INCOMING C0070001
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JAN 28 2002
DIVISION OF
OIL, GAS AND MINING

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

In re:	**Case Nos. 01-50969 and 01-50972**
LODESTAR ENERGY INC., et al.,	**Chapter 11**
Debtors.	**Jointly administered under Case No. 01-50969**
LODESTAR ENERGY INC. AND LODESTAR HOLDINGS, INC.,	
Plaintiffs,	**Judge Joseph M. Scott, Jr.**
v.	
THE STATE OF UTAH, et al.,	**Adv. Pro. No. 02-5001**
Defendants.	

PLAINTIFF'S DISCLOSURES OF EXHIBITS
PURSUANT TO ORDER

Lodestar Energy, Inc. and Lodestar Holdings, Inc. (the "Plaintiffs"), in accordance with the Agreed Amended Order Scheduling Hearing and Re: Presentation of Evidence by Affidavit hereby provide the following exhibit disclosures:

Attached hereto are the exhibits that the Plaintiffs will offer into evidence at the hearing of Plaintiff's Motion for Temporary Injunction and/or for Preliminary Injunction set for Thursday, January 31, 2002. Exhibits are marked A-T.

Plaintiffs hereby reserve the right to amend and/or supplement these disclosures at any time prior to the commencement of the hearing to add any additional exhibits and to introduce any exhibit which the Defendants may identify in their disclosures or intend to offer at the hearing.

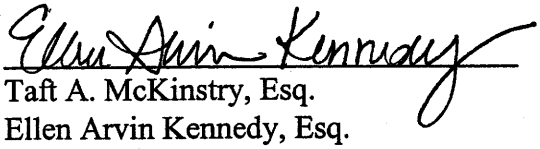
Respectfully submitted,

SQUIRE, SANDERS & DEMPSEY, LLP

Stephen D. Lerner, Esq.
Gregory A. Ruehlmann
Jeffrey A. Marks, Esq.
Suite 3500, 312 Walnut Street
Cincinnati, OH 45202-4036
Telephone: 513-361-1200
Facsimile: 513-361-1201
Email: slerner@ssd.com
gruehlmann@ssd.com
jemarks@ssd.com

and

FOWLER, MEASLE & BELL, LLP



Taft A. McKinstry, Esq.
Ellen Arvin Kennedy, Esq.
300 West Vine Street, Suite 600
Lexington, KY 40507-1660
Telephone: 859-252-6700
Facsimile: 859-255-3735
Email: tmckinstry@fmblaw.com
eakennedy@fmblaw.com

COUNSEL FOR PLAINTIFFS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon those persons listed below by email and/or U.S. Mail, postage pre-paid, as indicated, on this the 22 day of January, 2002:

Matthew B. Bunch, Esq.
271 West Short Street, Suite 805
P.O. Box 2086
Lexington, KY 40588-2086
Email: matt@bunchlaw.com
CO-COUNSEL FOR PACIFIC EMPLOYERS
INSURANCE COMPANY AND STATE OF UTAH
Email and U.S. Mail, Postage Pre-Paid

John Maycock, Esq.
ASSISTANT ATTORNEY GENERAL, STATE OF UTAH
c/o Matthew B. Bunch, Esq.
271 West Short Street, Suite 805
P.O. Box 2086
Lexington, KY 40588-2086
U.S. Mail, Postage Pre-Paid

THE STATE OF UTAH
Mark Shurtleff
Attorney General
State Capitol Office
236 State Capitol
Salt Lake City, UT 84114-0810
U.S. Mail, Postage Pre-Paid

Kathleen Clarke, Executive Director
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining
Or Her Successor in Interest
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
U.S. Mail, Postage Pre-Paid

Lowell P. Braxton, Division Director
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
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3120 Wall Street, Suite 310
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COUNSEL FOR WEXFORD CAPITAL LLC,
WEXFORD SPECTRUM INVESTORS, LLC,
SOLITAIR CORP. AND VALENTIS INVESTORS, LLC
Email and U.S. Mail, Postage Pre-Paid

Ella Ann Kennedy
COUNSEL FOR PLAINTIFFS

AMBTAM\Lodestar\Adv. Utah\Plaintiff's Exhibit List
6670.00010

New York State
Insurance Department

ISSUED: 8/24/2001 **FOR IMMEDIATE RELEASE**

FRONTIER INSURANCE COMPANY AGREES TO VOLUNTARY REHABILITATION

The New York State Insurance Department and Frontier Insurance Company have reached an agreement for Frontier to enter into voluntary rehabilitation. By a vote of the board of directors, Frontier consented to entry of an order of rehabilitation pursuant to Article 74 of the New York State Insurance Law. Upon approval of the rehabilitation by the New York State Supreme Court in New York County, the Department will take control of the property casualty insurance company.

Rehabilitation involves the Superintendent taking possession of the property of the insurer, conducting its business, and taking steps toward the removal of the causes and conditions that have made the rehabilitation proceeding necessary.

Employees of Frontier will continue to be employed in their current positions pending a full review of operations by the Superintendent. Additionally, all insurance policies and other contracts of Frontier will remain in force.

EXHIBIT A

At ~~the~~ IAS Part 19 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York on the day of , 2001

AUG 27 2001

PRESENT

HON. EDWARD H. LEHNER
JUSTICE

----------x

In the matter of

the application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

----------x

Index No. 01/405090

ORDER TO SHOW CAUSE

Upon reading the annexed petition of GREGORY V. SERIO, Superintendent of Insurance of the State of New York (the "Superintendent"), by Kevin Rampe, First Deputy Superintendent, duly verified the 24th day of Aug, 2001, and the emergency affidavit of Kevin Rampe sworn to Aug. 27, 2001 ~~and it appearing that the relief sought should be granted:~~

NOW, on motion of the Hon. Eliot Spitzer, Attorney General of the State of New York, attorney for the Superintendent, and after due deliberation having been had thereon:

LET FRONTIER INSURANCE COMPANY ("Frontier") or its attorney show cause before this ~~Special~~ Part ____, courtroom 130, on the 10 day of SEPTEMBER, 2001 at 9:30 o'clock in the ~~forenoon~~ at 60 CENTRE STREET, NEW YORK, N.Y., or as soon thereafter as counsel may be heard, why an order should not be made

EXHIBIT B

and entered, pursuant to article seventy-four of the New York Insurance Law, appointing the Superintendent as rehabilitator of Frontier, directing the Superintendent to take possession of Frontier's business and property and to take such steps as are necessary to remove the causes and conditions that make this proceeding necessary, issuing the injunctions provided for in section 7419 of the New York Insurance Law, and granting such other relief as is just; and

Sufficient cause having been alleged therefor, let service of a copy of this Order to Show Cause, and the papers upon which it is granted be made by personal service upon Frontier on or before the 30th day of AUGUST, 2001, and such service shall be deemed good and sufficient service, and it is hereby

ORDERED, that pending the hearing of the motion, Frontier, its officers, directors, shareholders, members, trustees, agents, servants, employees, policyholders, attorneys, managers, and all other persons are restrained from the transaction of its business or the waste or disposition of its property, except as authorized by the Superintendent; and it is hereby

ORDERED, that pending the hearing of the motion, the Superintendent is appointed as temporary rehabilitator and is hereby authorized and directed forthwith to take possession of the property of Frontier and conduct the business thereof.

ENTER

J.S.C.

At IAS Part 19 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York on the 10th day of October, 2001.

PRESENT:

HON. EDWARD H. LEHNER

JUSTICE

In the Matter of

The Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

Index No.: 405090/01

ORDER OF REHABILITATION

FILED OCT 15 2001 NEW YORK COUNTY CLERK'S OFFICE

Petitioner, Gregory V. Serio, Superintendent of Insurance of the State of New York (the "Superintendent"), having moved this Court for an order to take possession of the property of and rehabilitate Frontier Insurance Company ("Frontier");

NOW, upon reading and filing the order to show cause signed August 27, 2001, the petition of Gregory V. Serio, Superintendent of Insurance, by Kevin Rampe, First Deputy Superintendent, duly verified August 24, 2001 and the emergency affidavit of Kevin Rampe sworn to on August 27, 2001; (the exhibits annexed thereto); the cross motion by Frontier Insurance Group dated September 7, 2001, the annexed proposed petition, the affidavit of Suzanne Loughlin sworn to on September 7, 2001, the exhibits annexed thereto; the affirmation in opposition by Mary Nicholls dated September 7, 2001; the affirmation in opposition by Adam J. Glatt dated September 7, 2001; the affidavit of Kevin Rampe sworn to on October 3, 2001, and the exhibits annexed thereto;

EXHIBIT C

and the reply affidavit of Joseph Termini sworn to on October 3, 2001 and it appearing to my satisfaction that:

1. Frontier was incorporated in New York as a stock property/casualty insurer on November 2, 1962 and commenced business on August 17, 1966;

2. Frontier's principal place of business is located at 195 Lake Louise Marie Road, Rock Hill, New York in Sullivan County. Frontier's tax ID number is 13-2559805;

3. Frontier is subject to the New York Insurance Law and particularly to article 74 thereof;

4. Frontier is insolvent;

5. Frontier has failed to cure its impairment of capital or minimum surplus to policyholders;

6. Frontier has consented to the entry of the order of rehabilitation; and

7. It is in the best interest of Frontier's policyholders, creditors and the general public that the Superintendent be directed to take possession of Frontier's property and to rehabilitate its business and affairs;

And, the Petitioner, having appeared by the Hon. Eliot Spitzer, Attorney General of the State of New York, and due deliberation having been had;

NOW, on motion of Hon. Eliot Spitzer, Attorney General of the State of New York, it is ORDERED as follows:

1. The petition is granted and the cross-motion is withdrawn;

2. Gregory V. Serio, Superintendent, and his successors in office as Superintendent, is appointed Rehabilitator of Frontier and is authorized and directed to immediately take possession of its property, conduct its business, including but not limited to settling claims within his sole discretion, take such steps toward the removal of the causes and conditions which made this proceeding necessary as he shall deem wise and expedient, and deal with the property and business of Frontier in its name or in the name of the Superintendent as Rehabilitator;

3. Notice to all persons having claims against Frontier to file or present their claims to the Superintendent as Rehabilitator is deferred until further order of this court;

4. Frontier, its officers, directors, depositories, trustees, agents, servants, employees, and all other persons, having any property or records belonging or relating to Frontier, including, but not limited to insurance policy, loss claim and legal files are directed, upon request of the Superintendent as Rehabilitator to assign, transfer, set over and deliver to him all such property or records;

5. Any persons, firms, corporations, or associations having any books, papers or records relating to the business of Frontier shall preserve them and submit them to the Superintendent as Rehabilitator for examination and copying at all reasonable times;

6. All persons including, but not limited to the officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of Frontier, are enjoined and restrained from the transaction of Frontier's business, the waste or disposition of its property, interfering with the Superintendent as Rehabilitator in the possession, control and management of Frontier's property or in the discharge of his duties;

7. All persons are enjoined and restrained from commencing or prosecuting any actions, lawsuits, or proceedings against Frontier, or the Superintendent as Rehabilitator;

8. All persons are enjoined and restrained from obtaining preferences, judgments, attachments or other liens or making any levy against Frontier's assets or any part thereof.

9. All parties to actions, lawsuits, and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any discovery, court conferences including but not limited to pre-trial conference, trial, application for judgment or proceedings on settlements or judgments for a period of one hundred and eighty days from the date of entry of this order.

10. Those persons who may have first-party or New York Comprehensive Automobile Insurance Reparations Act (No-Fault) policyholder loss claims against Frontier coming within the purview of Article 76 of the Insurance Law are enjoined from presenting and filing such claims in this proceeding for 90 days from the date of entry of this order.

11. In addition to the powers enumerated above and those delegated to the Rehabilitator in the New York Insurance Law, the Rehabilitator, by Order to Show Cause on notice to interested parties, including without limitation Frontier's sole shareholder, and subject to court approval, may sell or otherwise dispose of all or any part of the real and personal property of Frontier, sell any line of insurance, and take such other actions as set forth in Section 7428 of the New York Insurance Law.

12. That the Superintendent of Insurance, as Rehabilitator, may at any time make further application at the foot of this Order to this Court for such further and different relief as he sees fit.

13. All further papers in this proceeding shall bear the caption:

In the Matter of

The Rehabilitation of

FRONTIER INSURANCE COMPANY

ENTER

J.S.C.

RehOrder 1

FILED
OCT 15 2001
NEW YORK
COUNTY CLERK'S OFFICE

Sir:

Please take notice that the within is a true copy of
duly filed and entered in the office of the clerk of
County, on the day
of , 2001

Yours, etc.,

ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: , Esq.

Attorney for

Sir

Please take notice that the within

will be presented for settlement and signature herein to the Hon.
one of the Judges of the within named Court, at

In the Borough of
City of New York, on the day of
, 2001.

Date, N.Y., , 2001

Yours, etc.

ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: Esq.

Attorney for

SUPREME COURT : NEW YORK COUNTY

In the Matter of

the Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

ORDER OF REHABILITATION

ELIOT SPITZER
Attorney General

Attorney for the Superintendent of Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

Tel.

Personal Service of a copy of

within.....

is admitted this.....day of

.....2001

UTAH CODE ANNOTATED
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*** STATUTES CURRENT THROUGH THE 2001 SUPPLEMENT ***
*** (2001 FIRST SPECIAL SESSION) ***

TITLE 40. MINES AND MINING

CHAPTER 8. MINED LAND RECLAMATION

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Utah Code Ann. § 40-8-14 (2001)

§ 40-8-14. Surety requirement -- Liability of small mining operations for failure to reclaim -- Forfeiture of surety

(1) After receiving notification that a notice of intention for mining operations other than small mining operations has been approved, but prior to commencement of those operations, the operator shall provide surety to the division, in a form and amount determined by the division or board as provided in this section.

(2) (a) Except as provided in Subsection (3), the division shall approve the amount and form of surety.

(b) In determining the amount of surety to be provided, the division shall consider:

(i) the magnitude, type, and costs of approved reclamation activities planned for the land affected; and

(ii) the nature, extent, and duration of operations under the approved notice.

(c) The division shall approve a fixed amount estimated to be required to complete reclamation at any point in time covered by the notice of intent to an acceptable standard.

(d) In determining the form of surety to be provided by the operator, the division shall approve a method acceptable to the operator consistent with the requirements of this chapter. The form of surety that the operator may provide includes, but is not limited to, the following:

(i) collateral;

(ii) a bond or other form of insured guarantee;

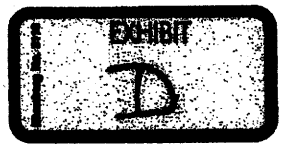
(iii) deposited securities; or

(iv) cash.

(3) (a) If the operator proposes reclamation surety in the form of a written contractual agreement, the board shall approve the form of surety.

(b) In making this decision the board shall consider:

(i) the operator's:



(A) financial status;

(B) assets within the state;

(C) past performance in complying with contractual agreements; and

(D) facilities available to carry out the planned work;

(ii) the magnitude, type, and costs of approved reclamation activities planned for the land affected; and

(iii) the nature, extent, and duration of operations under the approved notice.

(4) In determining the amount and form of surety to be provided under this section, consideration shall be given to similar requirements made on the operator by landowners, governmental agencies, or others, with the intent that surety requirements shall be coordinated and not duplicated.

(5) The liability under surety provisions shall continue until liability in part or in its entirety, is released by the division.

(6) If the operator of a small mining operation fails or refuses to carry out the necessary land reclamation as required by this chapter and the rules of the board, the board, after notice and hearing, may order that:

(a) reclamation be conducted by the division; and

(b) the costs and expenses of reclamation, together with costs of collection including attorney's fees, be recovered in a civil action brought by the attorney general against the operator in any appropriate court.

(7) (a) If the operator of a mining operation other than a small mining operation fails or refuses to carry out the necessary land reclamation as outlined in the approved notice of intention, the board may, after notice and hearing, declare any surety filed for this purpose forfeited.

(b) With respect to the surety filed with the division, the board shall request the attorney general to take the necessary legal action to enforce and collect the amount of liability.

(c) If surety or a bond has been filed with the Division of Forestry, Fire, and State Lands, the School and Institutional Trust Lands Administration, or any agency of the federal government, the board shall certify a copy of the transcript of the hearing and transmit it to the agency together with a request that the necessary forfeiture action be taken.

(d) The forfeited surety shall be used only for the reclamation of the land to which it relates, and any residual amount returned to the rightful claimant.

HISTORY: L. 1975, ch. 130, § 17; 1987, ch. 147, § 6; 1989, ch. 22, § 19; 1995, ch. 299, § 10; 1998, ch. 190, § 1.

NOTES:
AMENDMENT NOTES. --The 1995 amendment, effective May 1, 1995, added internal designations in Subsections (2), (3), and (7); subsituted "an agency of the state or federal government" for "the Division of State Lands and Forestry or an agency of the federal government" in Subsection (7)(c); and made stylistic changes.

The 1998 amendment, effective May 4, 1998, in Subsection (1) added "division or" and "as provided in this section"; added Subsection (2)(a), redesignated former Subsection (3)(a) as (2)(d), subdivided Subsections (2)(b) and (d), and made related designation changes; substituted "division" for "board" throughout Subsection (2);

deleted "factual information and recommendations provided by the division as to" at the end of the introductory phrase in Subsection (2)(b); in Subsection (2)(d), deleted "a written contractual agreement" from the list of forms of surety; added Subsection (3)(a); in Subsection (3)(b), deleted "such factors as" from the end of the introductory language, added the Subsection (i) designation, and redesignated former Subsections (3)(b)(i) to (3)(b)(iv) as (3)(b)(i)(A) to (3)(b)(i)(D); added Subsections (3)(b)(ii) and (3)(b)(iii); in Subsection (7)(c) substituted "the Division of Forestry, Fire, and State Lands, the School and Institutional Trust Lands Administration" for "an agency of the state"; and made numerous related and stylistic changes throughout the section.

FORM B10 (Official Form 10)(4/01)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY (LEXINGTON)

Name of Debtor
Lodestar Energy, Inc., a Deleware Corporation

Case Number
01-50969

[redacted]

Name of Creditor (The person or other entity to whom the debtor owes money or property):
STATE OF UTAH
Name and Address where notices should be sent:

STATE OF UTAH
DIVISION OF OIL GAS & MINING
P O BOX 14580
SALT LAKE CITY, UT 84114

Telephone Number:

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
☐ Check box if you have never received any notices from the bankruptcy court in this case.
☐ Check box if the address differs from the address on the envelope sent to you by the court.

[redacted]

THIS SPACE IS FOR COURT USE ONLY

Account or other number by which creditor identifies debtor:
Permit No. ACT/007/001

Check here if this claim ☐ replaces ☐ amends a previously filed claim, dated _____

1. Basis for Claim
☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other Mine Reclamation obligation under Federal and State Coal Mining Reclamation Acts

☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries, and compensation (fill out below)
Your SS #: _____ _____ _____
Unpaid compensation for services performed from _____ (date) to _____ (date)

2. Date debt was incurred:
July 14, 1999

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed: $_____
If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.
☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.
☒ Check this box if your claim is secured by collateral (including a right of setoff).
Brief Description of Collateral:
☐ Real Estate ☐ Motor Vehicle
☒ Other Reclamation Agreement Surety Bond, Frontier Insurance Company, Surety
Value of Collateral: $_____

Value to Utah: $4,292,000.00

Amount of arrearage and other charges at time case filed included in secured claim, if any: $_____

6. Unsecured Priority Claim.
☐ Check this box if you have an unsecured priority claim
Amount entitled to priority $_____
Specify the priority of the claim:
☐ Wages, salaries, or commissions (up to $4,650),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
☐ Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4).
☐ Up to $ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(__).

Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.
8. Supporting Documents: *Attach copies of supporting documents,* such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.
9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY
EASTERN DISTRICT OF KENTUCKY
FILED
6-4-01
JUN 04 2001
249 KB
AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COURT

Date
5/30/01

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):
Kurt E. Seez, Assistant Attorney General

Penalty for presenting fraudulent claim: Fine of up to $500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

**** Proof of claim forms and attachments must be filed IN DUPLICATE ****
To receive a file-stamped copy, file claim in triplicate and include a self-addressed, stamped envelope.

