be entered against LHI; and it is further

**ORDERED** that the entry of this order for relief will in no way constitute an admission or consent to the allegations raised in the Involuntary Petition.

SIGNED this 27 day of April, 2001.

  
\_\_\_\_\_  
Judge, United States Bankruptcy Court

Tendered by:



John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & MCDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

859-231-8500

COUNSEL FOR LODESTAR HOLDINGS, INC.

**Pursuant to Local Rule 9022-1(c), counsel for the Debtors shall serve this Order on the parties on the service list attached to the Consent, and shall file with the Court a certificate of service within five (5) days hereof.**

LOU:630224.1

APR 26 2001

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
LEXINGTON DIVISION

EASTERN DISTRICT OF KENTUCKY  
**FILED**

APR 27 2001

IN RE: )  
 )  
LODESTAR ENERGY, INC. )  
 )  
 )  
DEBTOR )  
\_\_\_\_\_ )

CHAPTER 11

CASE NO. 01-50969

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

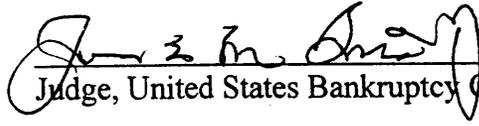
**ORDER FOR RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Upon the involuntary petition (the "Involuntary Petition") filed with this Court on March 30, 2001 against Lodestar Energy, Inc. ("LEI") by Wexford Spectrum Investors LLC, Solitair Corp., Valentis Investors LLC, Gordon C. McCormick, and Peter Savitz; and upon the Notices of Joining Involuntary Case: Creditors' Petition filed by Regiment Capital, LTD. and Norse CBO, LTD; and upon the consent of LEI to the relief requested in the Involuntary Petition, it is therefore

**ORDERED** that pursuant to 11 U.S.C. § 303(h), the relief requested in the Involuntary Petition is hereby granted and an order for relief shall be entered against LEI; and it is further

**ORDERED** that the entry of this order for relief will in no way constitute an admission or consent to the allegations raised in the Involuntary Petition.

SIGNED this 27 day of April, 2001.

  
\_\_\_\_\_  
Judge, United States Bankruptcy Court

Tendered by:



John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & MCDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

859-231-8500

COUNSEL FOR LODESTAR ENERGY, INC.

**Pursuant to Local Rule 9022-1(c), counsel for the Debtors shall serve this Order on the parties on the service list attached to the Consent, and shall file with the Court a certificate of service within five (5) days hereof.**

LEX:556288.1

APR 6 2001

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

EASTERN DISTRICT OF KENTUCKY  
**FILED**

APR 27 2001

IN RE:

LODESTAR ENERGY, INC.  
LODESTAR HOLDINGS, INC.

DEBTORS

CASE NO. 01-50969  
CASE NO. 01-50972

CHAPTER 11 PROCEEDING

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

**ORDER AUTHORIZING MAINTENANCE  
OF PREPETITION BANK ACCOUNTS**

This matter having come before the Court upon the Motion to Authorize Maintenance of Bank Accounts (the "Motion") filed by the above-captioned debtors in possession (the "Debtors"), the Court having considered the matters contained in the Motion, the relief requested being reasonable and the Court being otherwise sufficiently advised, it is hereby

ORDERED that the relief requested in the Motion is granted; and it is further

ORDERED that the Debtors are authorized to maintain the Retained Accounts (as such term is defined in the Motion); and it is further

ORDERED that the Banks shall not honor any checks on (i) the Closed Accounts or (ii) the Retained Accounts that are prior to the last check date on Exhibit "A" to the Motion (attached hereto), provided, that, any order authorizing the Banks to honor checks prior to the last check date on Exhibit "A" shall take precedence over this Order; and it is further

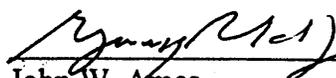
ORDERED that the Debtors make arrangements to mark their existing checks with the "debtor in possession" designation; and it is further

ORDERED that the Debtors serve a copy of this Order on the banks which are a part of the Debtors' cash management system listed on Exhibit "A" to the Motion.

DATED: 4/27/01

  
United States Bankruptcy Judge

Tendered by:

  
John W. Ames  
Bruce E. Cryder  
Gregory R. Schaaf  
GREENEBAUM DOLL & McDONALD PLLC  
333 West Vine Street, Suite 1400  
Lexington, Kentucky 40507  
Telephone: (859) 231-8500  
Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST ATTACHED TO THE MOTION.**

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

EASTERN DISTRICT OF KENTUCKY

FILED

APR 27 2001

AT LEXINGTON

JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

IN RE: )  
)  
LODESTAR ENERGY, INC. ) CASE NO. 01-50969  
LODESTAR HOLDINGS, INC. ) CASE NO. 01-50972  
)  
DEBTORS ) CHAPTER 11 PROCEEDING  
\_\_\_\_\_)