249

EXHIBIT
E

Bond # Frontier 143715

RECLAMATION AGREEMENT

Permit Number: ACT/007/001
Date Original Permit Issued: August 24, 1984
Effective Date of Agreement: July 14, 1999

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

COAL RECLAMATION AGREEMENT

--ooOOoo--

For the purpose of this **RECLAMATION AGREEMENT** the terms below are defined as follows:

"PERMIT":	(Mine Permit No.)	ACT/007/001 (County) Carbon
"MINE":	(Name of Mine)	White Oak No. 1 and No. 2 Mines
"PERMITTEE":	(Company or Name)	Lodestar Energy, Inc.
	(Address)	333 W. Vine Str., Suite 1700, Lexington, KY 40507
"PERMITTEE'S REGISTERED AGENT":	(Name)	CT Corporation System
	(Address)	50 West Broadway, 8th Floor, Salt Lake City, UT 84101
	(Phone)	(801) 364-5101
"COMPANY OFFICER(S)":		R. Eberley Davis, Vice President and Assistant Secretary
"BOND TYPE":	(Form of Bond)	Surety
"BOND":	(Bond Amount-Dollars)	$4,292,000
	(Escalated to Year)	2004
"INSTITUTION":	(Bank or Agency)	[NA]
"POLICY OR ACCOUNT NUMBER":		[NA]

RECLAMATION AGREEMENT

Permit Number: ACT/007/001
Date Original Permit Issued: _____
Effective Date of Agreement: July 14, 1999

"LIABILITY INSURANCE": (Exp.) 08/31/1999
(Insurance Company) Reliance National

"STATE": Utah Department of Natural Resources
"DIVISION": Division of Oil, Gas & Mining
"DIVISION DIRECTOR": Lowell Braxton

EXHIBITS:

		Revision Dates		
"SURFACE DISTURBANCE"	Exhibit "A"	_____	_____	_____
"BONDING AGREEMENT"	Exhibit "B"	_____	_____	_____
"LIABILITY INSURANCE"	Exhibit "C"	_____	_____	_____
"POWER OF ATTORNEY"		_____	_____	_____

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereinafter referred to as Agreement) is entered into by the Permittee.

WHEREAS, on July 14, 1999, the Division approved the Permit Application Package, hereinafter PAP, submitted by Lodestar Energy, Inc., hereinafter Permittee; **and**

WHEREAS, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; **and**

WHEREAS, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation or the Property; **and**

WHEREAS, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.

2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.

3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.

4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.

6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.

7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.

8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.

9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.

10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)

11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.

12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

RECLAMATION AGREEMENT

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.

14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this 14th day of July, 1999

STATE OF UTAH:

~~Lowell P. Braxton, Director~~
Fran Ann Wright Associate Director, Mining
Division of Oil, Gas & Mining

PERMITTEE:

LODESTAR ENERGY, INC.

VP + AS

R. Eberley Davis, Vice President and
Assistant Secretary

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/001
Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the **RECLAMATION AGREEMENT**, the **PERMITTEE** intends to conduct coal mining and reclamation activities on or within the **PERMIT AREA** as described hereunder: (The bonded area equals the permit area.)

Total acres of **PERMIT AREA**: 3,746 acres

Legal Description of **PERMIT AREA**:

Township 13 South, Range 6 East, SLBM

Section 24:	SE ¼, and portions of S ½ NE ¼, NW ¼ NE ¼, and E ½ SW ¼
Section 25:	E ½, portion of W ½
Section 35:	Portions of E ½ E ½, and SW ¼ SE1/4
Section 36:	All

Township 13 South, Range 7 East, SLBM

Section 8:	E ½ SE ¼, portion of SW ¼ SE ¼
Section 9:	W ½ SW ¼
Section 16:	W ½ W ½, NE ¼ NW ¼, NW ¼ NE ¼
Section 17:	NE ¼ excluding parts of SW ¼ NE ¼ and NE ¼ NE ¼, N ½ SE ¼,
Section 19:	S ½ SW ¼, NE ¼ SW ¼, and portions of W ½ E ½, E ½ NW ¼,
Section 20:	Portions of NE ¼ NE ¼
Section 21:	Portions of NW ¼ NW ¼
Section 30:	W ½ W ½, SE ¼ SW ¼, NE ¼ NW ¼
Section 31:	W ½ NW ¼, SW 1/4

Township 14 South, Range 6 East, SLBM

Section 1:	E ½ NE ¼, NE ¼ SE ¼

Township 14 South, Range 7 East, SLBM

Section 6:	W ½, W ½ E ½
Section 7:	NW ¼, NW ¼ NE ¼

This is the **PERMIT AREA** that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the **SURETY** has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company
SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(FEDERAL COAL)

RECLAMATION AGREEMENT

Exhibit "B" - **SURETY BOND** Permit Number: ACT/007/001

SURETY BOND

(FEDERAL COAL)

THIS SURETY BOND entered into and by and between the undersigned **PERMITTEE**, and **SURETY COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (**OSM**) in the penal sum of $4,292,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this **RECLAMATION AGREEMENT**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE's** reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirement of the Act, the applicable rules and regulations, SMCRA, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** and **OSM** may sustain as a result of the **PERMITTEE's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** and **OSM** of any notice received or action alleging to insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY's** license.

Terms for release or adjustment of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.

LODESTAR ENERGY, INC.
PERMITTEE

R. Eberley Davis VP

By: R. Eberley Davis

Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 19 99.

Frontier Insurance Company
SURETY

Dawn L Morgan

By: Dawn L. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

~~Lowell P. Braxton, Director~~
Division of Oil, Gas & Mining

Mary Ann Wright Associate Director Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "C"

LIABILITY INSURANCE

Willis

July 8, 1999

7 Hanover Square
New York, NY 10004-2594
Telephone 212-344-8888
Fax 212-344-8511
Cable NOORROC
Telex
Domestic 12-8283
International 421034-ITT

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City, UT 84114-5801

Dear Certificate Holder:

Enclosed is the Certificate of Insurance issued on behalf of Lodestar Energy, Inc. and subsidiaries.

Should you have any questions please feel free to call.

Sincerely yours,

Willis Corroon Corporation of New York

Enclosure

cc: Lodestar Energy, Inc. and subsidiaries
Reliance Insurance Company
Reliance National Insurance Company

ACT/007/001
#4
Certificate.
Orig. to Freq
Copy to #4,
Pam

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

Willis Corroon
Corporation of
New York
Insurance Brokers
Consultants

12 + 22

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY) 8-JUL-1999

PRODUCER 89613
Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A: Reliance Insurance Company

COMPANY B: Reliance National Insurance Company

COMPANY C:

COMPANY D:

INSURED

Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	NGB0144-018	01-FEB-1999	31-AUG-1999	GENERAL AGGREGATE	$ 2,000,0
	[X] COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$ 2,000,0
	[ ] CLAIMS MADE [X] OCCUR				PERSONAL & ADV INJURY	$ 2,000,0
	OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	$ 1,000,0
					FIRE DAMAGE (Any one fire)	$ 500,0
					MED EXP (Any one person)	$ 5,0
A	AUTOMOBILE LIABILITY	NKA0144-017	01-FEB-1998	31-AUG-1999	COMBINED SINGLE LIMIT	$ 1,000,0
	[X] ANY AUTO				BODILY INJURY (Per person)	$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS				BODILY INJURY (Per accident)	$
	[X] HIRED AUTOS					
	[X] NON-OWNED AUTOS				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY:	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELLA FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	TBD	09-JUL-1999	09-JUL-2000	[X] WC STATUTORY LIMITS [ ] OTHER	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: [ ] INCL [ ] EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
	OTHER					

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

SEE ATTACHED

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE TI EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL [illegible] MA 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEI [illegible]

AUTHORIZED REPRESENTATIVE

Mary Langes

© ACORD CORPORATION 1

Willis **CERTIFICATE OF INSURANCE** PAGE 2 OF 2

ISSUE DATE (MM/DD/YY) 8-JUL-1999

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW

89613

INSURED

Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

PRODUCER

Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PE INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TE EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
Permit #ACT/007/001, White Oak Mines Complex, located at: Mine Road, off Eccles Canyon Rd., off Route 96, near Scofield, UT.

The General Liability policy includes explosives coverage.

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE T EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ~~[illegible]~~ 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LE ~~[illegible]~~

AUTHORIZED REPRESENTATIVE

Mary Langes

RECLAMATION AGREEMENT

AFFIDAVITS OF QUALIFICATION

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR
--ooOOoo--

I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said **ASSOCIATE DIRECTOR** is authorized to execute the same authority of law on behalf of the State of Utah.

Mary Ann Wright, Associate Director
Division of Oil, Gas & Mining

Subscribed and sworn to before me this 14th day of July, 1999.

Notary Public

My Commission Expires:

February 29, ~~19~~ 2000

Notary Public
VICTORIA A. BAILEY
1594 West North Temple
Salt Lake City, Utah 84114
My Commission Expires
February 29, 2000
State of Utah

Attest:

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--ooOOoo--

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc. ; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

R. Eberley Davis VP+AS

R. Eberley Davis, Vice President and Assistant Secretary

Subscribed and sworn to before me this 9th day of July, 1999.

Linda Kay Kunzi

NOTARY PUBLIC

My Commission Expires:

July 28, 2001

LINDA KAY KUNZI
Notary Public
State of Utah
My Comm. Expires Jul 28,2001
201 South Main Suite 1800 SLC UT 84145

Attest:

STATE OF UTAH _____)
COUNTY OF _____) ss:

LODESTAR ENERGY, INC.

Unanimous Consent in Lieu of Meeting of Board of Directors

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the ~~22~~ 28nd day of July, 1997.

Ira Leon Rennert, Director

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY
-ooOOoo-

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **SURETY COMPANY** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan
[NAME- POSITION]
Dawn L. Morgan - Attorney-in-Fact

Subscribed and sworn to before me this 9th day of July, 19 99.

Kelly A. Jacobs
NOTARY PUBLIC

My Commission Expires:

June 15, 19 2002

"OFFICIAL SEAL"
KELLY A. JACOBS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/15/2002

Attest:

STATE OF Illinois)
COUNTY OF Cook) ss:

RECLAMATION AGREEMENT

POWER OF ATTORNEY

Frontier INSURANCE COMPANY

ROCK HILL, NEW YORK 12775-8000

(A Stock Company)

POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: Lewis James Scheer Michael J. Scheer Alice Rhoads James I. Moore Bonnie Kruse Stephen T. Kazmer Dawn L. Morgan

of Countryside, in the State of Illinois

its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge an deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed: not to exceed Four Million Three Hundred Thousand ($4,300,000.00) Dollars and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 29th day of April, 19 97

FRONTIER INSURANCE COMPANY

BY: _____

HARRY W. RHULEN, President

State of New York
County of Sullivan ss.:

On this 29th day of April, 19 97, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came HARRY W. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NANCY V. PIERRO
Notary Public State of New York
Sullivan County Clerk's No. 2395
Commission Expires July 8, 1998

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this 9th day of July, 19 99.

FORM B10 (Official Form 10)(4/01)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY (LEXINGTON)

PROOF OF CLAIM

Name of Debtor
Lodestar Energy, Inc., a Deleware Corporation

Case Number
01-50969

[redacted]

Name of Creditor (The person or other entity to whom the debtor owes money or property):
STATE OF UTAH
Name and Address where notices should be sent:

STATE OF UTAH
DIVISION OF OIL GAS & MINING
P O BOX 14580
SALT LAKE CITY, UT 84114

Telephone Number:

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
☐ Check box if you have never received any notices from the bankruptcy court in this case.
☐ Check box if the address differs from the address on the envelope sent to you by the court.

[redacted]

THIS SPACE IS FOR COURT USE ONLY

Account or other number by which creditor identifies debtor:
Permit No. ACT/007/020

Check here if this claim ☐ replaces ☐ amends a previously filed claim, dated _____

1. Basis for Claim
☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other Mine Reclamation obligation under Federal and State Coal Mining Reclamation Acts

☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries, and compensation (fill out below)
Your SS #: _____
Unpaid compensation for services performed from _____ (date) to _____ (date)

2. Date debt was incurred: July 14, 1999

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed: $ 711,000.00
If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.
☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.
☒ Check this box if your claim is secured by collateral (including a right of setoff).
Brief Description of Collateral:
☐ Real Estate ☐ Motor Vehicle
☒ Other Reclamation Agreement Surety Bond, Frontier Insurance Company, Surety
Value of Collateral: $_____
Value to Utah: $711,000.00

Amount of arrearage and other charges at time case filed included in secured claim, if any: $_____

6. Unsecured Priority Claim.
☐ Check this box if you have an unsecured priority claim
Amount entitled to priority $_____
Specify the priority of the claim:
☐ Wages, salaries, or commissions (up to $4,650),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
☐ Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4).
☐ Up to $ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(__).

Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.
8. Supporting Documents: *Attach copies of supporting documents,* such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.
9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY
EASTERN DISTRICT OF KENTUC
FILED
6-4-01
JUN 04 2001
250KB
AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COU

Date 5/30/01

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):
Kurt E. Seff, Assistant Attorney General

Penalty for presenting fraudulent claim: Fine of up to $500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

**** Proof of claim forms and attachments must be filed IN DUPLICATE ****
To receive a file-stamped copy, file claim in triplicate and include a self-addressed, stamped envelope.

750

Bond # Frontier 125427

RECLAMATION AGREEMENT

Permit Number: ACT/007/020
Date Original Permit Issued: October 10, 1996
Effective Date of Agreement: July 14, 1999

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

COAL RECLAMATION AGREEMENT

--ooOOoo--

For the purpose of this **RECLAMATION AGREEMENT** the terms below are defined as follows:

"PERMIT":	(Mine Permit No.)	ACT/007/020 (County) Carbon
"MINE":	(Name of Mine)	Horizon Mine
"PERMITTEE":	(Company or Name)	Lodestar Energy, Inc.
	(Address)	333 W. Vine Str., Suite 1700, Lexington, KY 40507
"PERMITTEE'S REGISTERED AGENT":	(Name)	CT Corporation System
	(Address)	50 West Broadway, 8th Floor, Salt Lake City, UT 84101
	(Phone)	(801) 364-5101
"COMPANY OFFICER(S)":		R. Eberley Davis, Vice President and Assistant Secretary
"BOND TYPE":	(Form of Bond)	Surety
"BOND":	(Bond Amount-Dollars)	$711,000
	(Escalated to Year)	2001
"INSTITUTION":	(Bank or Agency)	[NA]
"POLICY OR ACCOUNT NUMBER":		[NA]

RECLAMATION AGREEMENT

Permit Number: ACT/007/020
Date Original Permit Issued: _____
Effective Date of Agreement: _____

"LIABILITY INSURANCE": (Exp.) 08/31/1999
(Insurance Company) Reliance National

"STATE": Utah Department of Natural Resources
"DIVISION": Division of Oil, Gas & Mining
"DIVISION DIRECTOR": Lowell Braxton

EXHIBITS:		Revision Dates		
"SURFACE DISTURBANCE"	Exhibit "A"	_____	_____	_____
"BONDING AGREEMENT"	Exhibit "B"	_____	_____	_____
"LIABILITY INSURANCE"	Exhibit "C"	_____	_____	_____
"POWER OF ATTORNEY"		_____	_____	_____

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereinafter referred to as Agreement) is entered into by the Permittee.

WHEREAS, on July 14, 19 99, the Division approved the Permit Application Package, hereinafter PAP, submitted by Lodestar Energy, Inc, hereinafter Permittee; **and**

WHEREAS, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; **and**

WHEREAS, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation or the Property; **and**

WHEREAS, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.

2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.

3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.

4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.

6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.

7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.

8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.

9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.

10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)

11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.

12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.

14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this 14th day of July, 1999

STATE OF UTAH:

Mary Ann Wright Associate Director, Mining

~~Lowell P. Braxton, Director~~

Division of Oil, Gas & Mining

Mary Ann Wright

PERMITTEE:

LODESTAR ENERGY, INC.

R. Eberley Davis VP+AS

R. Eberley Davis, Vice President and Assistant Secretary

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/020
Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder: (The bonded area equals the permit area.)

Total acres of PERMIT AREA: 317.5

Legal Description of PERMIT AREA:

Township 13 South, Range 8 East, SLM, Utah

Section 8: SE1/4 SW1/4, SW1/4 NW1/4 SW1/4 SE1/4, W1/2 SW1/4 SW1/4 SE1/4,

Section 17: NW1/4 NE1/4, S1/2 NW1/4, N1/2 NW1/4 SW1/4, NE1/4 SW1/4, NW1/4 SE1/4, N1/2 SE1/4 SW1/4, N1/2 SW1/4 SE1/4, W1/2 W1/2 SW1/4 NE1/4

This is the PERMIT AREA that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the SURETY has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company
SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(NON-FEDERAL COAL)

RECLAMATION AGREEMENT

Exhibit "B" - **SURETY BOND** Permit Number: ACT/007/020

SURETY BOND

(NON-FEDERAL COAL)

--ooOOoo--

This **SURETY BOND** entered into by and between the undersigned **PERMITTEE**, and **SURETY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**) in the penal sum of $711,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of the Reclamation Agreement.

This **SURETY BOND** will remain in effect until all of the **PERMITTEE's** reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirements of the Act, the applicable rules and regulations, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** from all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** of any notice received or action alleging the insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY's** license.

Terms for release or adjustment of the **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEEMNT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.
insert here

LODESTAR ENERGY, INC.
PERMITTEE

R. Eberley Davis VP

By: R. Eberley Davis

Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 19 99.

Frontier Insurance Company
SURETY

Dawn L. Morgan

By: Dawn L. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

~~Lowell P. Braxton, Director~~
Division of Oil, Gas & Mining
Mary Ann Wright Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "C"

LIABILITY INSURANCE

Willis

July 8, 1999

7 Hanover Square
New York, NY 10004-2594
Telephone 212-344-8888
Fax 212-344-8511
Cable NOORROC
Telex:
Domestic 12-8283
International 421034-ITT

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City, UT 84114-5801

ACT/007/020 #

Dear Certificate Holder:

Enclosed is the Certificate of Insurance issued on behalf of Lodestar Energy, Inc. and subsidiaries.

Should you have any questions please feel free to call.

Certificate Orig. to file
Copies to #4,
Pam, PTO

Sincerely yours,

Willis Corroon Corporation of New York

Enclosure

cc: Lodestar Energy, Inc. and subsidiaries
Reliance Insurance Company
Reliance National Insurance Company

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

Willis Corroon
Corporation of
New York
Insurance Brokers
Consultants

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY) 8-JUL-1999

PRODUCER 89613
Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A: Reliance Insurance Company

COMPANY B: Reliance National Insurance Company

COMPANY C:

COMPANY D:

INSURED

Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	NGB0144-018	01-FEB-1999	31-AUG-1999	GENERAL AGGREGATE	$ 2,000,0
	X COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$ 2,000,0
	CLAIMS MADE X OCCUR				PERSONAL & ADV INJURY	$ 2,000,0
	OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	$ 1,000,0
					FIRE DAMAGE (Any one fire)	$ 500,0
					MED EXP (Any one person)	$ 5,0
A	AUTOMOBILE LIABILITY	NKA0144-017	01-FEB-1998	31-AUG-1999	COMBINED SINGLE LIMIT	$ 1,000,0
	X ANY AUTO				BODILY INJURY (Per person)	$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS				BODILY INJURY (Per accident)	$
	X HIRED AUTOS					
	X NON-OWNED AUTOS				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY:	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELLA FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	TBD	09-JUL-1999	09-JUL-2000	X WC STATUTORY LIMITS / OTHER	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
	OTHER					

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Permit # ACT/007/020 Horizon Coal Mine

The General Liability policy includes explosive coverage.

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL [illegible] MAIL 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT [illegible]

AUTHORIZED REPRESENTATIVE

Mary Langer

RECLAMATION AGREEMENT

AFFIDAVITS OF QUALIFICATION

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR
--ooOOoo--

I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said **ASSOCIATE DIRECTOR** is authorized to execute the same authority of law on behalf of the State of Utah.

Mary Ann Wright, Associate Director
Division of Oil, Gas & Mining

Subscribed and sworn to before me this 14th day of July, 1999.

Notary Public

My Commission Expires:

February 29, 2000

Notary Public
VICTORIA A. BAILEY
1594 West North Temple
Salt Lake City, Utah 84114
My Commission Expires
February 29, 2000
State of Utah

Attest:

STATE OF Utah)
COUNTY OF SALT LAKE) ss:

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--ooOOoo--

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc.; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

R. Eberley Davis VP + AS

R. Eberley Davis, Vice President and Assistant Secretary

Subscribed and sworn to before me this 9th day of July, 1999.

Linda Kay Kunzi

NOTARY PUBLIC

My Commission Expires:

July 28, 2001

LINDA KAY KUNZI
Notary Public
State of Utah
My Comm. Expires Jul 28,2001
201 South Main Suite 1800 SLC UT 84145

Attest:

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

LODESTAR ENERGY, INC.

Unanimous Consent in Lieu of Meeting of Board of Directors

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the ~~22~~ 28nd day of July, 1997.

Ira Leon Rennert, Director

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY

--ooOOoo--

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan
[NAME- POSITION]
Dawn L. Morgan - Attorney-in-Fact

Subscribed and sworn to before me this 9th day of July, 19 99.

Kelly A. Jacobs
NOTARY PUBLIC

My Commission Expires:

June 15, 19 2002

"OFFICIAL SEAL"
KELLY A. JACOBS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/15/2002

Attest:

STATE OF Illinois)
COUNTY OF Cook) ss:

RECLAMATION AGREEMENT

POWER OF ATTORNEY

Frontier
INSURANCE COMPANY
Rock Hill, New York 12775
(A Stock Company)

POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office i Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to affach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: Lewis James Scheer, Michael J. Scheer, James I. Moore
Alice Rhoads, Bonnie Kruse, Stephen T. Kazmer, Dawn L. Morgan

of Countryside, in the State of Illinois

its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; IN AN AMOUNT NOT TO EXCEED THREE MILLION FIVE HUNDRED THOUSAND ($3,500,000.00) DOLLARS; and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 29th day of April, 19 97

FRONTIER INSURANCE COMPANY

BY: _____
HARRY W. RHULEN, President

State of New York
County of Sullivan ss.:

On this 29th day of April, 19 97, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came HARRY W. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NOTARY PUBLIC STATE OF NEW YORK

NANCY V. PIERRO
Notary Public State of New York
Sullivan County Clerk's No. 2395
Commission Expires July 8, 2000

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this 9th day of July, 19 99

JOSEPH P. LOUGHLIN, Secretary

Lodestar Energy, Inc.
Mountain Operations
White Oak, Horizon, and Grand Valley Mines
HC35 Box 370
Helper, Utah 84526

Original Documents in Fireproof file

RECEIVED
MAY 04 2001
DIVISION OF
OIL, GAS AND MINING

Copy to Incoming
Incoming Green Binder
5/07/01

May 1, 2001

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

SUBJECT: Original Documents for Adding Rider Naming OSM as additional Obligee on Horizon Mine's Reclamation Bond

Dear Ms. Grubaugh-Littig:

Lodestar Energy, Inc. is respectfully submitting the original documents for the adding of OSM as an additional Obligee on Horizon Mine's Reclamation bond.

Attached are the original rider, affidavit of qualification from the surety company, affidavit of qualification from the permittee (Lodestar) and the stipulation to revise reclamation agreement.

If there are any questions, please feel free to call me at (435)448-9454 or 9455.

Sincerely,

David B. Miller
Business Manager

File:/Horizon/Dogm/DOGM010501.doc

Frontier
INSURANCE COMPANY
2636 Elm Hill Pike, Suite 500
Nashville, TN 37214
(A Stock Company)

POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: Lewis James Scheer Michael J. Scheer James I. Moore Alice Rhoads Bonnie Kruse Stephen T. Kazmer Dawn L. Morgan Peggy Faust Kelly A. Jacobs

of Countryside, in the State of Illinois

its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; IN AN AMOUNT NOT TO EXCEED FIVE MILLION ($5,000,000.00) DOLLARS; and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its Vice President and its Corporate seal to be affixed this 7th day of December, 1994

FRONTIER INSURANCE COMPANY

FRONTIER INSURANCE COMPANY CORPORATE SEAL 1962 NEW YORK

BY: _____
DAVID E. CAMPBELL, Vice President

State of New York
County of Sullivan ss.:

On this 7th day of December, 1994, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came DAVID E. CAMPBELL of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

ALICIA A. LANESE NOTARY PUBLIC STATE OF NEW YORK

_____
ALICIA A. LANESE
Notary Public State of New York
Sullivan County Clerk's No. 2396
Commission Expires July 8, 2000

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this 27th day of March, 2001.

FRONTIER INSURANCE COMPANY CORPORATE SEAL 1962 NEW YORK

_____
JOSEPH P. LOUGHLIN, Secretary

Frontier Insurance Company

Rider to be attached to and form a part of Bond Number **143714** on behalf of **Lodestar Energy, Inc.** at **333 West Vine St., Ste. 1700 Lexington KY 40507-1628** (Principal), and in favor of **State of Utah, Division of Oil, Gas & Mining** (Obligee), executed by the Company indicated above (Surety) in the amount of **Seven Hundred Eleven Thousand And No/100** Dollars **($711,000.00)**, effective **July 9, 1999**.

The Principal and the Surety hereby consent to adding the following to the said bond:

U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM) as additional Obligee, and;

"In the event the State-Federal Cooperative Agreement (944.30CFR Chapter VII (7-1-2000 edition)) between Division and OSM is terminated then the portion of the bond covering Federal Lands will be payable only to OSM."

Nothing herein contained shall vary, alter or extend any provision or condition of the bond other than as above stated.

Signed, Sealed and Dated this **27th** day of **March, 2001.**

Lodestar Energy, Inc.
Principal

By: R. Ebertley Davis VP
R. Ebertley Davis
Vice President

Frontier Insurance Company
Surety

By: Dawn L. Morgan
Dawn L. Morgan, Attorney-in-Fact

STATE OF ILLINOIS }
} S.S.
COUNTY OF COOK }

On March 27, 2001, before me, a Notary Public in and for said County and State, residing therein, duly commissioned and sworn, personally appeared Dawn L. Morgan, known to me to be Attorney-in-Fact of Frontier Insurance Company, the corporation described in and that executed the within and foregoing instrument, and known to me to be the person who executed the said instrument, and known to me to be the person who executed the said instrument on behalf of the said corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year stated in this certificate above.

My Commission Expires on June 15, 2002

"OFFICIAL SEAL"
KELLY A. JACOBS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/15/2002

Kelly A. Jacobs
Notary Public

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY
--oo0oo--

I, Dawn L. Morgan, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) agent of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **SURETY COMPANY** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations herein.

Dawn L. Morgan
Dawn L. Morgan

Attorney-in-Fact
(Position)

Subscribed and sworn to before me this 27th day of March, 20 01.

Kelly A. Jacobs
Notary Public

"OFFICIAL SEAL"
KELLY A. JACOBS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/15/2002

My Commission Expires: 6/15/2002

Attest:

STATE OF Illinois)

COUNTY OF Cook)ss:

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR
--ooOOoo--

Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of Mining for the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said Associate Director is authorized to execute the same by authority of laws on behalf of the State of Utah.

(Signed) _____
Mary Ann Wright, Associate Director, Mining
Division of Oil, Gas and Mining

Subscribed and sworn to before me this 7th day of May, 2001.

_____
Notary Public

JOELLE BURNS
NOTARY PUBLIC - STATE OF UTAH
1594 W. N. Temple, #1210
Salt Lake City, UT 84116
My Comm. Exp. 4-4-2005

My Commission Expires:

April 4, 2005.

Attest:

STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

AFFIDAVIT OF QUALIFICATION
PERMITTEE
—oo00oo—

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he is the Vice President of Lodestar Energy, Inc., the **PERMITTEE**; and that he is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

R. Eberley Davis, Vice President

Subscribed and sworn to before me this 27th day of April, 2001.

Connie G. Stanke
Notary Public

My Commission Expires: 6/29/2002

Attest:

STATE OF KENTUCKY)

COUNTY OF FAYETTE)ss

Permit Number: C/007/020
Effective Date: May 7, 2001

COAL
STIPULATION TO REVISE RECLAMATION AGREEMENT
--ooOOoo--

This STIPULATION TO REVISE RECLAMATION AGREEMENT entered into by and between the PERMITTEE and DIVISION incorporates the following revisions or changes to the RECLAMATION AGREEMENT: (Identify and Describe Revisions Below)

The addition of a rider to the reclamation bond to include the Office of Surface Mining (OSM) as an additional Obligee. This was required because of the addition of a portion of Federal Lease UTU-74804 to the permit area.

In accordance with this STIPULATION TO REVISE RECLAMATION AGREEMENT, the following Exhibits have been replaced by the PERMITTEE and are approved by the DIVISION:

___ Replace the RECLAMATION AGREEMENT in its entirety.

___ Replace Exhibit "A" - PERMIT AREA.

_X_ Replace Exhibit "B" - BONDING AGREEMENT. *(Insert rider and affidavits of Qualification)*

___ Replace Exhibit "C" - LIABILITY INSURANCE.

The BONDING amount is revised from ($_____) to ($_____).

The BONDING Type is changed from _____ to _____.

The SURFACE DISTURBANCE is revised from _____ acres to _____ acres.

The EXPIRATION DATE is revised from _____ to _____.

The LIABILITY INSURANCE carrier is changed from _____

to _____.

The AMOUNT of INSURANCE coverage for bodily injury and property damage

is changed from ($_____) to ($_____).

IN WITNESS WHEREOF the PERMITTEE has hereunto set its signature and seal this 27th day of April, 20 01.

Lodestar Energy, Inc.
PERMITTEE

By: R. Eberley Davis
R. Eberley Davis

Title: Vice President

ACCEPTED BY THE STATE OF UTAH
this 7th day of May, 2001.

Associate Director, Division of Oil, Gas and Mining

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF UTAH

COMPLAINANT: UTAH INSURANCE DEPARTMENT	**NOTICE OF INFORMAL ADJUDICATIVE PROCEEDING AND ORDER**
RESPONDENT: FRONTIER INSURANCE COMPANY 195 Lake Louis Marie Road Rock Hill, NY 12775 Utah Organization ID No. 1802	**REVOCATION OF CERTIFICATE OF AUTHORITY** **DOCKET No.** 2001-174-EX

The Utah Insurance Department has commenced this informal adjudicative proceeding pursuant to Utah Code Annotated (U.C.A.), Sections 31A-2-201 and 63-46b-3 and Utah Administrative Code (U.A.C.), Rule R590-160. Based upon information contained in agency files or known to the Commissioner, the Commissioner makes the following:

FINDINGS OF FACT

1. The Respondent is an insurer domiciled in New York and authorized to do business in the State of Utah, Utah Organization ID No. 1802.

2. Respondent was placed in rehabilitation in its state of domicile on October 10, 2001.

3. Respondent does not meet the risk based capital requirements to do an insurance business in the State of Utah.

Having entered his Findings of Fact, the Commissioner now enters his:

CONCLUSIONS OF LAW

1. Grounds exist for delinquency proceedings under Chapter 27 of the Utah Insurance

EXHIBIT G

Code if Respondent were a domestic insurer.

2. Respondent's Certificate of Authority should be revoked pursuant to U.C.A. § 31A-14-217.

Based upon the foregoing Findings of Fact and Conclusions of Law, the Commissioner now enters the following:

ORDER

IT IS HEREBY ORDERED:

1. Respondent's Certificate of Authority in the State of Utah is revoked forthwith.

2. Respondent is still subject to regulation by the Utah Department of Insurance until a release of regulation is obtained pursuant to the requirements of the Utah Insurance Code.

3. This Order shall become final fifteen (15) days after the date of mailing unless a written request for a hearing is received from the Respondent in the offices of the department prior to that date. A written request for a hearing shall be signed by the person making the request and shall state the basis for the relief requested.

NOTIFICATION

If you request a hearing regarding this matter, the department will be represented by M. Gale Lemmon, Enforcement Counsel, State Office Building, Room 3110, Salt Lake City, Utah 84114, Telephone Number (801) 538-3800. If you do not request a hearing, you may seek agency review of this Order by filing a written petition with the department within 30 days of the date the Order becomes final. However, agency review of an order that becomes final without a hearing will be limited to review of the record and not an evidentiary hearing. Failure to request a hearing or to seek agency review will be considered a failure to exhaust administrative

remedies and will preclude any further administrative or judicial review or appeal on this matter.

DATED THIS 24th day of October, 2001.

MERWIN U. STEWART
INSURANCE COMMISSIONER

Mark E. Kleinfield

MARK E. KLEINFIELD, Esq.
Administrative Law Judge
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114
Telephone (801) 538-3800

UTAH CODE ANNOTATED
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*** STATUTES CURRENT THROUGH THE 2001 SUPPLEMENT ***
*** (2001 FIRST SPECIAL SESSION) ***

TITLE 31A. INSURANCE CODE

CHAPTER 27. INSURERS REHABILITATION AND LIQUIDATION

PART 1. GENERAL PROVISIONS

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Utah Code Ann. § 31A-27-101 (2001)

§ 31A-27-101. Scope, purpose, and construction

(1) The proceedings authorized by this chapter may be applied to:

(a) all insurers and reinsurers who are doing, or have done, an insurance business in this state, and against whom claims arising from that business may exist now or in the future;

(b) all insurers who give the appearance of or claim they do an insurance business in this state;

(c) all insurers who have insureds resident in this state; and

(d) all other persons organized or in the process of organizing to do an insurance business as an insurer in this state.

(2) The purpose of this chapter is the protection of the interests of insureds, creditors, and the public generally, with minimum interference with the normal prerogatives of owners, through:

(a) early detection of any potentially dangerous condition in an insurer, and prompt application of appropriate corrective measures;

(b) improved methods for rehabilitating insurers, by enlisting the advice and management expertise of the insurance industry;

(c) enhanced efficiency and economy of liquidation, through clarification and specification of the law, to minimize legal uncertainty and litigation;

(d) equitable apportionment of any unavoidable loss;

(e) lessening the problems of interstate rehabilitation and liquidation by facilitating cooperation between states in the liquidation process, and by extending the scope of personal jurisdiction over debtors of the insurer outside this state; and

(f) regulation of the insurance business by law relating to delinquency procedures and by substantive rules on the entire insurance business.

(3) This chapter shall be liberally construed to effect the purpose stated in Subsection (2). It does not limit the powers granted the commissioner by other provisions of law.

HISTORY: C. 1953, 31A-27-101, enacted by L. 1985, ch. 242, § 32; 1986, ch. 204, § 221.

NOTES TO DECISIONS

ANALYSIS
Final judgment rule.
Cited.

FINAL JUDGMENT RULE.
The Legislature did not intend that orders approving the sale of an asset be excepted from the rule that only final orders and judgments are appealable. *Golfland Entertainment Ctrs. Inc. v. Utah Ins. Comm'r, 930 P.2d 276 (Utah Ct. App. 1996).*

CITED in *Davister Corp. v. United Republic Life Ins. Co., 152 F.3d 1277 (10th Cir. 1998).*

COLLATERAL REFERENCES

C.J.S. --44 C.J.S. Insurance § 127 et seq.

A.L.R. --Validity, construction, and effect of statute establishing compensation for claims not paid because of insurer's insolvency, *30 A.L.R.4th 1110.*
Validity, construction, and application of Uniform Insurers Liquidation Act, *44 A.L.R.5th 683.*

Wednesday, November 14, 2001

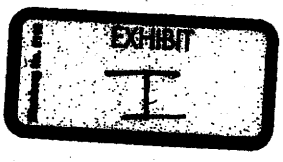
New York State Consolidated Laws

Back | New York State Laws | Assembly Home

Insurance

ARTICLE 74
REHABILITATION, LIQUIDATION, CONSERVATION
AND DISSOLUTION OF INSURERS

Section 7401. Application of article; definitions.
7402. Grounds for rehabilitation of domestic insurer.
7403. Order of rehabilitation; advances from property/casualty insurance security fund; termination.
7404. Grounds for liquidation.
7405. Order of liquidation; rights and liabilities.
7406. Grounds for conservation of assets of foreign or alien insurer.
7407. Order of conservation or ancillary liquidation of a foreign or alien insurer.
7408. Uniform insurers liquidation act; title; definitions.
7409. Conduct of delinquency proceedings against insurers domiciled in this state.
7410. Conduct of delinquency proceedings against insurers not domiciled in this state.
7411. Filing and proving of claims of non-residents against delinquent insurers domiciled in this state.
7412. Filing and proving of claims of residents against delinquent insurers domiciled in reciprocal states.
7413. Priority of preferred claims, special deposit claims and secured claims.
7414. Attachment and garnishment of assets.
7415. Uniformity of interpretation.
7416. Grounds for dissolution of domestic insurer.
7417. Commencement of a proceeding.
7418. Service of order to show cause.
7419. Injunctions.
7420. Annual report.
7421. Removal of proceedings.
7422. Appointment of deputies; employment of assistants.
7423. Exemption from filing fees.
7424. Deposit of monies collected; preference.
7425. Voidable transfers.
7427. Offsets.
7428. Disposition of assets and compromise of claims.
7429. Borrowing on the pledge of assets.
7430. Levy of assessments; determination of liability of members.
7431. Determination of liability of members for other indebtedness.
7432. Adjudication of insolvency of insurer; time to file claims.
7433. Proof and allowance of claims.
7434. Distribution of assets.
7435. Distribution for life insurers.
7436. Claims-made policies; special requirements



[illegible] claims made policies; special requirements.

S 7401. Application of article; definitions. (a) This article shall apply to all corporations, associations, societies, orders, firms, and individuals to which this chapter is applicable, or which are subject to examination or supervision by the superintendent under this chapter or under any other law of this state, or which are doing or attempting to do or representing that they are doing the business of insurance in this state, or which are in process of organization for the purpose of or intending to do such business therein, anything in this chapter or any other law of this state to the contrary notwithstanding.

(b) In this article:

(1) "insurer" includes all corporations, associations, societies, orders, firms, and individuals specified in subsection (a) hereof;

(2) "assets" includes all deposits and funds of a special or trust nature.

S 7402. Grounds for rehabilitation of domestic insurer. The superintendent may apply under this article for an order directing him to rehabilitate a domestic insurer which:

(a) Is insolvent within the meaning of section one thousand three hundred nine of this chapter.

(b) Has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent, his deputy or examiner.

(c) Has failed or refused to comply, within the time designated by the superintendent, with an order of the superintendent, pursuant to law, to make good an impairment of its capital, or minimum surplus to policyholders, if a stock insurer, or of its minimum surplus, if a mutual insurer, a reciprocal insurer, Lloyds underwriters or a co-operative fire insurance corporation.

(d) Has transferred or attempted to transfer, by contract of reinsurance or otherwise, substantially its entire property or business, or entered into any transaction which merges substantially its entire property or business into the property or business of any other corporation, association, society, order, firm or individual, without having first obtained the approval of the superintendent.

(e) Is found, after examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, creditors, or the public.

(f) Has wilfully violated its charter or any law of the state.

(g) Has an officer who refused to be examined under oath, concerning its affairs.

(h) If organized under article five-a, six, seven, eight, ten or ten-b of the former insurance law constituting chapter twenty-eight of the consolidated laws of nineteen hundred nine, or if organized as a mutual or non-stock insurer under article nine-a, nine-c, ten, eleven-a, eleven-b, twelve or fourteen of the former insurance law constituting chapter twenty-eight of the consolidated laws in effect immediately before the effective date of this chapter or article forty-one, forty-two, forty-four, forty-five, sixty-one or sixty-six of this chapter, including amendments thereto in force at the time of such organization, is found to be in such condition, after examination, that it could not meet the requirements for incorporation and authorization specified in such articles except with respect to having any required initial surplus.

(i) Has ceased to do the business of insurance for a period of one year as provided in subsection (b) of section one thousand two hundred three of this chapter.

(j) Has commenced voluntary liquidation or dissolution, or attempts to commence or prosecute any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, trustee, custodian, or sequestrator under any law except this article.

(k) Has been the subject of an application for the appointment of a receiver, trustee, custodian or sequestrator of the insurer or its [illegible]

property, or if a receiver, trustee, custodian, or sequestrator is appointed by a federal court or if such appointment is imminent.

(l) Has consented to such an order through a majority of its directors, shareholders, or members.

(m) Has not organized or completed its organization and obtained a license or certificate authorizing it to commence the doing of an insurance business within one year from the date of its incorporation, as provided in subsection (a) of section one thousand two hundred three of this chapter.

(n) Has failed or refused to take such steps as may be necessary to remove from office any officer or director whom the superintendent has found, after notice to and hearing of such insurer and of such officer or director, to be a dishonest or untrustworthy person.

(o) Has an occurrence of an authorized control level event or a mandatory control level event pursuant to subsection (f) or (g) of section one thousand three hundred twenty-two of this chapter.

S 7403. Order of rehabilitation; advances from property/casualty insurance security fund; termination. (a) An order to rehabilitate a domestic insurer shall direct the superintendent and his successors in office, as rehabilitator, forthwith to take possession of the property of such insurer and to conduct the business thereof, and to take such steps toward the removal of the causes and conditions which have made such proceeding necessary as the court shall direct.

* (b) (1) If: (i) provision is made therefor in an order to rehabilitate a domestic insurer, (ii) more than fifty percent of the insurer's net direct premiums in the preceding three calendar years were derived from business in this state which is protected by the property/casualty insurance security fund, and (iii) such insurer has consented to rehabilitation, the commissioner of taxation and finance shall advance monies of such fund, in such amounts as specified in the court's order, to the rehabilitator to enable the insurer to comply with any surplus requirement or other requirement of this chapter.

(2) Before issuing such order, the court shall determine that the insurer has the potential and capability, pursuant to a plan submitted by the rehabilitator, of complying with all surplus and other requirements of this chapter and repaying such advance to the fund within two years after termination of the rehabilitation proceeding, at a rate of interest approved by the superintendent to be determined annually which shall not be less than the average rate of return of the fund as determined by the superintendent for the preceding calendar year.

(3) The plan shall include: (i) an explanation of the factors leading to the insurer's condition requiring rehabilitation and the procedures proposed to improve its condition, and (ii) a provision for posting collateral with the rehabilitator as security for the advance, to the extent that the insurer's assets permit.

(4) The court shall not order any advance to the rehabilitator without his specific request or if the insurer's required capital or surplus is impaired in an amount exceeding the greater of thirty million dollars or fifteen percent of the insurer's net direct premium writings in the previous calendar year. Total advances to an insurer shall not exceed the greater of forty million dollars or twenty percent of such net direct premium writings. No advance shall be made on or after July first, two thousand which would lower the amount of assets in the fund below one hundred ninety-five million dollars.