**ORDER (I) AUTHORIZING PAYMENT OF PREPETITION AND GAP PERIOD  
EMPLOYEE SALARIES AND OTHER BUSINESS EXPENSES,  
AND (II) RATIFYING PAYMENT OF EMPLOYEE SALARIES AND  
OTHER EMPLOYEE BUSINESS EXPENSES MADE DURING THE GAP PERIOD**

This matter coming before the Court on the Debtors' Motion for an Order ratifying and authorizing payment of salaries, trust fund payments and payments for benefits (the "Motion"), the Court having reviewed the Motion, a hearing having been held, the Court finding that notice of the Motion was sufficient under the circumstances and the Court being otherwise sufficiently advised, the Court finds just cause for the relief granted herein. All capitalized terms used herein shall have the meaning given them in the Motion unless otherwise noted.

**IT IS HEREBY ORDERED THAT:**

1. The Debtors are authorized in their sole discretion to pay hourly employee wages and federal, state and local taxes actually incurred during the Gap Period, but not paid as of the Order for Relief Date as follows: on April 27, 2001, for work performed from April 15, 2001 through April 22, 2001, in the amount of \$570,610.90.

2. The Debtors are authorized in their sole discretion to pay salaried employees wages and federal, state and local taxes actually incurred during the Gap Period, but not paid as of the Order for Relief Date as follows: on April 30, 2001 for work performed from April 16, 2001 through the Order for Relief Date in the approximate amount of \$416,070.98.

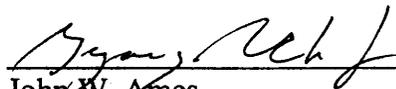
3. The Debtors are authorized to pay actual withheld funds due on April 27, 2001 and April 30, 2001, as shown on Exhibit "C" to the Motion, in the approximate amount of \$231,908.

4. All applicable banks and other financial institutions are hereby authorized and directed to receive, process, honor and pay any and all checks drawn on the Debtors' payroll account and are directed to receive, process, honor and pay any and all checks drawn on the Debtors' payroll account related to the pre-petition and certain Gap Period Employee salaries and other accrued compensation, whether such checks were presented prior to or after the Order for Relief Date, provided only that sufficient funds are available in the applicable accounts to cover such payments.

Dated: 4/27/01

  
\_\_\_\_\_  
U.S. BANKRUPTCY COURT JUDGE

Tendered by:

  
\_\_\_\_\_  
John W. Ames

Bruce E. Cryder

Gregory R. Schaaf

GREENEBAUM DOLL & McDONALD PLLC

333 West Vine Street, Suite 1400

Lexington, Kentucky 40507

Telephone: (859) 231-8500

Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

**THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST  
ATTACHED TO THE MOTION.**

LEX:556386.2

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

**APR 27 2001**

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

IN RE: )  
 )  
LODESTAR ENERGY, INC. ) CASE NO. 01-50969  
LODESTAR HOLDINGS, INC. ) CASE NO. 01-50972  
 )  
 ) CHAPTER 11 PROCEEDING  
DEBTORS )  
\_\_\_\_\_ )

**ORDER GRANTING DEBTORS' MOTION TO PAY CRITICAL PRE-PETITION  
AND §507(a)(2) GAP PERIOD TRADE VENDORS**

This matter having come before the Court upon the Debtors' Motion to Pay Critical Pre-Petition Trade Vendors and Certain §507(a)(2) Gap Period Expenses ("Motion"), the Court having considered the matters contained in the Motion, the relief requested being in the best interests of the Debtors, their creditors and their estates, and the Court being otherwise sufficiently advised, it is hereby

ORDERED that the Debtors are authorized to make Critical Vendor Payments to the Critical Vendors in an amount not to exceed \$1,200,000 (as those terms are defined in the Motion); and it is further

ORDERED that, a Critical Vendor must maintain credit terms consistent with its prepetition practices or thirty days, whichever is longer; and it is further

ORDERED that, if a Critical Vendor fails to comply with the preceding paragraph, then the Debtors may seek to recover such funds pursuant to 11 U.S.C. §549; and it is further

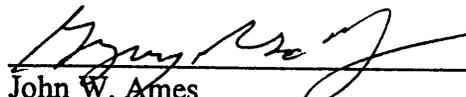
ORDERED that a continued hearing on the Motion shall be held on May 3, 2001 at 9:57

12. m.

DATED: 4/27/01.

  
United States Bankruptcy Judge

Tendered by:

  
John W. Ames  
Bruce E. Cryder  
Gregory R. Schaaf  
GREENEBAUM DOLL & McDONALD PLLC  
333 West Vine Street, Suite 1400  
Lexington, Kentucky 40507  
Telephone: (859) 231-8500  
Facsimile: (859) 255-2742

COUNSEL FOR THE DEBTORS

THIS ORDER SHALL BE SERVED ON THE PARTIES ON THE SERVICE LIST ATTACHED TO THE MOTION.

LOU:631199.4