(5) Advances shall, in all respects except as to rate of interest, be subject to the provisions of section one thousand three hundred seven of this chapter, provided that in the event that an insurer which has received an advance pursuant to this subsection is subsequently the subject of an order of liquidation, the claim of the fund for the advance and any accrued interest shall be paid to the fund in accordance with the provisions of section seven thousand four hundred thirty-four of this article.

(6) This subsection shall expire July first, two thousand, provided that the insurer's obligation to repay to the fund moneys advanced to it

under this subsection, and the fund's claim for the advance, and any accrued interest, as a priority over all non-secured creditors, shall survive such expiration date.

* NB Expires July 1, 1999

(c) If at any time the superintendent deems further efforts to rehabilitate such insurer would be futile, he may apply to the court under this article for an order of liquidation.

(d) The rehabilitator or any interested person upon due notice to the superintendent, at any time, may apply for an order terminating any rehabilitation proceeding and permitting such insurer to resume possession of its property and the conduct of its business, but no such order shall be granted except when, after a full hearing, the court shall determine that the purposes of the proceeding have been fully accomplished.

S 7404. Grounds for liquidation. The superintendent may apply under this article for an order directing the superintendent to liquidate the business of a domestic insurer, or of the United States branch of an alien insurer having trusteed assets in this state, upon any of the grounds specified in subsections (a) through (o) of section seven thousand four hundred two of this article, whether or not there has been a prior order directing the superintendent to rehabilitate such insurer.

S 7405. Order of liquidation; rights and liabilities. (a) An order to liquidate the business of a domestic insurer shall direct the superintendent and his successors in office, as liquidator, forthwith to take possession of the property of such insurer and to liquidate the business of the same and deal with such property and business of such insurer in their own names as superintendents or in the insurer's name as the court may direct, and to give notice to all creditors to present their claims.

(b) The superintendent and his successors shall be vested by operation of law with the title to all property, contracts and rights of action of such insurer as of the date of the entry of the order so directing them to liquidate. The filing or recording of such order in any record office of the state shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such insurer would have imparted. The rights and liabilities of any such insurer and of its creditors, policyholders, shareholders, members and all other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the date the order is entered in the office of the clerk of the county where such insurer had its principal office on the date the proceeding commenced, subject, however, to the provisions of section seven thousand four hundred thirty-three of this article to the rights of claimants holding contingent claims.

(c) The liquidator of any domestic insurance corporation shall reinsure all its policy obligations in any solvent corporation authorized to do business in this state if the unearned premium reserve of the insurer is sufficient to effect such reinsurance. If such reserve is insufficient for that purpose, the liquidator shall reinsure a percentage of each policy obligation of the insurer outstanding to the extent that the reserve may be sufficient for that purpose. No contract of reinsurance shall be entered into by the liquidator except pursuant to an order of the court in which the liquidator was appointed directing the reinsurance and establishing the general form of the reinsurance contract.

(d) An order to liquidate the business of the United States branch of an alien insurer having trusteed assets in this state shall be in the same terms as those hereinbefore prescribed, except that only the assets of the business of such United States branch shall be included therein.

(e) Where the trustee of a mortgage series consisting in whole or in part of certificated mortgage investments guaranteed by a domestic insurer has distributed all of the trust estate collateral, or has been permitted by court order to abandon all or part of such collateral not distributed, the court, by order, may, upon the consent of the

liquidator of the insurer, direct the superintendent, upon being furnished with a list of certificate holders certified to by the trustee, to record subsequent transfers of certificates and charge and collect a reasonable fee therefor, and distribute dividends applicable thereto upon liquidation of company assets in his hands, to the record owners of such certificates, and make and deduct from such dividend payments a reasonable charge for such services. The duty of the superintendent under such order shall terminate upon the termination of the liquidation proceedings.

(f) (1) No later than one hundred eighty days after a final order of liquidation with an adjudication of insolvency of an insurer by a court of competent jurisdiction of this state, the liquidator may in his sole discretion make application to the court for approval of a proposal to disburse assets out of marshalled assets, from time to time as such assets become available, to any fund established by article seventy-six of this chapter and any foreign entity performing a similar function, having obligations because of such insolvency. If the liquidator determines that there are insufficient assets to disburse, the application authorized by this subsection shall be considered satisfied by a filing by the liquidator stating the reasons for this determination.

(2) Such proposal shall at least include provisions for:

(A) reserving amounts for the payment of expenses of administration, claims of secured creditors to the extent of the value of the security held, and claims falling within the priorities established in section seven thousand four hundred twenty-six of this article;

(B) disbursement of the assets marshalled to date and subsequent disbursement of assets as they become available;

(C) disbursements to the funds and entities entitled thereto under this subsection in amounts estimated to be at least equal to all claim payments for which such funds or entities could assert claims against the liquidator, and if the assets available for disbursement from time to time do not at least equal such claim payments, then disbursements in the amount of available assets;

(D) equitable allocation of disbursements to each of such funds or entities;

(E) the securing by the liquidator from each of such funds or entities of an agreement to return to the liquidator such assets, together with income earned on assets previously disbursed, as may be required to pay claims of secured creditors and claims falling within the priorities established in section seven thousand four hundred twenty-six of this article in accordance with such priorities. No bond shall be required of any such fund or entity; and

(F) a full report to be made by each such fund or entity to the liquidator accounting for all assets so disbursed to the fund or entity, all disbursements made therefrom, any income earned by the fund or entity on such assets and any other matters as the court may direct.

(3) Notice of such application shall be given to such funds and entities and to the commissioners of insurance of each of the states. Any such notice shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, at least thirty days prior to submission of such application to the court. Action on the application may be taken by the court if the required notice has been given and the liquidator's proposal complies with subparagraphs (A), (B) and (D) of paragraph two of this subsection.

(g) No later than one hundred twenty days after the end of the calendar or fiscal year of a domestic insurance corporation subject to rehabilitation or liquidation, upon whichever standard the corporation conducts its financial affairs, the rehabilitator or liquidator shall submit to the department an annual report of the preceding calendar or fiscal year's activity of such corporation. Such report, which shall pertain only to such corporation's activities and those of the rehabilitator or liquidator as they relate to such corporation, shall include a financial review of the assets and liabilities of the corporation, the claims accrued or paid in that period, and a summary of

all other corporate activity and a narrative of the actions of the rehabilitator or liquidator respecting such corporation. This report shall be separate and apart from other reports issued by the liquidation bureau of the department in the normal course of its business.

S 7406. Grounds for conservation of assets of foreign or alien insurer. (a) The superintendent may apply under this article for an order directing the superintendent to conserve the assets within the state of a foreign insurer upon:

(1) any of the grounds specified in subsection (a) through (g), (j), (k) or (o) of section seven thousand four hundred two of this article, or

(2) upon the ground that such insurer has consented to such an order through a majority of its directors, shareholders or members, or has had its property sequestrated in its domiciliary country or state or in any other country or state.

(b) The superintendent may apply under this article for an order directing him to conserve the assets within this state of an alien insurer, except one which has its trusteed assets in this state, on any of the grounds specified in subsection (a), (b), (d) through (g), (j) or (k) of section seven thousand four hundred two of this article, or upon the ground that it has failed or refused to comply, within the time designated by the superintendent, with an order of the superintendent, pursuant to law, to rectify an impairment of its trusteed surplus, or that it has consented to such an order through a majority of its directors, shareholders or members, or has had its property sequestrated in its domiciliary country or elsewhere.

S 7407. Order of conservation or ancillary liquidation of a foreign or alien insurer. (a) An order to conserve the assets of a foreign or alien insurer shall direct the superintendent and his successors in office, as conservator, forthwith to take possession of, and conserve, the insurer`s property within this state, subject to the court`s further direction.

(b) Where the superintendent has been appointed pursuant to the provisions of section seven thousand four hundred six of this article as conservator of the assets within the state of a foreign or alien insurer, for which a domiciliary receiver is subsequently appointed for such insurer in its domiciliary state which is also a reciprocal state, as defined in section seven thousand four hundred eight of this article, the superintendent, upon request of the domiciliary receiver, shall, notwithstanding subsection (a) of section seven thousand four hundred ten of this article, apply to the court in which such conservation proceeding was commenced for an order appointing the superintendent as ancillary receiver for such foreign or alien insurer.

(c) Whenever a domiciliary receiver is appointed for any insurer in its domiciliary state which is also a reciprocal state, as defined in section seven thousand four hundred eight of this article, the superintendent, upon request of the domiciliary receiver, shall, notwithstanding subsection (a) of section seven thousand four hundred ten of this article, apply to a court of competent jurisdiction for an order appointing the superintendent as ancillary receiver of such insurer.

(d) Notwithstanding subsection (a) of section seven thousand four hundred ten of this article, the court may on the application of the superintendent pursuant to subsection (b) or (c) of this section appoint the superintendent as the ancillary receiver in this state, subject to the provisions of sections seven thousand four hundred eight through seven thousand four hundred fifteen of this article. Subject to the provisions of such sections, the rights and duties of the superintendent with reference to such insurer and such assets shall include those heretofore exercised by and imposed upon ancillary receivers of foreign corporations in this state.

S 7408. Uniform insurers liquidation act; title; definitions. (a) This section and sections seven thousand four hundred nine through seven thousand four hundred fifteen of this article may be cited as the uniform insurers liquidation act.

uniform insurers liquidation act.

(b) In this act:

(1) "Insurer" means any person, firm, corporation, association, or aggregation of persons doing an insurance business and subject to the insurance supervisory authority of, or to liquidation, rehabilitation, reorganization, or conservation by, the superintendent of insurance of this state, or the equivalent insurance supervisory official of another state.

(2) "Delinquency proceeding" means any proceeding commenced against an insurer for the purpose of liquidating, rehabilitating, reorganizing, or conserving such insurer.

(3) "Foreign country" means territory not in any state.

(4) "Domiciliary state" means the state in which an insurer is incorporated or organized, or, as to an insurer incorporated or organized in a foreign country, the state in which such insurer, having become authorized to do business in such state, has, at the commencement of delinquency proceedings, the largest amount of its assets held in trust and assets held on deposit for the benefit of its policyholders or policyholders and creditors in the United States; and any such insurer is deemed to be domiciled in such state.

(5) "Ancillary state" means any state except a domiciliary state.

(6) "Reciprocal state" means any state other than this state in which in substance and effect the provisions of this act are in force, including the provisions requiring that the insurance commissioner or equivalent insurance supervisory official be the receiver of a delinquent insurer.

(7) "General assets" means all property, real, personal, or otherwise, not specifically mortgaged, pledged, deposited, or otherwise encumbered for the security or benefit of specified persons or a limited class of persons, and as to such specifically encumbered property the term includes all such property or its proceeds in excess of the amount necessary to discharge all sums secured thereby. Assets held in trust and assets held on deposit for the security or benefit of all policyholders, or all policyholders and creditors in the United States, are general assets.

(8) "Preferred claim" means any claim with respect to which the law of a state or of the United States accords priority of payment from the general assets of the insurer.

(9) "Special deposit claim" means any claim secured by a deposit made pursuant to statute for the security or benefit of a limited class of persons, but not including any general assets.

(10) "Secured claim" means any claim secured by mortgage, trust, deed, pledge, deposit as security, escrow, other security interest, or otherwise, but not including special deposit claims or claims against general assets. The term also includes claims which more than four months prior to the commencement of delinquency proceedings in the state of the insurer's domicile have become liens upon specific assets by reason of judicial process.

(11) "Receiver" means receiver, liquidator, rehabilitator, or conservator as the context may require.

S 7409. Conduct of delinquency proceedings against insurers domiciled in this state. (a) Whenever under the laws of this state a receiver is to be appointed in delinquency proceedings for an insurer domiciled in this state, the court shall appoint the superintendent as such receiver and direct the superintendent forthwith to take possession of the assets of the insurer and to administer the same under the orders of the court.

(b) As domiciliary receiver the superintendent and his successors in office shall be vested by operation of law with the title to all property, contracts, and rights of action, and all books and records of the insurer wherever located, as of the date of entry of the order directing him to liquidate a domestic insurer or the United States branch of an alien insurer domiciled in this state, and he shall have the right to recover the same and reduce the same to possession; except

that ancillary receivers in reciprocal states shall have, as to assets located in their respective states, the rights and powers hereinafter prescribed for ancillary receivers appointed in this state as to assets located in this state. The filing or recording of the order directing possession to be taken, or a certified copy thereof, in the office where instruments affecting title to property are required to be filed or recorded shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title duly filed or recorded. The superintendent as domiciliary receiver shall be responsible for the proper administration of all assets coming into his possession or control. The court may at any time require bond from him or his deputies if deemed desirable for the protection of the assets.

(c) Upon taking possession of the assets of a delinquent insurer the domiciliary receiver shall, subject to the direction of the court, immediately proceed to conduct the business of the insurer or to take such steps as are authorized by the laws of this state for the purpose of liquidating, rehabilitating, reorganizing, or conserving the affairs of the insurer. In connection with delinquency proceedings he may appoint special deputy superintendents, and employ such counsel, clerks, and assistants as he deems necessary. Their compensation and all expenses of taking possession of the insurer and of conducting the delinquency proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer. Within the limits of the duties imposed upon them special deputies shall possess all the powers given to, and, in the exercise of those powers, shall be subject to all duties imposed upon, the receiver with respect to delinquency proceedings.

S 7410. Conduct of delinquency proceedings against insurers not domiciled in this state. (a) Whenever under the laws of this state an ancillary receiver is to be appointed in delinquency proceedings for an insurer not domiciled in this state, the court shall appoint the superintendent as ancillary receiver. The superintendent shall file a petition requesting the appointment if he finds that there are sufficient assets of such insurer located in this state to justify the appointment of an ancillary receiver, or if ten or more persons resident in this state having claims against such insurer file a petition with the superintendent requesting the appointment of such ancillary receiver.

(b) The domiciliary receiver for the purpose of liquidating an insurer domiciled in a reciprocal state, shall be vested by operation of law with the title to all of the property, contracts, and rights of action, and all books and records of the insurer located in this state, and shall have the immediate right to recover balances due from local agents and obtain possession of any books and records of the insurer found in this state. He shall also be entitled to recover the other assets of the insurer located in this state except that upon the appointment of an ancillary receiver in this state, the ancillary receiver shall during the ancillary receivership proceedings have the sole right to recover such other assets. The ancillary receiver shall, as soon as practicable, liquidate from their respective securities those special deposit claims and secured claims which are proved and allowed in the ancillary proceedings in this state, and shall pay the necessary expenses of the proceedings. All remaining assets he shall promptly transfer to the domiciliary receiver. Subject to the foregoing provisions the ancillary receiver and his deputies shall have the same powers and be subject to the same duties with respect to the administration of such assets, as a receiver of an insurer domiciled in this state.

(c) The domiciliary receiver of an insurer domiciled in a reciprocal state may sue in this state to recover any assets of such insurer to which he may be entitled under the laws of this state.

S 7411. Filing and proving of claims of non-residents against delinquent insurers domiciled in this state. (a) In a delinquency

proceeding begun in this state against an insurer domiciled in this state, claimants residing in reciprocal states may file claims either with the ancillary receivers, if any, in their respective states, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

(b) (1) Controverted claims of claimants residing in reciprocal states may either be proved in this state as provided by law, or, if ancillary proceedings have been commenced in such reciprocal states, may be proved in those proceedings.

(2) If a claimant elects to prove his claim in ancillary proceedings and if notice of the claim and opportunity to appear and be heard is afforded the domiciliary receiver of this state as provided in section seven thousand four hundred twelve of this article with respect to ancillary proceedings in this state, the final allowance of such claim by the courts in the ancillary state shall be accepted in this state as conclusive as to its amount, and as to its priority, if any, against special deposits or other security located within the ancillary state.

S 7412. Filing and proving of claims of residents against delinquent insurers domiciled in reciprocal states. (a) In a delinquency proceeding in a reciprocal state against an insurer domiciled in that state, claimants residing in this state may file claims either with the ancillary receiver, if any, appointed in this state, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary proceeding.

(b) (1) Controverted claims belonging to claimants residing in this state may be proved either in the domiciliary state as provided by the law of that state, or in ancillary proceedings, if any, in this state.

(2) If the claimant elects to prove his claim in this state, he shall file it with the ancillary receiver in the manner provided by the law of this state for the proving of claims against insurers domiciled in this state, and he shall give notice in writing to the receiver in the domiciliary state either by registered mail or by personal service at least forty days prior to the date set for hearing. The notice shall contain a concise statement of the amount of the claim, the facts on which it is based, and the priorities asserted, if any. If the domiciliary receiver, within thirty days after the giving of such notice, shall give notice in writing to the ancillary receiver and to the claimant, either by registered mail or personal service, of his intention to contest such claim, he shall be entitled to appear or to be represented in any proceeding in this state involving the adjudication of the claim.

(3) The final allowance of the claim by the courts of this state shall be accepted as conclusive as to its amount, and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within this state.

S 7413. Priority of preferred claims, special deposit claims and secured claims. (a) In a delinquency proceeding against an insurer domiciled in this state, claims owing to residents of ancillary states shall be preferred claims if like claims are preferred under the laws of this state. All such claims whether owing to residents or non-residents shall be given equal priority of payment from general assets regardless of where such assets are located.

(b) In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this state shall be preferred if like claims are preferred by the laws of that state.

(c) The owners of special deposit claims against an insurer for which a receiver is appointed in this or any other state shall be given priority against their several special deposits in accordance with the provisions of the statutes governing the creation and maintenance of such deposits. If there is a deficiency in any such deposit so that the

[illegible] claims secured thereby are not fully discharged therefrom, the claimants may share in the general assets, but such sharing shall be deferred until general creditors, and also claimants against other special deposits who have received smaller percentages from their respective special deposits, have been paid percentages of their claims equal to the percentage paid from the special deposit.

(d) The owner of a secured claim against an insurer for which a receiver has been appointed in this or any other state may surrender his security and file his claim as a general creditor, or the claim may be discharged by resort to the security, in which case the deficiency, if any, shall be treated as a claim against the general assets of the insurer on the same basis as claims of unsecured creditors. If the amount of the deficiency has been adjudicated in ancillary proceedings as provided in this act, or if it has been adjudicated by a court of competent jurisdiction in proceedings in which the domiciliary receiver has had notice and opportunity to be heard, such amount shall be conclusive; otherwise the amount shall be determined in the delinquency proceeding in the domiciliary state.

S 7414. Attachment and garnishment of assets. During the pendency of delinquency proceedings in this or any reciprocal state no action or proceeding in the nature of an attachment, garnishment, or execution shall be commenced or maintained in the courts of this state against the delinquent insurer or its assets. Any lien obtained by any such action or proceeding within four months prior to the commencement of any such delinquency proceeding or at any time thereafter shall be void as against any rights arising in such delinquency proceeding.

S 7415. Uniformity of interpretation. The uniform insurers liquidation act shall be interpreted and construed to effectuate its general purpose to make uniform the law of those states that enact it. To the extent that its provisions, when applicable, conflict with other provisions of this chapter, the provisions of this act shall control.

S 7416. Grounds for dissolution of domestic insurer. The superintendent may apply under this article for an order dissolving the corporate existence of a domestic insurer: (i) upon his application for an order of liquidation of its business, or at any time after such order has been granted; or (ii) upon the grounds specified in subsection (m) of section seven thousand four hundred two of this article, regardless of whether an order of liquidation is sought or has been obtained.

S 7417. Commencement of a proceeding. The superintendent represented by the attorney general shall commence any proceeding under this article by an application to the supreme court, in the judicial district in which the principal office of the insurer is located, for an order directing such insurer to show cause why the superintendent should not have the requested relief. On the return of such order, and after a full hearing, which shall be held without delay, such court shall either deny the application or grant it together with such other relief as the nature of the case and the interests of policyholders, creditors, shareholders, members, or the public may require.

S 7418. Service of order to show cause. (a) The order to show cause and the papers upon which it is granted shall be served upon the insurer named therein by delivering true copies to, and leaving them with:

(1) If a domestic corporation: its president or other head, the secretary or clerk to the corporation, the cashier, the treasurer or any director or managing agent.

(2) If a foreign or alien corporation: its president, vice-president, treasurer or assistant treasurer, secretary or assistant secretary, or any director or managing agent or, if the corporation has no such officers within this state, to the officer performing corresponding functions

corresponding functions.

(3) If a voluntary, unincorporated or a joint stock association, order or society: the president, vice-president, treasurer, director, trustee or other officer or a member with managerial powers.

(4) If a reciprocal insurer or Lloyds underwriters: the duly designated attorney-in-fact.

(b) When it is satisfactorily proved by the verified report of an examiner to the superintendent or by affidavit of any other person familiar with the facts that the persons upon whom service is required to be made have departed from the state or keep themselves concealed therein or have resigned from their offices within forty days prior to the application for an order to show cause under the provision of this section, or that service cannot be made immediately by the exercise of reasonable diligence, such order may provide for service in such manner as the court directs.

S 7419. Injunctions. (a) Upon application by the superintendent for an order to show cause under this article or at any time thereafter, the court in which such order is made, or any justice thereof may without notice issue an injunction restraining the insurer, its officers, directors, shareholders, members, trustees, agents, servants, employees, policyholders, attorneys, managers, and all other persons from the transaction of its business or the waste or disposition of its property until further order of the court.

(b) Such court or justice may at any time during a proceeding under this article issue such other injunctions or orders as it deems necessary to prevent interference with the superintendent or the proceeding, or waste of the assets of the insurer, or the commencement or prosecution of any actions, the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against the insurer, its assets or any part thereof.

S 7420. Annual report. The superintendent shall transmit to the legislature in his annual report the names of all insurers proceeded against under this article together with such facts as shall acquaint the policyholders, creditors, shareholders, and the public with all proceedings. To that end the special deputy superintendent in charge of any such insurer shall file annually with the superintendent a report of the affairs of such insurer.

S 7421. Removal of proceedings. Any time after commencement of a proceeding under this article, the superintendent may apply ex parte to the court or any justice thereof for an order changing the venue of and removing the proceeding to Albany county, or, in the discretion of the superintendent, to any other county of this state in which he deems that such proceeding may be most economically and efficiently conducted. Upon the filing of any such application, the court or any justice thereof shall direct the clerk of the county wherein such proceeding is pending to transmit all papers filed therein with such clerk to the clerk of the county to which such proceeding is removed. The proceeding shall thereafter be conducted in such other county as though it had been commenced in such county.

S 7422. Appointment of deputies; employment of assistants. (a) For the purposes of this article the superintendent shall have power to appoint special deputy, and assistant special deputy, superintendents as his agents, and to employ such counsel, clerks and assistants as may by him be deemed necessary and to give them such powers to assist him as he considers wise.

(b) The compensation of such special and assistant special deputy superintendents, counsel, clerks and assistants, and all expenses of conducting any proceeding under this article shall be fixed by the superintendent, subject to the approval of the court, and shall be paid out of the funds or assets of such insurer.

S 7423. Exemption from filing fees. The superintendent shall not be required to pay any fee to any county clerk, register or other public officer in this state for filing, recording, issuing a transcript or certificate, or authenticating any paper or instrument pertaining to the exercise by the superintendent of any of the powers or duties conferred upon him by any of the provisions of this article, whether or not such paper or instrument be executed by the superintendent or his deputies or attorneys of record and whether or not it is connected with the commencement of an action or judicial proceeding by or against the superintendent, or with the subsequent conduct of such an action or proceeding.

S 7424. Deposit of monies collected; preference. Monies collected by the superintendent in a proceeding under this article shall be deposited in one or more state or national banks, savings banks, or trust companies. In the case of insolvency or voluntary or involuntary liquidation of any such depositary organized and supervised under the laws of this state, such deposits shall be entitled to priority of payment on an equality with any other priority given by the banking law of this state. The superintendent may in his discretion deposit such monies or any part thereof in a national bank or trust company as a trust fund.

S 7425. Voidable transfers. (a) Any transfer of, or lien created upon, the property of an insurer within twelve months prior to the granting of an order to show cause under this article with the intent of giving to any creditor or enabling him to obtain a greater percentage of his debt than any other creditor of the same class and which is accepted by such creditor having reasonable cause to believe that such a preference will occur, shall be voidable.

(b) Every director, officer, employee, shareholder, member or other person acting on behalf of such insurer who shall be concerned in any such prohibited act and every person receiving thereby any property of such insurer or the benefit thereof shall be personally liable therefor and shall be bound to account to the superintendent.

(c) The superintendent, as liquidator, rehabilitator or conservator in any proceeding under this article, may avoid any transfer of, or lien upon, the property of an insurer which any creditor, shareholder or member of such insurer might have avoided and may recover the property transferred or its value from the transferee unless he was a bona fide holder for value prior to the date of the granting of an order to show cause under this article. Such property or its value may be recovered from anyone who has received it except a bona fide holder for value.

(d) Notwithstanding the provisions of subsection (a) of this section, a commutation of a reinsurance agreement, approved by the superintendent pursuant to section one thousand three hundred twenty-one of this chapter, shall not be voidable as a preference.

S 7427. Offsets. (a) In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this article, such credits and debts shall be set off and the balance only shall be allowed or paid, except as provided in subsection (b) hereof.

(b) No offset shall be allowed in favor of any such person, however, where:

(1) the obligation of the insurer to such person would not at the date of the entry of any liquidation order, or otherwise, as provided in section seven thousand four hundred five of this article, entitle him to share as a claimant in the assets of such insurer, or

(2) the obligation of the insurer to such person was purchased by or transferred to such person with a view of its being used as an offset, or

(3) the obligation of such person is to pay an assessment levied against the members of a mutual insurer or to pay a balance upon a subscription to the shares of a stock insurance corporation.

S 7428. Disposition of assets and compromise of claims. (a) The superintendent may, subject to the approval of the court:

(1) sell or otherwise dispose of all or any part of the real and personal property of an insurer against whom a proceeding has been brought under this article, and

(2) sell or compound all doubtful or uncollectible debts or claims owed by or to such insurer including claims based upon an assessment levied against a member of a mutual insurer.

(b) If the amount of any such debt or claim owed by or to such insurer does not exceed twenty-five hundred dollars, the superintendent may compromise or compound the same upon such terms as he may deem for the best interests of such insurer without obtaining the approval of the court.

(c) The superintendent may, subject to the approval of the court, sell, or agree to sell, or offer to sell, any assets of such an insurer to such of its creditors who may desire to participate in the purchase, to be paid for in whole or in part out of dividends payable to such creditors.

(d) Upon application of the superintendent, the court may designate representatives to act for such creditors in the purchase, holding and/or management of such assets, and the superintendent may, subject to the approval of the court, advance the expenses of such representatives against the security of the claims of such creditors.

S 7429. Borrowing on the pledge of assets. To facilitate the rehabilitation, liquidation, conservation or dissolution of an insurer pursuant to this article the superintendent may, subject to the approval of the court, borrow money and issue evidences of indebtedness therefor and secure repayment by a security interest in any or all property, real, personal or mixed of such insurer. Subject to court approval, the superintendent may take all other action necessary and proper to consummate such loans and provide for their repayment. The superintendent shall be under no obligation personally or in his capacity as superintendent to repay any loan made pursuant to this section.

S 7430. Levy of assessments; determination of liability of members. (a) Within three years from the date of an order of rehabilitation or liquidation of a domestic mutual insurer filed in the office of the clerk of the county in which the insurer had its principal office, the superintendent may make a report to the court setting forth:

(1) the reasonable value of the insurer's assets;

(2) its probable liabilities; and

(3) the probable necessary assessment, if any, to pay all possible claims and expenses in full, including expenses of administration.

(b) (1) Upon the basis of such report, including any amendments, the court, ex parte, may levy one or more assessments against all members of such insurer who, as shown by the records of the company, were members at any time within one year prior to the date of the issuance of the order to show cause under section seven thousand four hundred seventeen of this article.

(2) The assessments shall cover the excess of the insurer's probable liabilities over the reasonable value of its assets and the estimated cost of collection and percentage of uncollectibility thereof.

(3) The total assessments against any member with respect to any policy, whether levied by the board of directors of such insurer, the superintendent in liquidation or rehabilitation of such insurer, or otherwise, and whether levied to make good an impairment of required minimum surplus or for any other purpose under this chapter, shall be for no greater amount than that specified in the by-laws and policies of that member and may be limited as prescribed in subsection (a) of section four thousand one hundred eleven of this chapter. However, if the court finds that such policy was issued at a rate of premium below the minimum rate lawfully permitted for the risk insured, the court may determine

the upper limit of such assessment upon the basis of an adequate rate for such insurance.

(4) No such assessment shall be levied against any member with respect to any non-assessable policy issued in accordance with the laws of this state.

(c) Thereafter, upon the filing of a further detailed report by the superintendent, the court shall issue an order directing each member of such insurer if he shall not pay the amount assessed against him to the superintendent on or before a day to be specified in said order, to show cause why he should not be held liable to pay such assessment together with costs as set forth in subsection (e) hereof and why the superintendent should not have judgment therefor.

(d) The superintendent shall at least twenty days before the return day of the order cause a notice of such order setting forth a brief summary of the contents of such order to be published in such manner as shall be directed by the court and mailed to each member at his last known address appearing on the records of the insurer, or at his last known address, if no address so appears.

(e) On the return day of such order to show cause, if such member shall not appear and serve verified objections upon the superintendent, the court shall make an order adjudging that such member is liable for the amount of such assessment together with ten dollars costs and directing that the superintendent may have judgment therefor. If the member shall appear and serve verified objections upon the superintendent there shall be a full hearing before the court or a referee to hear and determine, who, after such hearing, shall make an order either negativing the liability of such member to pay the assessment or directing that the superintendent may have judgment for the whole or some part of the assessment and twenty-five dollars costs and necessary disbursements incurred at such hearing.

(f) A judgment upon any such order, whether granted by a court or referee, shall have the same force and effect, and may be entered and docketed, and may be appealed from as if it were a judgment in an original action brought in the court in which the proceeding is pending.

S 7431. Determination of liability of members for other indebtedness. (a) If it shall appear that a member of a domestic mutual insurer is indebted to such insurer, apart from his liability to assessment, the court may, upon the application of the superintendent, in any order under section seven thousand four hundred thirty of this article directing such member to show cause why he should not be held liable to pay an assessment, likewise direct him to show cause why he should not be held liable to pay such indebtedness.

(b) The liability of such member for such indebtedness shall be determined in the same manner, and at the same time, as his liability for such assessment is determined, and the superintendent may have judgment therefor, without any additional costs.

S 7432. Adjudication of insolvency of insurer; time to file claims. (a) If upon the granting of an order of liquidation pursuant to section seven thousand four hundred four of this article or at any time thereafter during such liquidation proceeding, such insurer shall not be clearly solvent, the court shall, after such notice and hearing as it deems proper, make an order declaring such insurer to be insolvent.

(b) Where a liquidation, rehabilitation or conservation order has been entered in a proceeding against an insurer under this article, all persons who may have claims against such insurer shall present the same to the liquidator, rehabilitator or conservator at a place specified by him within four months from the date of the entry of such order, or, if the superintendent shall certify that it is necessary, within such longer time as the court shall prescribe. The superintendent shall notify all persons who may have claims against such insurer as disclosed by its books and records, to present the same to him within the time as fixed. The last day for the filing of proofs of claim shall be specified in the notice. Such notice shall be given in a manner

specified in the notice. Such notice shall be given in a manner determined by the court.

(c) Proofs of claim may be filed subsequent to the date specified, but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed before such specified date, have been paid in full with interest.

S 7433. Proof and allowance of claims. (a) (1) A proof of claim shall consist of a written statement subscribed and affirmed by the claimant as true under the penalties of perjury, setting forth the claim, the consideration therefor, any securities held therefor, any payments made thereon, and that the sum claimed is justly owing from the insurer to the claimant.

(2) If a claim is founded upon an instrument in writing, such instrument, unless lost or destroyed, shall be filed with the proof of claim. After the filing of such instrument the superintendent may in his discretion permit the claimant to retain such instrument until final disposition of the claim. If such instrument is lost or destroyed, a statement of such fact and of the circumstances of such loss or destruction shall be filed under oath with the claim.

(b) (1) Upon the liquidation of any domestic insurer or United States branch which has issued policies insuring the lives of persons, the superintendent shall, within thirty days after the last day set for filing claims, make a list of the persons who have not filed proofs of claim with him, to whom it appears to his entire satisfaction, from the records of the company, that there are owing amounts on such policies and he shall set opposite the name of each person such amount so owing to such person. Each person whose name shall appear upon such list shall be deemed to have duly filed, prior to the last day set for the filing of claims, a proof of claim for the amount set opposite his name.

(2) Upon the liquidation of any domestic insurer or United States branch which has issued property/casualty policies, the superintendent shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants. Each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims.

(c) No contingent claim shall share in a distribution of assets of an insurer adjudicated to be insolvent by an order made pursuant to section seven thousand four hundred thirty-two of this article except that any such claim shall be considered if properly presented and may be allowed to share if:

(1) it becomes absolute against the insurer on or before the last day fixed for filing of proofs of claim, or

(2) there is a surplus and the liquidation is thereafter conducted upon the basis that such insurer is solvent.

(d) (1) Where a liquidation, rehabilitation or conservation order has been entered in a proceeding against an insurer under this article, any person who has a cause of action against an insured of such insurer under a liability insurance policy issued by such insurer, shall have the right to file a claim in the proceeding, even though the claim is contingent.

(2) The claim may be allowed:

(A) if it may be reasonably inferred from the proof presented that such person would be able to obtain a judgment upon such cause of action against such insured;

(B) if such person shall furnish suitable proof, unless the court for good cause shown shall otherwise direct, that no further valid claims against such insurer arising out of his cause of action other than those already presented can be made; and

(C) if the total liability of such insurer to all claimants arising out of the same act of its insured shall be no greater than its total liability would be were it not in liquidation, rehabilitation or conservation.

(3) No judgment against such an insured taken after the date of the entry of the liquidation, rehabilitation or conservation order shall be considered in the proceedings as evidence of liability or of the amount of

damages. No judgment against an insured taken by default, inquest or collusion prior to the entry of a liquidation order shall be considered as conclusive evidence in the proceeding either of the liability of such insured to such person upon such cause of action or of the amount of damages to which such person is therein entitled.

(e) Debts owing to a state, county, district or municipality, or any subdivision thereof, as a penalty or forfeiture, shall not be allowed except for the amount of the pecuniary loss sustained by the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby, and such interest as may have accrued thereon according to law.

(f) No claim of any secured claimant shall be allowed at a sum greater than the difference between the value of the claim-without security and the value of the security itself as of the date of entry of the order of liquidation or such other date set by the court for fixation of rights and liabilities as provided in section seven thousand four hundred five of this article, unless the claimant shall surrender his security to the superintendent in which event the claim shall be allowed in the full amount of its value.

S 7434. Distribution of assets. (a) (1) Upon the recommendation of the superintendent, and under the direction of the court, distribution payments shall be made in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims. The priority of distribution of claims from an insolvent property/casualty insurer in any proceeding subject to this article shall be in accordance with the order in which each class of claims is set forth in this paragraph and as provided in this paragraph. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class. No claim by a shareholder, policyholder or other creditor shall be permitted to circumvent the priority classes through the use of equitable remedies. The order of distribution of claims shall be:

(i) Class one. Claims with respect to the actual and necessary costs and expenses of administration, incurred by the liquidator, rehabilitator or conservator under this article.

(ii) Class two. All claims under policies including such claims of the federal or any state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of a security fund, guaranty association or the equivalent except claims arising under reinsurance contracts.

(iii) Class three. Claims of the federal government except those under class two above.

(iv) Class four. Claims for wages owing to employees of an insurer against whom a proceeding under this article is commenced for services rendered within one year before commencement of the proceeding, not exceeding one thousand two hundred dollars to each employee, and claims for unemployment insurance contributions required by article eighteen of the labor law. Such priority shall be in lieu of any other similar priority which may be authorized by law.

(v) Class five. Claims of state and local governments except those under class two above.

(vi) Class six. Claims of general creditors including, but not limited to, claims arising under reinsurance contracts.

(vii) Class seven. Claims filed late or any other claims other than claims under class eight or class nine below.

(viii) Class eight. Claims for advanced or borrowed funds made pursuant to section one thousand three hundred seven of this chapter.

(ix) Class nine. Claims of shareholders or other owners in their capacity as shareholders.

(2) Severability. If any classification or priority provided for in paragraph one of this subsection is held to be unconstitutional or otherwise invalid, the remaining classifications and priorities shall

continue in effect.

(b) No creditor shall be entitled to interest on any dividend by reason of delay in payment of such dividend.

(c) Any claimant of another state or foreign country who is entitled to, or receives, a dividend upon his claim out of a statutory deposit or the proceeds of any qualifying bond or other asset located in such other state or foreign country shall not be entitled to any further dividend from the superintendent until all other claimants of the same class irrespective of residence or place of the acts or contracts upon which their claims are based shall have received an equal dividend upon their claims. After such equalization, such claimant shall be entitled to share in the distribution of further dividends by the superintendent like all other creditors of the same class wherever residing.

(d) If, after an adjudication of insolvency, a mutual insurer is found clearly solvent upon re-examination, its surplus shall be distributed among all persons, partnerships or corporations whose membership did not cease earlier than five years prior to the date on which the insurer ceased issuing policies. The distribution shall be in the proportion which the total premium contributions of each such member during his or its entire membership in the insurer bear to the total premium contributions of all such members entitled under this subsection to any distributive share of such surplus.

S 7435. Distribution for life insurers. (a) The priority of distribution of claims from the estate of a life insurance company in any proceeding subject to this article shall be in accordance with the order in which each class of claims is herein set forth. Every claim in each class shall, subject to such limitations as may be prescribed by law and do not directly conflict with the express provisions of this section, be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class. The order of distribution of claims shall be:

(1) Class one. Claims with respect to the actual and necessary costs and expenses of administration, incurred by the liquidator, rehabilitator, conservator or ancillary rehabilitator under this article, or by The Life Insurance Guaranty Corporation or The Life Insurance Company Guaranty Corporation of New York, and claims described in subsection (d) of section seven thousand seven hundred thirteen of this chapter.

(2) Class two. Debts due to employees for services performed to the extent that they do not exceed one thousand two hundred dollars and represent payment for services performed within one year before the commencement of a proceeding under this article. Such priority shall be in lieu of any other similar priority which may be authorized by law as to wages or compensation of employees.

(3) Class three. All claims for payment for goods furnished or services rendered to the impaired or insolvent insurer in the ordinary course of business within ninety days prior to the date on which the insurer was determined to be impaired or insolvent, whichever is applicable.

(4) Class four. All claims under insurance policies, annuity contracts and funding agreements, and all claims of The Life Insurance Company Guaranty Corporation of New York or any other guaranty corporation or association of this state or another jurisdiction, other than (i) claims provided for in paragraph one of this subsection, and (ii) claims for interest.

(5) Class five. Claims of the federal or any state or local government. Claims, including those of any governmental body for a penalty or forfeiture, shall be allowed to this class only to the extent of the pecuniary loss sustained from the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under paragraph eight of this subsection.

(6) Class six. Claims of general creditors and any other claims other than claims under paragraphs seven and eight of this subsection.

(7) Class seven. Surplus, capital or contribution notes, or similar

obligations.
(8) Class eight. The claims of (i) policyholders, other than claims under paragraph four of this subsection, and (ii) shareholders or other owners.
(b) Every claim under a separate account agreement providing, in effect, that the assets in the separate account shall not be chargeable with liabilities arising out of any other business of the insurer shall be satisfied out of the assets in the separate account equal to the reserves maintained in such account for such agreement and, to the extent, if any, not fully discharged thereby, shall be treated as a class four claim against the estate of the life insurance company.
(c) For purposes of this section:
(1) "The estate of the life insurance company" shall mean the general assets of such company less any assets held in separate accounts that, pursuant to section four thousand two hundred forty of this chapter, are not chargeable with liabilities arising out of any other business of the insurer.
(2) "Insurance policies, annuity contracts and funding agreements" shall mean all policies and contracts of any of the kinds of insurance specified in paragraph one, two or three of subsection (a) of section one thousand one hundred thirteen of this chapter and all funding agreements described in section three thousand two hundred twenty-two of this chapter, including all separate account agreements, except that separate account agreements referred to in subsection (b) of this section shall be included only to the extent referred to therein.
(3) "Separate account agreement or agreements" shall mean any agreement or agreements for separate accounts referred to in section four thousand two hundred forty of this chapter.

S 7436. Claims-made policies; special requirements. (a) Where a policy has been issued on a claims-made basis by an insurer against which an order of liquidation, rehabilitation or conservation has been entered pursuant to this article, the superintendent shall provide, at an appropriate additional premium by the insured and consistent with the terms of such policy, for the issuance of coverage for claims based on occurences prior to the termination of the policy which are reported after the termination of the policy, in the event that the insured seeks to purchase such coverage in accordance with the terms of such policy.
(b) If the order of liquidation, rehabilitation or conservation is entered against an insurer which has issued medical malpractice policies on a claims-made basis, then notwithstanding the entry of such order, the superintendent shall comply with the requirements for claims-made policies as set forth in subsections (b), (c) and (d) of section three thousand four hundred thirty-six of this chapter and paragraphs two, three and four of subsection (f) of section five thousand five hundred four of this chapter.
(c) In the event that an insured, who has been issued a medical malpractice policy on a claim-made basis by an insurer against which an order of liquidation has been entered pursuant to this article, chooses to purchase coverage from a successor insurer, the superintendent shall expedite the transfer of coverage that has been accrued, for claims based on occurrences prior to the termination of the policy which are reported after the termination of the policy, to the successor insurer of each insured, in accordance with the requirement for claims-made policies as set forth in subsections (b), (c) and (d) of section three thousand four hundred thirty-six and paragraphs two, three and four of subsection (f) of section five thousand five hundred four of this chapter.

Contact Webmaster

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of

The Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

ORAL ARGUMENT REQUESTED

Index No. 405090/01

AFFIDAVIT OF MARK MISHLER IN RESPONSE TO REQUEST FOR ORDER OF REHABILITATION

STATE OF NEW YORK)
COUNTY OF SULLIVAN) ss:

MARK MISHLER, being duly sworn, hereby deposes and says as follows:

1. I was the President of Frontier Insurance Company ("Frontier") at the time that the Superintendent of the New York State Department of Insurance (the "Department") was appointed as temporary rehabilitator of Frontier as part of the Order to Show Cause signed in this proceeding on August 27, 2001. I submit this affidavit in response to the Petition of the Superintendent to appoint a rehabilitator for Frontier pursuant to Article 74 of the New York Insurance Law.

2. At the outset, I wish to stress to the Court that Frontier's consent to rehabilitation was entirely for the purpose of addressing an interim liquidity issue the company was experiencing. Frontier's goal, as well as our understanding of the statutory purpose of rehabilitation and the stated purpose of the Department, is for Frontier to emerge from

EXHIBIT J

[redacted] rehabilitation, continue the orderly run-off of its liabilities, and be brought back to financial health.

3. Indeed, for approximately the past 18 months, Frontier has worked with the Department in the spirit of cooperation and has taken significant steps to improve Frontier's stability. For example, in June 2000 Frontier procured approximately $800 million of ground-up reinsurance protection from National Indemnity Company, a member of the Berkshire Hathaway Group for accident years 1999 and prior, thereby both securing policyholders and claimants who had known losses and securing itself against adverse development of its incurred losses.

4. In fact, much of Frontier's interim liquidity problem is the product of a quota share reinsurance contract Frontier entered into with Clarendon National Insurance Company and its affiliates, whereby Frontier is entitled to reimbursement from Clarendon for Clarendon's quota share of certain classes of business. As discussed in greater detail below, under this agreement, Frontier has paid out some $90 million but has only received reimbursement for $30 million of what it has paid. Frontier is owed $24 million from Clarendon under this agreement, money that Frontier claims is being improperly withheld. The absence of these funds has largely created the cash flow issues with which Frontier is faced. Frontier has demanded the payment of these funds and negotiations with Clarendon are ongoing. At all relevant times, including [illegible] economic net worth basis.

Background

5. Frontier is a New York corporation, with its principal place of business in Sullivan County. Frontier is the largest subsidiary of Frontier Insurance Group, Inc., a publicly held insurance holding company that includes Frontier and its subsidiaries, Frontier Pacific

Insurance Company and United Capitol Insurance Company. Until recently, Frontier Insurance Group, Inc. was the largest employer in Sullivan County.

6. While now part of a public company, Frontier began as a privately held, family-owned insurance company. In 1977, the principals of the Rhulen Agency Inc. purchased PTF Health Insurance Company and started the process of renaming and licensing the organization as Frontier Insurance Company to write multiple lines of property and casualty insurance in all 50 states. The Rhulen Agency Inc. was a family owned business started in 1934 by Max H. Rhulen. Over the next 50 years, Mr. Rhulen, along with his son Walter A. Rhulen, built this organization from humble beginnings into the twentieth largest insurance agency in the United States. To facilitate the growth of Frontier, a 1986 public offering raised approximately $8 million of capital that was placed into the insurance company.

7. At that point Frontier Insurance Group, Inc. was formed. In the years that followed Frontier Insurance Group grew through acquisition and public offerings to achieve a market capitalization that, at its height exceeded $1 billion.

Medical Malpractice Losses in Florida and Other States

8. Starting in the late 1980's and early 1990's, Frontier expanded its medical malpractice insurance underwriting outside of New York into Florida and other states. The consequences of its underwriting in Florida were dramatically negative. The first of several major reserve increases taken by Frontier, in November of 1994, was the direct consequence of this Florida underwriting. The price of all insurance, of course, must be set before the actual cost of providing that insurance becomes known: premiums are charged on the basis of projected losses. In the case of so-called long tail lines of business, like medical malpractice, losses will not become known until long after the policies have expired. In the case of the expansion into

Florida underwriting, this resulted in a situation where the actuarial estimates for the future liabilities significantly exceeded the amount of premium that had been collected. This situation also extended to other states where Frontier expanded its medical malpractice underwriting in the mid-1990s -- Ohio, Illinois and Texas.

9. In January 1998, the death of the CEO of Frontier Insurance Group, Inc. precipitated many changes at Frontier. A new management team was installed and began the process of developing information to allow the company to better control information and manage the insurance products it was selling more effectively. One of the first projects which this new management team undertook was a review of the medical malpractice insurance process. This review resulted in significant procedural and substantive improvements in order to protect Frontier's policyholders from the potential adverse outcomes of continuing to write medical malpractice business on the basis which Frontier previously had used. The management team determined that the medical malpractice business outside of New York State was extremely unprofitable and took steps to either re-underwrite or non-renew the business.

10. At this same time, Frontier Insurance Company began the process of building an in-house actuarial department. It was Frontier's actuarial department that discovered significant under-reserving in the medical malpractice line of business, which led to the strengthening of reserves over a three-year period of more than $400 million. On a similar note, Frontier built up an in-house legal department that now handles a caseload of approximately 1,500 cases and produces significant cost savings in the defense of claims.

11. Because Frontier was also a writer of specialty insurance business, it required a minimum rating of A- from A. M. Best & Company ("Best") to participate effectively in that particular market segment. The measures taken to strengthen reserves, which took place

in 1999, 2000 and 2001, had the deleterious effect of reducing the working capital of Frontier and Frontier Insurance Group, Inc. This reduction in capital, in turn, resulted in Frontier losing its A- Best rating. As a result of the loss of the rating, Frontier was forced to find a substitute carrier to supply adequately rated insurance policies for its agents. Starting in November, 1999, Frontier entered into an agreement with Clarendon and Clarendon National insurance companies to provide insurance policies rated highly enough for the continuation of its business. It would be, in large part, this relationship that eventually would cause the liquidity problem that Frontier currently faces.

12. In an attempt to "ring-fence" and find the liabilities of the past and start over with a "clean slate," Frontier began looking for a large reinsurer with which to do a loss portfolio transfer of all of its reserves for the accident years 1999 and prior. This transaction was accomplished in June 2000 with National Indemnity Company (part of the Berkshire Hathaway group of insurance companies). The so-called Berkshire Hathaway Treaty was subsequently amended to include all years of surety. Thus, pursuant to the Berkshire Hathaway Treaty, National Indemnity Company is obligated to reimburse Frontier or Frontier Pacific Insurance Company for 100% of their claim payments in respect of all surety losses and in respect of all 1999 and prior non-surety losses. To purchase this protection, the associated loss reserves were transferred to National Indemnity Company. This transaction was of tremendous benefit to the Frontier policyholders, in that it provided approximately $286 million of protection against further adverse loss development. Unfortunately, this transaction also has had the incidental effect of exacerbating Frontier's cash flow problems, as approximately $505 million of assets were transferred to Berkshire Hathaway with Berkshire keeping the interest thereon.

The Clarendon Monies

13. The arrangement with Clarendon mentioned above is essentially two-fold. In one aspect, Clarendon issues its policies to the insureds and Frontier agrees to reimburse Clarendon for claims paid under those policies. In the other, Frontier issues its lower rated policies to the insureds and Clarendon in effect guarantees that valid claims under those policies will be paid. Because Frontier is in rehabilitation, Clarendon is directly liable to insureds under "cut-through" provisions of the agreement with Frontier.

14. The Clarendon reinsurance relationship, however, has created an immediate liquidity problem for Frontier, and necessitated Frontier's consent to the involvement of the New York State Liquidation Bureau. Cash is not flowing, but rather is being held by Clarendon to mitigate the credit and insurance risk it assumed. Frontier has paid approximately $90 million of claims, for which it has been reimbursed approximately $30 million. Frontier believes it is entitled to $24 million from Clarendon, which represents over-collateralization of loss reserves. Despite repeated demands, Frontier has not received these funds. Thus, Frontier consented to rehabilitation based on the cash flow problem that has been created by Clarendon's intransigence. However, once Frontier receives the approximately $24 million to which it is entitled and Clarendon continues to pay its obligations with respect to the cut-throughs, the current liquidity problem will be resolved.

Frontier's Assets Exceed its Liabilities

occasions that the true economic net worth of the company is positive: real assets exceed liabilities. Incurred obligations under policies previously issued can be paid with substantial assets left over, provided that the runoff is managed appropriately. Frontier's management have

been running its operations over the past couple of years with the goal of reducing the expenses of the organization so as not to exceed its revenues and so that the corporation could meet all of its obligations. There is a plan in place for the continued runoff of the organization which, if achieved, will result in Frontier being brought back to financial health. Indeed, surplus cash will be available after following a disciplined, coordinated runoff plan.

16. Given time, and following a carefully executed plan, Frontier can be restored to financial health without any policyholder being harmed and without any guarantee fund of any state being forced to permanently part with funds.

17. Frontier needs the Department to adhere to a rehabilitation strategy that is appropriate for a company with significant assets but current cash flow problems. Essentially, the only claims of Frontier that are not covered by the Berkshire Hathaway are the non-surety policies written in the year 2000 and 2001, many of which either contain a cut-through (i.e., a direct claim) to Clarendon or were written on Clarendon paper. Thus, most policyholders are protected either by the Berkshire Hathaway Treaty or the Clarendon arrangement. In this connection, it is important that the Court realize that this is not a company that had a sudden deterioration and crisis. Instead, this is a situation where management has been working diligently on solving lingering issues principally from an out-of-state line of coverage and resolving them for the past three years. It was only at the point that Frontier's cash flow limitations became so severe (largely as a result of the Clarendon tie-up of funds) that the company chose to voluntarily consent to rehabilitation.

Cost-Saving Measures

18. Frontier has put in place many cost-savings initiatives. These include the in-house legal department, an upstate location that provides a cost of labor approximately 30% cheaper than the average in New York State, and a budget that included termination dates for all employees who are being phased out of the operation. It is Frontier's desire to have the opportunity for all of the cost-saving measures it has implemented to continue to benefit the policyholders of the State of New York and the other 49 states in which Frontier did business. Indeed, since Frontier and Frontier Insurance Group's management intend for Frontier to emerge from rehabilitation to complete an orderly runoff, it is critical that efforts be made to preserve Frontier's infrastructure during the rehabilitation period.

Conclusion

19. Frontier should be assisted with its current liquidity problem and allowed to rehabilitate, return to financial health and better serve and protect the policyholders of New York.

Mark Mishler

Sworn to before me
this 7th day of September, 2001.

TAMI S. DAVIS
Notary Public, State of New York
Sullivan County Clerk's #2071
Commission Expires June 5, 2003

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

Meredith Horn, being duly sworn, deposes and says:

1. Deponent is not a party to the action, is over 18 years and resides at c/o 180 Maiden Lane, New York, New York 10038.

2. That on the 7th day of September, 2001 deponent served the annexed Affidavit of Mark Mishler in Response to Request for Order of Rehabilitation at the address designated by said attorneys on the annexed list for that purpose by depositing a true copy of the same enclosed in a postpaid properly addressed wrapper, in an official depository under the exclusive care and custody of the United States Post Office Department within the State of New York.

Meredith Horn
Meredith Horn

Sworn to before me this
7th day of September, 2001

Rose Marie Wilson
Notary Public

ROSE MARIE WILSON
NOTARY PUBLIC, State of New York
No. 43-4745533
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Oct 31, 2001

TO:

Hon. Elliot L. Spitzer
Attorney General
Attorney for the Superintendent of Insurance
120 Broadway
New York, NY 10271

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the matter of

the application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

Index No. 405000/01

AFFIDAVIT IN RESPONSE TO APPLICATION FOR REHABILITATION AND IN SUPPORT OF CROSS-MOTION

STATE OF NEW YORK)
) ss.:
COUNTY OF SULLIVAN)

SUZANNE LOUGHLIN, being duly sworn, deposes and says:

1. I am an Executive Vice President of Frontier Insurance Group, Inc. ("FIG"), which is the sole shareholder of Frontier Insurance Company ("FIC"). I respectfully submit this affidavit in response to the application of the New York State Superintendent of Insurance (the "Superintendent") for appointment as rehabilitator of FIC pursuant to N.Y. Ins. L. § 7402. This affidavit is also submitted in support of FIG's cross-motion to intervene in this proceeding pursuant to N.Y. Ins. L. § 4717 and CPLR §§ 1012 and 1013.

Summary of FIG's Response

2. FIG does not oppose the Court's appointment of the Special Deputy Superintendent of the Liquidation Bureau (hereinafter referred to as the "Bureau") as rehabilitator of FIC. It does, however, have serious concerns regarding the manner in which the rehabilitation process has been and will be implemented. As the sole shareholder of FIC, FIG has the right to ensure that its asset is not wasted and that the steps taken by the Bureau do not adversely impact on FIC's ability to emerge from rehabilitation.

3. Historically, FIC's operations and infrastructure have been integrated with FIG's operations pursuant to a system of allocation of expenses among the various entities. For example, all of the administrative and back office support for all FIG entities (including FIC) resides in Rock Hill, New York. FIG furnished its subsidiaries with all employees, including employees in Human Resources, Finance, Actuarial and Information Technology, and also furnished its entities with corporate facilities services. (To demonstrate just how integrated these operations are, annexed hereto as Exhibit A is a copy of Frontier's server application.) Through this integrated approach, the FIG group realized economies of scale which resulted in substantial costs savings for FIG and all its operating subsidiaries. To dismantle and replace this infrastructure would require additional and unnecessary costs, which will not be in the interest of FIC policyholders, FIC's shareholders and creditors.

4. The Bureau's recent actions, however, indicate that it may seek to separate completely the operations of these two companies, which would add unnecessary expenditures and thereby significantly impair FIC's ability to be successfully rehabilitated.

5. It is important for the Court to know that the true economic net worth of FIC is positive, based on management's best estimate of its liabilities. FIC consented to rehabilitation primarily because of cash flow problems it has recently experienced.

6. Unfortunately, recent actions by agents of the Bureau (the Special Deputy Superintendent of which was appointed temporary rehabilitator by this Court in its Order to Show Cause entered on August 27, 2001) indicate that the Bureau intends to separate FIC's operations from the operations of FIG. While the desire for such a separation is understandable in the context of liquidation, the facts of this case demonstrate that such a separation of operations is not in the best interests of FIG or FIC. Indeed, the tremendous costs associated

with a complete separation of FIC's operations from those of FIG will result in corporate waste that could undermine any reasonable expectation of a successful rehabilitation.

7. As a result of these concerns FIG seeks to intervene in this proceeding and requests that as the Court monitors the rehabilitation process, FIG be provided with prior notice and an opportunity to be heard. In particular, FIG requests the following:

1. that FIG be provided with a copy of the Bureau's proposed Rehabilitation Order, at least five days prior to the submission of that proposed order to the Court;

2. that both the Court and FIG be provided with quarterly reports from the Bureau outlining the steps taken by the Bureau to effectuate the rehabilitation process; and

3. that FIG be provided with prior notice and an opportunity to be heard before the Bureau takes any major action with respect to FIC (described more fully below).

Background

8. FIG is a publicly held Delaware insurance holding company located at 195 Lake Louise Marie Road, Rock Hill, New York. FIG was created in 1986 and is the parent company and sole shareholder of FIC, which in turn is the parent company and sole shareholder of Frontier Pacific Insurance Co. ("FPIC") and United Capital Insurance Co. ("UCIC"). FIC is the largest insurance company subsidiary of FIG, and is FIG's principal asset.

9. FIC is a property/casualty insurer that also has its principal place of business at 195 Lake Louise Marie Road, Rock Hill, New York. Prior to March 24, 2001, when

FIC voluntarily stopped writing business. FIC was an underwriter of specialty insurance products, such as medical malpractice insurance. At its height, FIG employed 705 individuals at its Rock Hill offices and there are 258 employees currently working at that location.

10. Although FIC is the beneficial owner of the Rock Hill, New York building where its corporate headquarters are located, FIG purchased and furnished most of the furniture, equipment, computer systems and other tangible assets utilized by FIC. FIG also allowed FIC to utilize FIG employees to provide many of FIC's essential services. This integration of FIG and FIC assets resulted in substantial savings for FIC.

11. As detailed in the September 7, 2001 affidavit of Mark Mishler (which has been submitted on behalf of FIC in this proceeding), FIC began experiencing financial difficulties in the 1990's due primarily to large increases to its medical malpractice reserves.

12. For reasons described in the Mishler Affidavit, FIC entered into an agreement with Clarendon Insurance Group ("Clarendon") in the year 2000 to provide the insurance for FIC's clients necessary for FIC to continue business. Pursuant to that agreement with Clarendon, FIC would pay all claims thereunder and be reimbursed by Clarendon.

13. Also in 2000, FIC entered into an aggregate reinsurance agreement with National Indemnity Insurance Company, a Berkshire Hathaway subsidiary, which provided for a loss portfolio transfer of approximately $500 million of FIC's loss reserves for the years 1999 and prior, and provided FIC's policyholders with approximately $300 million of additional loss development cover for those policy years (the "Berkshire Agreement").

14. FIC has encountered tremendous difficulties obtaining reimbursement from Clarendon. Frontier has already paid approximately $90 million of claims on behalf of Clarendon, but has only been reimbursed approximately $60 million by Clarendon. The said

flow problems, created primarily by Clarendon's failure to reimburse FIC, resulted in FIG's consent to rehabilitation.

FIC Can Be Rehabilitated

15. It has been FIG's goal and continues to be FIG's goal to successfully rehabilitate its wholly owned subsidiary, FIC. Successful rehabilitation can only be accomplished, however, if the steps taken by the Bureau, during the course of rehabilitation, do not negatively impact on FIC. FIG fully intends to exercise its right to apply for an order terminating this rehabilitation proceeding pursuant to section 7403(d), at the appropriate time.

16. Most FIC policyholders are protected from any danger that their claims will not be paid. Most of the policies written by FIC prior to 2000 are covered by the Berkshire Agreement which provides a loss cap in excess of $800 million. In addition, many of the policies written in the year 2000 and 2001 either contain a cut-through endorsement to Clarendon or were issued directly by Clarendon. Thus, nearly all of FIC's policyholders are fully protected by the Berkshire Agreement and FIC's arrangement with Clarendon.

17. As pointed out above, FIC has sufficient assets under a runoff scenario to meet its policyholder obligations, with additional assets remaining thereafter. As stated in the Mishler Affidavit, the only reason FIC consented to rehabilitation was to overcome the present cash flow problems caused by Clarendon's failure to reimburse FIC for approximately $24 million. Once that cash flow problem is eliminated, FIC can terminate the rehabilitation process.

FIC Should Be Permitted to Participate in the Rehabilitation of Its Wholly-Owned Subsidiary

18. Present actions by the Bureau's agents indicate that the Bureau intends to take steps to completely separate the historically integrated operations of FIG and FIC. Such a

separation would be far too costly and would only result in the diminution of FIC's assets. As the sole shareholder of FIC, FIG believes it should be provided with information and an opportunity to be heard by the Court with respect to the Bureau's ongoing management of FIC. FIG therefore requests that, as the Court monitors the rehabilitation process, the Court provide the following:

A. FIG should be provided with a copy of the Bureau's proposed Rehabilitation Order at least five days prior to the submission of that proposed order to the Court, so that FIG can offer its comments and suggestions;

B. Both the Court and FIG should be provided with quarterly reports from the Bureau which describe the specific steps taken by the Bureau to achieve FIC's rehabilitation, as well as the steps which the Bureau intends to take in order to rehabilitate FIC; and

C. As it is my understanding that the Bureau must obtain court approval before it takes any major action concerning FIC, such as closing any of FIC's offices, terminating twenty or more FIC employees within any two-week period or selling any of FIC's major assets, including the transfer of any of FIC's lines of business or FIC's reserves or the purchase or expenditure by FIC of $250,000 or more, FIG requests that it be given at least ten (10) days prior notice of any such action by the Bureau and an opportunity to be heard by the Court before any such action is taken.

19. Immediately after the Bureau was appointed temporary rehabilitator on August 27, 2001, Mr. Joseph Termini, the Special Deputy Superintendent (reporting to the Superintendent Gregory Serio) assumed control of FIC. In the short time that it has assumed that control, the Bureau has advised FIG that it intends to completely separate FIC from FIG. While

such an approach is understandable in a liquidation scenario, FIG does not believe that, under the unique circumstances present here, this approach is appropriate to support rehabilitating FIC because of the enormous and unnecessary costs associated with re-creating the infrastructure and services that FIG currently provides to FIC and is able to continue to provide to FIC.

FIG Equipment Utilized By FIC

20. One area of grave concern to FIG is the Bureau's recent demand that FIG vacate FIC's Rock Hill, New York corporate offices by no later than September 30, 2000.

21. In addition to the near impossibility of FIG's compliance with that order in such a short time frame (discussed more fully below), the Bureau's order will result in the loss of virtually all of FIC's present infrastructure. As previously indicated, FIG is the beneficial owner of the building in Rock Hill (the Industrial Development Authority is the title holder); FIG owns almost all of the computer equipment, furniture, books and publications, maintenance and snowplowing machines (including mowers, plows and tractors), as well as all vehicles (including the mail van, truck used to transport waste an passenger vehicles). (See Exhibit B hereto, which contains a partial [illegible] of FIG's assets.)

22. More importantly, as previously indicated, FIG also owns almost all of the IT equipment utilized by FIC at the Rock Hill offices, including its servers, personal computers, software applications, phone switches, the building's security system, the data warehouse and the mail machine. If FIG is required to vacate the Rock Hill offices, prior to entering into some form of leasing arrangement regarding FIC's continued use of all this equipment, FIG will have no choice but to take its property with it when it vacates FIC's offices. FIC's entire infrastructure will be gone. Obviously, replacing this infrastructure will make rehabilitation far more costly and difficult, if not impossible. FIG is prepared to share all its furniture, systems

and other equipment as long as FIC agrees to assume the ongoing maintenance and costs related to those systems and equipment which it uses.

23. Under these circumstances, the most reasonable course of action for the Bureau is to allow FIC to enter into a leasing arrangement, consistent with the historical allocation of those resources between FIC and FIG. This proposed leasing arrangement would require FIC to pay FIG for all ongoing costs associated with the use of the equipment as those costs are incurred.[1] Under such an arrangement FIG will agree not to charge FIC for the use of equipment that does not carry any ongoing costs, such as furniture. FIG will further agree to termination of the lease it will enter into with FIC in the event of FIC's liquidation.

24. This proposed leasing agreement would significantly enhance the chances of FIC's successful rehabilitation by avoiding the expenditure of FIC's limited assets to replace equipment that is already there and in good operation.

25. The leasing arrangement described above would also resolve an additional problem created by the Bureau's order that FIG vacate the premises -- which is that FIG simply cannot remove all of its equipment from the building within such a short time frame. Although FIG has only 43 employees in the building, the packing and removal of all its property and equipment by September 30 would be difficult, if not impossible.

[1] The Superintendent would necessarily be required to treat FIC's payments under the lease as costs of administration, which would be avoided in the event of FIC's liquidation.

B. **FIG Leases**

26. Another significant issue concerns several leases that are held by FIG, but which cover premises that are occupied solely by FIC personnel. Prior to Wednesday, August 29, 2001, all employees were FIG employees. Pursuant to the direction of the Bureau, on August 29, 2001, 375 employees became employed by FIC and 12 remain employed by FIG. Those FIC employees work in various offices including FIC's White Plains office (which is a FIC legal office), FIC's Mineola office (which is a FIC legal and claims office) and FIC's San Diego office (which serves as a claims office for FIC and a FIC subsidiary, FPIC).

27. FIG has learned that the Bureau may seek to close some or all of these offices and terminate the FIC employees working in those locations. This is not in the best interest of furthering FIC's rehabilitation, however, because the FIC attorneys and claims adjusters who work there are critical to FIC's continued operations. In the White Plains and Mineola offices alone, FIC employs 69 individuals who are handling approximately 1,500 New York claims and legal files, most of which are medical malpractice claims that require a high level of expertise.

C. The Bureau Should Honor FIC's Stay-Put Bonus Agreements

28. In or about March 2001, FIG agreed to provide bonuses to certain key employees in order to ensure that they would remain with FIC during the rehabilitation process (the "Stay-Put Bonuses").

29. Those key FIG employees are primarily technical and line employees who are essential to FIC's operations. The funding for the payment of the Stay-Put Bonuses is upstreamed to FIG from FIC and then paid to the respective employees.

30. FIC provided the New York State Insurance Department with the copies of the Stay-Put Bonuses in March 2001 for approval. On or about April 2, 2001, the NYSID approved those bonuses.

31. On or about August 30, 2001, however, Mr. Termini informed FIG that the Bureau will not permit FIC to honor the Stay-Put Bonus agreements. Nor will the Bureau allow FIC to upstream the monies necessary for FIG to pay such bonuses.

32. FIG believes that it is essential that the Bureau allow FIC to comply with its contractual obligations and honor the Stay-Put Bonuses. If FIC is compelled to breach those agreements, the resulting loss of critical FIC employees will have devastating consequences and will dramatically impair FIC's rehabilitation.

Conclusion

33. This not a typical rehabilitation proceeding. To the contrary, FIC can meet its obligations now, with proper supervision, can emerge from rehabilitation and be restored operating health.

34. Moreover, FIC is a valuable asset of FIG, which FIG has a right to protect. It is therefore of critical importance that the Court seek FIG's input on the rehabilitation process and provide FIG with an opportunity to be heard by requiring the Bureau to submit quarterly reports regarding the rehabilitation process and to give FIG prior notice of any major actions that the Bureau wishes to take.

SUZANNE LOUGHLIN

Sworn to before me this
day of September, 2001

Notary Public

DOLORES STOCK
Notary Public, State of New York
Sullivan County Clerk's #118
Commission Expires June 30, 20

BERKSHIRE HATHAWAY GROUP
Reinsurance Division

100 First Stamford Place
Stamford, CT 06902

BY TELECOPIER (502) 564-1650

October 1, 2001

The Honorable Janie Miller
Commissioner of Insurance for the State of Kentucky
215 West Main St.
Frankfort, KY 40602

Re: Reinsurance Agreement between National Indemnity Company and Frontier Insurance Company

Dear Commissioner Miller:

Thank you for taking the time to discuss the situation at Frontier Insurance Company with us last week. It is a challenging set of circumstances, and we are making every effort to assist the New York Liquidation Bureau in its undertaking to rehabilitate Frontier. Our combined efforts have included some innovative proposals, and we are most grateful for your willingness to discuss and explore the situation with us.

We are awaiting the approval of the New York Liquidation Bureau to share with you copies of the various agreements that comprise our companies' relationship to Frontier; we have no objection in providing the documentation to you but, inasmuch as the Rehabilitator is now acting on behalf of Frontier, only he can choose to share Frontier's agreements with third parties.

In the interim, we have set out below a brief overview of the situation from our perspective; we do not presume to speak for the Rehabilitator or other Frontier entities. Nonetheless, we have summarized below the basic structure of the reinsurance and administrative agreements. Any omissions are due solely to the fact that we wished to highlight certain portions of the agreements in advance of your meeting tomorrow concerning this matter. If there is additional information which you believe would assist you in your evaluation of this situation, please do not hesitate to ask us for it.

The Reinsurance Agreement.

Effective July 1, 2000, National Indemnity Company ("NICO") agreed to reinsure Frontier Insurance Company ("Frontier") in respect of its insurance and reinsurance obligations for accident years 1999 and prior. The Aggregate Limit of the reinsurance was U.S. $800 million dollars. The limit is reduced by all Ultimate Net Loss, as defined, paid by NICO under the agreement, including all allocated and unallocated (i.e., overhead of Frontier) loss adjustment expense in connection with the Covered Business. The reinsurance agreement is solely between NICO and Frontier; it is expressly provided that no third parties have any rights under the agreement. In the event of rehabilitation or liquidation,

Telephone 203-363-5200 • Facsimile 203-363-5221

all reinsurance is directly payable to the rehabilitator or liquidator. There were no sublimits in respect of any specific lines of business; all limit could be exhausted by payment of Ultimate Net Loss when due. The "accident year" basis of the coverage means that NICO became responsible for the "run-off" liabilities of Frontier with respect to its 1999 and prior business—coverage for any insurance obligations issued after 1999, or for loss occurrences occurring after 1999, is expressly excluded. Under the original agreement, NICO assumed responsibility for payment of all gross claims, and was assigned all reinsurance recoveries.

In connection with the reinsurance, NICO's affiliate, National Liability & Fire Insurance Company ("NL&F") became the administrator of the business reinsured by NICO. NL&F entered into an Administration Agreement that is incorporated into the reinsurance agreement by reference. Under the Administration Agreement, NL&F agreed at the commencement of the arrangement to utilize Frontier personnel in running off the subject liabilities. Under the Administration Agreement, NL&F is to be paid by NICO for its efforts in carrying out the run-off, and it is expressly provided that such fees shall serve to exhaust the Aggregate Limit under the Reinsurance Agreement.

Endorsement No. 1. The parties amended the Reinsurance Agreement in January 2001. In brief, the endorsement modified the agreement as follows:

1. The Reinsured was re-defined to be both Frontier and its California-domiciled affiliate, Frontier Pacific Insurance Company ("Frontier Pacific"). In consideration of premium paid, the Aggregate Limit of NICO's liability was increased to U.S.$858,554,275. Frontier and Frontier Pacific each have a sublimit within the Aggregate Limit, Frontier's is U.S.$811,464,476 and Frontier Pacific's is U.S.$47,089,799.

2. NICO became responsible for only the net obligations of Frontier and Frontier Pacific. NICO has no entitlement to the third party reinsurances, and NICO pays only the net sums in respect of the Reinsured's liabilities, whether the third party reinsurers fail to perform on grounds of insolvency, refusal to pay or any other reason. For purposes of the Reinsurance Agreement, the Reinsureds' third party reinsurance recoveries are now deemed made as the Reinsureds makes payment on any Covered Liabilities which involve applicable reinsurance coverage.

3. The Reinsureds' surety business (excepting bail and appellate bond business), even for losses occurring after 1999, are brought within the coverage of the Reinsurance Agreement. Furthermore, as surety business premium is earned, the Aggregate Limit of the Reinsurance Agreement is increased on a dollar-for-dollar basis for each dollar of

premium actually paid to the Reinsurer.

Events since Rehabilitation.

Frontier voluntarily agreed to enter into rehabilitation earlier this year. It is our understanding that Frontier wished the Department's assistance due to certain cash flow issues that had arisen at the company. (Among other things, we understand that substantial assets were held in trust by a third party that had entered into an arrangement with Frontier for business written after 1999.) In any event, it became clear that, unless some alternative arrangement was put in place, Frontier could not easily meet its obligations as they came due, despite the existence of substantial reinsurance coverage. As a result, NICO and NL&F agreed with the Regulator to modify the existing agreements in order to facilitate the ongoing payment by Frontier of its obligations; that arrangement is reflected in Endorsement No. 2 to the Reinsurance Agreement, which was executed on behalf of Frontier by its Rehabilitator.

The arrangement covers all business of Frontier not included within the arrangement that Frontier entered into with a third party for certain post-1999 business (in other words, the arrangement concerns Covered Liabilities under the Reinsurance Agreement and certain business that was not within the coverage grant of the Reinsurance Agreement). In respect of such business, the arrangement provides, among other things, that:

1. The Rehabilitator authorizes NL&F to settle and arrange payment for, on a 100% (i.e., "gross") basis all claims other than bond obligations which are "accelerated due to [Frontier's] rehabilitation or [the] failure of [Frontier] to continue to qualify as an authorized insurer or surety and any assumed reinsurance." All sums thus paid which were not then owed by NICO under the Reinsurance Agreement, including sums in respect of third party reinsurances, constitute a loan to Frontier which it will pay back, with interest.

2. Either NICO or the Rehabilitator may terminate the arrangement at any time. Once terminated, all loan sums and accrued interest owed to NICO will be immediately offset against its remaining reinsurance obligations to Frontier.

3. NL&F is authorized to administer the collection of third party reinsurances owed to Frontier while the arrangement is in place. Sums collected will be used to pay down any outstanding loan made by NICO to Frontier. We are hopeful that this feature of the arrangement will serve to minimize the loan amount, meaning that we have maximized NICO's ability to maintain the arrangement and support the orderly and successful rehabilitation of Frontier.

We have only recently begun operating under this arrangement. At this point, the greatest threat to the successful rehabilitation of Frontier is a substantial call on its resources that is not in the ordinary course of its claims run-off. Clearly, a technical default of hundreds of millions of dollars of reclamation bonds would constitute such an event. We believe that such an event would undermine the rehabilitation of the Company, and provoke its immediate liquidation. Under that scenario, unlike rehabilitation, we believe that no claimants will receive any funds in respect of Frontier insurance policies or bonds, except payments made by the various state guaranty funds, until the liquidator has had an opportunity to assess the ultimate liabilities and assets of the company. As you know, that can be a very lengthy and difficult process.

We believe that the Rehabilitator has the best chance of rehabilitating Frontier under the current arrangement (in other words, paying claims in the ordinary course as they become due). Even if that were not the case, however, a call on the reclamation bonds for technical default will only serve to cripple the coal operations of many insureds without providing any financial benefit to Kentucky or its regulators, as the claim will undoubtedly serve to force an immediate liquidation under which no funds would be paid for some time. Moreover, we suspect that only claims that are supported by proofs of loss will be allowed in such a proceeding; the calling of bonds on technical default grounds likely would not constitute a valid claim in such a proceeding. For these reasons, we have begun exploring with the Addington organization, and other bond holders, methods by which the Frontier bonds could be replaced. We are concerned that the short time lines that have been put in place in Kentucky will not allow sufficient time to achieve that goal, thus jeopardizing the successful rehabilitation of the Company.

Once again, we are grateful to you and your Department for its willingness to discuss these issues and to explore any ways in which we can together ensure that all concerned parties' interests are protected to the greatest extent possible.

Very truly yours,

Brian G. Snover
Vice President and
General Counsel

cc: Mr. Michael Haydon, telecopier (502) 564-7022
Mr. Steve Addington, telecopier (606) 920-7720

State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

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801-538-5340
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801-538-7223 (TDD)

October 5, 2001

RECEIVED
OCT 12 2001
LEGAL

CERTIFIED MAIL
7099 3400 0016 8896 0013

Dave Miller, Resident Agent
Lodestar Energy, Inc
H.C.35 Box 370
Helper, Utah 84527

Re: Bond Replacement Required, Lodestar Energy, Inc., Horizon Mine, C/007/020, Outgoing File

Dear Mr. Miller:

The new surety rules are now effective and Lodestar Energy, Inc. must replace the current surety, Frontier Insurance Company, within 120 days of receipt of this letter. The new rules, R645-301-860.110, require that a surety company have a rating of A- or better or a Financial Performance Rating of 8 or better according to the A.M. Best's Key Rating Guide and be continuously listed on the Department of Treasury, Circular 570. Currently, Frontier Insurance Company is in "rehabilitation" with the New York Insurance Commission and has a Best's Rating of "E" and was dropped from the Circular 570 in June 2000.

Please call me (801-538-5306) or Pamela Grubaugh-Littig (801-538-5268) if you have any questions about this.

Sincerely,

Mary Ann Wright
Associate Director, Mining

vs
Enclosure
Eb Davis, Lodestar Energy, Inc.
John Maycock
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EXHIBIT
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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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October 5, 2001

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OCT 12 2001
LEGAL

CERITFIED MAIL
7099 3400 0016 8896 0020

Dave Miller, Resident Agent
Lodestar Energy, Inc
H.C.35 Box 370
Helper, Utah 84527

Re: Bond Replacement Required, Lodestar Energy, Inc., White Oak Mine, C/007/001, Outgoing File

Dear Mr. Miller:

The new surety rules are now effective and Lodestar Energy, Inc. must replace the current surety, Frontier Insurance Company, within 120 days of receipt of this letter. The new rules, R645-301-860.110, require that a surety company have a rating of A- or better or a Financial Performance Rating of 8 or better according to the A.M. Best's Key Rating Guide and be continuously listed on the Department of Treasury, Circular 570. Currently, Frontier Insurance Company is in "rehabilitation" with the New York Insurance Commission and has a Best's Rating of "E" and was dropped from the Circular 570 in June 2000.

Please call me (801-538-5306) or Pamela Grubaugh-Littig (801-538-5268) if you have any questions about this.

Sincerely,

Mary Ann Wright
Associate Director, Mining

vs
Enclosure
Eb Davis, Lodestar Energy, Inc.
John Maycock
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Received Time Nov. 1. 1:14PM Print Time Nov. 1. 1:16PM

State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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October 26, 2001

Dave Miller, Resident Agent
Lodestar Energy, Inc.
HC 35 Box 370
Helper, Utah 84526

Re: Decision Document and Revised Permit (Whisky Creek Contour Mining), Lodestar Energy Inc., White Oak Mine, C/007/001-SR01A, Outgoing File

Dear Mr. Miller:

The Division has processed the Whisky Creek Contour Mining of Barrier Coal (fee coal) significant revision to the White Oak Mine, including all materials submitted as of this date and has determined the application to be complete and adequate for issuance of a revised permit. The Decision Document and permit are enclosed. Please note the nine special conditions in Attachment A. The conditions have different time frames with which to comply, some as short as five days. Please have both copies of the permit signed by an authorized representative and return one to the Division.

If you have any questions, please call me.

Sincerely,

for Lowell P. Braxton
Director

EXHIBIT
M

Enclosures: Decision Document, 2 permits

ATTACHMENT A

As conditions of the permit, the Permittee must provide the following in accordance with:

1) **Water Monitoring.** R645-301-731.200.
Lodestar Energy, Inc. will submit water quality data for the White Oak Complex and Loadout, in an electronic format through the Electronic Data Input web site, http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi.

2) **Mining Operations and Facilities.** R645-301-553. The Permittee may take more than 60 days to do rough backfilling and grading provided that no more than 306,000 LCY of spoil may be stored in the temporary spoil pile or in any pit or other location at the mine where it is not in the approximate location for final grading.
R645-301-560. The Permittee must establish the approximate location of the upper portion of Whisky Creek during rough backfilling and grading.

3) **Operations Plan Hydrologic Information.**
R645-301-742.310. By November 26, 2001, the Permittee will revise all Map R645-301-742-310B versions (submitted on September 10, 2001) to indicate that the correct weighted curve number for Zone 4 is 74.

4) **Operational Use of Explosives.** R645-301-524.330 and R645-301-524.340. A pre-blast survey of the Questar gas pipeline must be conducted by the Permittee. Copies of the pipeline survey must be provided to Questar prior to blasting to provide an opportunity for comments. Copies of pipeline survey must be provided to the Division within 10 days of completion of the survey.

5) **General Reclamation Requirements.** R645-301-541.400. By January 26, 2002, details of the reclamation sequence of the Belina Haul Road and the White Oak Complex coal pad and Sediment Pond 004A must be submitted to the Division

6) **Post Mining Land Uses.** R645-301-412. By January 26, 2002, the Permittee must remove all references to construct the 1200-foot section of road because the Oman's desire to construct it themselves or the lease agreement must be modified. Also by January 26, 2002, comments from the landowners concerning the postmining land use for Section 30 must be provided.

7) **Hydrologic Reclamation Plan.**
R645-301-731.120. By November 26, 2001, the Permittee must revise Figure SRP-2 to include: 1) the location of the highwall in the Relocated Stream Profile that will be moved further upstream, and 2) the graded spoils in the restored stream channel that will be removed from the Transition X-Section to more accurately reflect the actual design.

8) **Maps Plans and Cross-Sections of Reclamation.** R645-301-542.300 and R645-301-521.152. By November 26, 2001 the Permittee must provide the Division with a contour map of the reclaimed White Oak mine site at a scale of 1" = 100' that show the contours within 100 feet of the disturbed area boundaries. (Map R645-301-527 Sheet 13, White Oak Mine Site Final Reclamation Contours does not show the contour that are 100 linear feet outside the disturbed area boundaries

9) **Bonding.** R645-301-840.520 By November 2, 2001, the Permittee must notify the Division of the capacity of Frontier Insurance Company to provide adequate bond coverage for the White Oak Complex.

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Lodestar Energy, Inc.
Mountain Operations
White Oak, Horizon, and Grand Valley Mines
HC35 Box 370
Helper, Utah 84526

November 2, 2001

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas and Mining
1549 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

RE: Notification of Incapacity of Surety Company

Dear Ms. Grubaugh-Littig:

Lodestar Energy, Inc. is providing this letter in compliance with Utah Regulation R645-301.840.520. It has come to our attention that the Utah Insurance Department completed proceedings for the revocation of Certificate of Authority against Frontier Insurance Company 195 Lake Louis Marie Road, Rock Hill, NY 12775 on October 24, 2001. The certified letter of the proceeding and order was mailed to Frontier Insurance Company on October 25, 2001.

The order becomes final in fifteen (15) days after the date of mailing unless a written request for a hearing is received from the Respondent. The Respondent has 30 days from the date the order becomes final to seek an agency review by filing a written petition.

An "Order of Rehabilitation" was entered by the Supreme Court of the State of New York on October 15, 2001, which includes a finding that "Frontier is insolvent". It is our understanding that Frontier would deny that any "incapacity" is created by any such insolvency.

Please feel free to contact Eberley Davis – Lodestar (Lexington) at (859)255-4006 or myself at (435) 448-9454.

Sincerely,

David B. Miller
Business Manager

Cc: Eberley Davis – Lodestar Energy (Lexington)

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EXHIBIT N

State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

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November 13, 2001

CERTIFIED MAIL
7099 3400 0016 8895 9970

Dave Miller, Resident Agent
Lodestar Energy, Inc.
HC 35 Box 370
Helper, Utah 84526

Re: Corrected Letter, Bond Replacement Required, , Lodestar Energy, Inc., White Oak Mine Complex, C/007/001, Horizon Mine, C/007/020, Outgoing File

Dear Mr. Miller:

Lodestar Energy, Inc. must maintain surety for the Horizon Mine and White Oak Mine Complex as required by the provisions of UCA 40-8-14 and rules enacted thereunder. The Supreme Court of the State of New York declared Frontier insolvent on October 15, 2001. In accordance with Utah Regulation R645-301-840.520, Lodestar Energy, Inc., must replace the two Frontier Insurance Company bonds within 60 days of receipt of this letter, but no later than COB January 7, 2002. The White Oak Mine bond, Frontier Insurance Company Bond #143715, in the amount of $3,832,000; and the Horizon Mine bond, Frontier Insurance Company Bond #143714, in the amount of $342,000, require replacement.

If replacement surety is not posted within this time frame Lodestar must cease coal extraction and comply with the provisions of R645-301-541.100 through R645-301-541.400 as applicable and immediately begin to conduct reclamation operations in accordance with the reclamation plan.

If you have any questions, please call me.

Sincerely,

Mary Ann Wright
Associate Director, Mining

vs
cc: Price Field Office
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EXHIBIT
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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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Lowell P. Braxton
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801-359-3940 (Fax)
801-538-7223 (TDD)

cc: JWH
NED 6/8/00

RECEIVED JUN 0 8 2000

June 5, 2000

CERTIFIED
P 074 978 604

Dave Miller, Resident Agent
Lodestar Energy, Inc.
HC 35 Box 370
Helper, Utah 84526

Re: Replacement of Sureties Requested, Lodestar Energy, Inc., White Oak Mine, ACT/007/001, Horizon Mine, ACT/007/020, Outgoing File

Dear Mr. Miller:

White Oak Mine is currently mining federal coal and Horizon Mine is seeking a permit to mine federal coal, but has mined through the BLM right-of-way. Federal agencies and bonds with federal obligees may only be accepted if they are written by a surety listed in the Department of Treasury, Cicular 570. It has recently come to the attention of the Division that Frontier Insurance Company is no longer an acceptable surety on federal bonds, see Department of Treasury listing dated June 1, 2000 (attached). Additionally, the A.M. Best Rating Guide currently rated this company at C++ (attached). Due to the fact that the bonds are no longer acceptable for federal bond, these bonds need to be replaced.

Therefore, pursuant to the requirements of R645-301-870 please replace surety bonds # 143718 in the amount of $4,292,000 for White Oak Mine and #125427 in the amount of $711,000 for the Horizon Mine, both issued by Frontier Insurance Company by July 15, 2000.

If you have any questions, please call me.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

pgl/sm
cc: Mary Ann Wright
Price Field Office
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EXHIBIT
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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

October 5, 2001

RECEIVED
OCT 12 2001
LEGAL

CERITFIED MAIL
7099 3400 0016 8896 0020

Dave Miller, Resident Agent
Lodestar Energy, Inc
H.C.35 Box 370
Helper, Utah 84527

Re: Bond Replacement Required, Lodestar Energy, Inc., White Oak Mine, C/007/001, Outgoing File

Dear Mr. Miller:

The new surety rules are now effective and Lodestar Energy, Inc. must replace the current surety, Frontier Insurance Company, within 120 days of receipt of this letter. The new rules, R645-301-860.110, require that a surety company have a rating of A- or better or a Financial Performance Rating of 8 or better according to the A.M. Best's Key Rating Guide and be continuously listed on the Department of Treasury, Circular 570. Currently, Frontier Insurance Company is in "rehabilitation" with the New York Insurance Commission and has a Best's Rating of "E" and was dropped from the Circular 570 in June 2000.

Please call me (801-538-5306) or Pamela Grubaugh-Littig (801-538-5268) if you have any questions about this.

Sincerely,

Mary Ann Wright
Associate Director, Mining

vs
Enclosure
Eb Davis, Lodestar Energy, Inc.
John Maycock
P:\GROUPS\COAL\WP\007001.WO\FINAL\Bondreplacementletter.doc

EXHIBIT
I

INCOMING C0070001
CC: C0070020
RECEIVED
JAN 28 2002
DIVISION OF
OIL, GAS AND MINING

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

In re:	**Case Nos. 01-50969 and 01-50972**
LODESTAR ENERGY INC., et al.,	**Chapter 11**
Debtors.	**Jointly administered under Case No. 01-50969**
LODESTAR ENERGY INC. AND LODESTAR HOLDINGS, INC.,	
Plaintiffs,	**Judge Joseph M. Scott, Jr.**
v.	
THE STATE OF UTAH, et al.,	**Adv. Pro. No. 02-5001**
Defendants.	

PLAINTIFF'S DISCLOSURES OF EXHIBITS
PURSUANT TO ORDER

Lodestar Energy, Inc. and Lodestar Holdings, Inc. (the "Plaintiffs"), in accordance with the Agreed Amended Order Scheduling Hearing and Re: Presentation of Evidence by Affidavit hereby provide the following exhibit disclosures:

Attached hereto are the exhibits that the Plaintiffs will offer into evidence at the hearing of Plaintiff's Motion for Temporary Injunction and/or for Preliminary Injunction set for Thursday, January 31, 2002. Exhibits are marked A-T.

Plaintiffs hereby reserve the right to amend and/or supplement these disclosures at any time prior to the commencement of the hearing to add any additional exhibits and to introduce any exhibit which the Defendants may identify in their disclosures or intend to offer at the hearing.

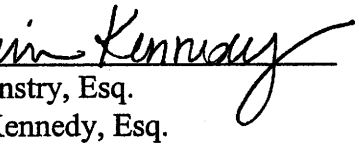
Respectfully submitted,

SQUIRE, SANDERS & DEMPSEY, LLP

Stephen D. Lerner, Esq.
Gregory A. Ruehlmann
Jeffrey A. Marks, Esq.
Suite 3500, 312 Walnut Street
Cincinnati, OH 45202-4036
Telephone: 513-361-1200
Facsimile: 513-361-1201
Email: slerner@ssd.com
gruehlmann@ssd.com
jemarks@ssd.com

and

FOWLER, MEASLE & BELL, LLP



Taft A. McKinstry, Esq.
Ellen Arvin Kennedy, Esq.
300 West Vine Street, Suite 600
Lexington, KY 40507-1660
Telephone: 859-252-6700
Facsimile: 859-255-3735
Email: tmckinstry@fmblaw.com
eakennedy@fmblaw.com

COUNSEL FOR PLAINTIFFS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon those persons listed below by email and/or U.S. Mail, postage pre-paid, as indicated, on this the 22 day of January, 2002:

Matthew B. Bunch, Esq.
271 West Short Street, Suite 805
P.O. Box 2086
Lexington, KY 40588-2086
Email: matt@bunchlaw.com
CO-COUNSEL FOR PACIFIC EMPLOYERS
INSURANCE COMPANY AND STATE OF UTAH
Email and U.S. Mail, Postage Pre-Paid

John Maycock, Esq.
ASSISTANT ATTORNEY GENERAL, STATE OF UTAH
c/o Matthew B. Bunch, Esq.
271 West Short Street, Suite 805
P.O. Box 2086
Lexington, KY 40588-2086
U.S. Mail, Postage Pre-Paid

THE STATE OF UTAH
Mark Shurtleff
Attorney General
State Capitol Office
236 State Capitol
Salt Lake City, UT 84114-0810
U.S. Mail, Postage Pre-Paid

Kathleen Clarke, Executive Director
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining
Or Her Successor in Interest
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
U.S. Mail, Postage Pre-Paid

Lowell P. Braxton, Division Director
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
U.S. Mail, Postage Pre-Paid

John S. Sawyer, Esq.
Robert V. Sartin, Esq.
Sawyer & Glancy PLLC
3120 Wall Street, Suite 310
Lexington, KY 40513
Email: jss@sawyerglancy.com
rvs@sawyerglancy.com
COUNSEL FOR WEXFORD CAPITAL LLC,
WEXFORD SPECTRUM INVESTORS, LLC,
SOLITAIR CORP. AND VALENTIS INVESTORS, LLC
Email and U.S. Mail, Postage Pre-Paid

COUNSEL FOR PLAINTIFFS

AMBTAM\Lodestar\Adv. Utah\Plaintiff's Exhibit List
6670.00010

New York State
Insurance Department

ISSUED: 8/24/2001 **FOR IMMEDIATE RELEASE**

FRONTIER INSURANCE COMPANY AGREES TO VOLUNTARY REHABILITATION

The New York State Insurance Department and Frontier Insurance Company have reached an agreement for Frontier to enter into voluntary rehabilitation. By a vote of the board of directors, Frontier consented to entry of an order of rehabilitation pursuant to Article 74 of the New York State Insurance Law. Upon approval of the rehabilitation by the New York State Supreme Court in New York County, the Department will take control of the property casualty insurance company.

Rehabilitation involves the Superintendent taking possession of the property of the insurer, conducting its business, and taking steps toward the removal of the causes and conditions that have made the rehabilitation proceeding necessary.

Employees of Frontier will continue to be employed in their current positions pending a full review of operations by the Superintendent. Additionally, all insurance policies and other contracts of Frontier will remain in force.

EXHIBIT A

At the IAS Part 19 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York on the day of , 2001

AUG 27 2001

PRESENT

HON. EDWARD H. LEHNER
JUSTICE

----------x

In the matter of

the application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

----------x

Index No. 01/405090

ORDER TO SHOW CAUSE

Upon reading the annexed petition of GREGORY V. SERIO, Superintendent of Insurance of the State of New York (the "Superintendent"), by Kevin Rampe, First Deputy Superintendent, duly verified the 24th day of Aug, 2001 and the emergency affidavit of Kevin Rampe sworn to Aug. 27, 2001 ~~and it appearing that the relief sought should be granted:~~

NOW, on motion of the Hon. Eliot Spitzer, Attorney General of the State of New York, attorney for the Superintendent, and after due deliberation having been had thereon:

LET FRONTIER INSURANCE COMPANY ("Frontier") or its attorney show cause before this ~~Commercial~~ Motion Submission Part ____, courtroom 130, on the 10 day of SEPTEMBER, 2001 at 9:30 o'clock in the ~~forenoon~~ afternoon, or as soon thereafter as counsel may be heard, at 60 CENTRE STREET, NEW YORK, N.Y. why an order should not be made

EXHIBIT B

and entered, pursuant to article seventy-four of the New York Insurance Law, appointing the Superintendent as rehabilitator of Frontier, directing the Superintendent to take possession of Frontier's business and property and to take such steps as are necessary to remove the causes and conditions that make this proceeding necessary, issuing the injunctions provided for in section 7419 of the New York Insurance Law, and granting such other relief as is just; and

Sufficient cause having been alleged therefor, let service of a copy of this Order to Show Cause, and the papers upon which it is granted be made by personal service upon Frontier on or before the 30th day of AUGUST, 2001, and such service shall be deemed good and sufficient service, and it is hereby

ORDERED, that pending the hearing of the motion, Frontier, its officers, directors, shareholders, members, trustees, agents, servants, employees, policyholders, attorneys, managers, and all other persons are restrained from the transaction of its business or the waste or disposition of its property, except as authorized by the Superintendent; and it is hereby

ORDERED, that pending the hearing of the motion, the Superintendent is appointed as temporary rehabilitator and is hereby authorized and directed forthwith to take possession of the property of Frontier and conduct the business thereof.

ENTER

J.S.C.

At IAS Part 19 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York on the 10th day of October, 2001.

PRESENT:

HON. EDWARD H. LEHNER

JUSTICE

In the Matter of

The Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

Index No.: 405090/01

ORDER OF REHABILITATION

FILED OCT 15 2001 NEW YORK COUNTY CLERK'S OFFICE

Petitioner, Gregory V. Serio, Superintendent of Insurance of the State of New York (the "Superintendent"), having moved this Court for an order to take possession of the property of and rehabilitate Frontier Insurance Company ("Frontier");

NOW, upon reading and filing the order to show cause signed August 27, 2001, the petition of Gregory V. Serio, Superintendent of Insurance, by Kevin Rampe, First Deputy Superintendent, duly verified August 24, 2001 and the emergency affidavit of Kevin Rampe sworn to on August 27, 2001; (the exhibits annexed thereto); the cross motion by Frontier Insurance Group dated September 7, 2001, the annexed proposed petition, the affidavit of Suzanne Loughlin sworn to on September 7, 2001, the exhibits annexed thereto; the affirmation in opposition by Mary Nicholls dated September 7, 2001; the affirmation in opposition by Adam J. Glatt dated September 7, 2001; the affidavit of Kevin Rampe sworn to on October 3, 2001, and the exhibits annexed thereto;

EXHIBIT C

and the reply affidavit of Joseph Termini sworn to on October 3, 2001 and it appearing to my satisfaction that:

1. Frontier was incorporated in New York as a stock property/casualty insurer on November 2, 1962 and commenced business on August 17, 1966;

2. Frontier's principal place of business is located at 195 Lake Louise Marie Road, Rock Hill, New York in Sullivan County. Frontier's tax ID number is 13-2559805;

3. Frontier is subject to the New York Insurance Law and particularly to article 74 thereof;

4. Frontier is insolvent;

5. Frontier has failed to cure its impairment of capital or minimum surplus to policyholders;

6. Frontier has consented to the entry of the order of rehabilitation; and

7. It is in the best interest of Frontiers's policyholders, creditors and the general public that the Superintendent be directed to take possession of Frontier's property and to rehabilitate its business and affairs;

And, the Petitioner, having appeared by the Hon. Eliot Spitzer, Attorney General of the State of New York, and due deliberation having been had;

NOW, on motion of Hon. Eliot Spitzer, Attorney General of the State of New York, it is ORDERED as follows:

1. The petition is granted and the cross-motion is withdrawn;

2. Gregory V. Serio, Superintendent, and his successors in office as Superintendent, is appointed Rehabilitator of Frontier and is authorized and directed to immediately take possession of its property, conduct its business, including but not limited to settling claims within his sole discretion, take such steps toward the removal of the causes and conditions which made this proceeding necessary as he shall deem wise and expedient, and deal with the property and business of Frontier in its name or in the name of the Superintendent as Rehabilitator;

3. Notice to all persons having claims against Frontier to file or present their claims to the Superintendent as Rehabilitator is deferred until further order of this court;

4. Frontier, its officers, directors, depositories, trustees, agents, servants, employees, and all other persons, having any property or records belonging or relating to Frontier, including, but not limited to insurance policy, loss claim and legal files are directed, upon request of the Superintendent as Rehabilitator to assign, transfer, set over and deliver to him all such property or records;

5. Any persons, firms, corporations, or associations having any books, papers or records relating to the business of Frontier shall preserve them and submit them to the Superintendent as Rehabilitator for examination and copying at all reasonable times;

6. All persons including, but not limited to the officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of Frontier, are enjoined and restrained from the transaction of Frontier's business, the waste or disposition of its property, interfering with the Superintendent as Rehabilitator in the possession, control and management of Frontier's property or in the discharge of his duties;

7. All persons are enjoined and restrained from commencing or prosecuting any actions, lawsuits, or proceedings against Frontier, or the Superintendent as Rehabilitator;

8. All persons are enjoined and restrained from obtaining preferences, judgments, attachments or other liens or making any levy against Frontier's assets or any part thereof.

9. All parties to actions, lawsuits, and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any discovery, court conferences including but not limited to pre-trial conference, trial, application for judgment or proceedings on settlements or judgments for a period of one hundred and eighty days from the date of entry of this order.

10. Those persons who may have first-party or New York Comprehensive Automobile Insurance Reparations Act (No-Fault) policyholder loss claims against Frontier coming within the purview of Article 76 of the Insurance Law are enjoined from presenting and filing such claims in this proceeding for 90 days from the date of entry of this order.

11. In addition to the powers enumerated above and those delegated to the Rehabilitator in the New York Insurance Law, the Rehabilitator, by Order to Show Cause on notice to interested parties, including without limitation Frontier's sole shareholder, and subject to court approval, may sell or otherwise dispose of all or any part of the real and personal property of Frontier, sell any line of insurance, and take such other actions as set forth in Section 7428 of the New York Insurance Law.

12. That the Superintendent of Insurance, as Rehabilitator, may at any time make further application at the foot of this Order to this Court for such further and different relief as he sees fit.

13. All further papers in this proceeding shall bear the caption:

In the Matter of

The Rehabilitation of

FRONTIER INSURANCE COMPANY

ENTER

J.S.C.

RehOrder I

FILED
OCT 15 2001
NEW YORK
COUNTY CLERK'S OFFICE

Sir:

Please take notice that the within is a true copy of
duly filed and entered in the office of the clerk of
County, on the day
of , 2001

Yours, etc.,

ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: , Esq.

Attorney for

Sir

Please take notice that the within

will be presented for settlement and signature herein to the Hon.
one of the Judges of the within named Court, at

In the Borough of
City of New York, on the day of
, 2001.

Date, N.Y., , 2001

Yours, etc.

ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: Esq.

Attorney for

SUPREME COURT : NEW YORK COUNTY

In the Matter of

the Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

ORDER OF REHABILITATION

ELIOT SPITZER
Attorney General

Attorney for the Superintendent of Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

Tel.

Personal Service of a copy of

within.....

is admitted this.....day of

.....2001

UTAH CODE ANNOTATED
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one of the LEXIS Publishing companies.
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*** STATUTES CURRENT THROUGH THE 2001 SUPPLEMENT ***
*** (2001 FIRST SPECIAL SESSION) ***

TITLE 40. MINES AND MINING

CHAPTER 8. MINED LAND RECLAMATION

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Utah Code Ann. § 40-8-14 (2001)

§ 40-8-14. Surety requirement -- Liability of small mining operations for failure to reclaim -- Forfeiture of surety

(1) After receiving notification that a notice of intention for mining operations other than small mining operations has been approved, but prior to commencement of those operations, the operator shall provide surety to the division, in a form and amount determined by the division or board as provided in this section.

(2) (a) Except as provided in Subsection (3), the division shall approve the amount and form of surety.

(b) In determining the amount of surety to be provided, the division shall consider:

(i) the magnitude, type, and costs of approved reclamation activities planned for the land affected; and

(ii) the nature, extent, and duration of operations under the approved notice.

(c) The division shall approve a fixed amount estimated to be required to complete reclamation at any point in time covered by the notice of intent to an acceptable standard.

(d) In determining the form of surety to be provided by the operator, the division shall approve a method acceptable to the operator consistent with the requirements of this chapter. The form of surety that the operator may provide includes, but is not limited to, the following:

(i) collateral;

(ii) a bond or other form of insured guarantee;

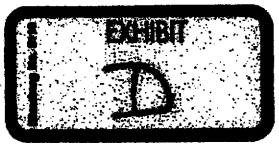
(iii) deposited securities; or

(iv) cash.

(3) (a) If the operator proposes reclamation surety in the form of a written contractual agreement, the board shall approve the form of surety.

(b) In making this decision the board shall consider:

(i) the operator's:



(A) financial status;

(B) assets within the state;

(C) past performance in complying with contractual agreements; and

(D) facilities available to carry out the planned work;

(ii) the magnitude, type, and costs of approved reclamation activities planned for the land affected; and

(iii) the nature, extent, and duration of operations under the approved notice.

(4) In determining the amount and form of surety to be provided under this section, consideration shall be given to similar requirements made on the operator by landowners, governmental agencies, or others, with the intent that surety requirements shall be coordinated and not duplicated.

(5) The liability under surety provisions shall continue until liability in part or in its entirety, is released by the division.

(6) If the operator of a small mining operation fails or refuses to carry out the necessary land reclamation as required by this chapter and the rules of the board, the board, after notice and hearing, may order that:

(a) reclamation be conducted by the division; and

(b) the costs and expenses of reclamation, together with costs of collection including attorney's fees, be recovered in a civil action brought by the attorney general against the operator in any appropriate court.

(7) (a) If the operator of a mining operation other than a small mining operation fails or refuses to carry out the necessary land reclamation as outlined in the approved notice of intention, the board may, after notice and hearing, declare any surety filed for this purpose forfeited.

(b) With respect to the surety filed with the division, the board shall request the attorney general to take the necessary legal action to enforce and collect the amount of liability.

(c) If surety or a bond has been filed with the Division of Forestry, Fire, and State Lands, the School and Institutional Trust Lands Administration, or any agency of the federal government, the board shall certify a copy of the transcript of the hearing and transmit it to the agency together with a request that the necessary forfeiture action be taken.

(d) The forfeited surety shall be used only for the reclamation of the land to which it relates, and any residual amount returned to the rightful claimant.

HISTORY: L. 1975, ch. 130, § 17; 1987, ch. 147, § 6; 1989, ch. 22, § 19; 1995, ch. 299, § 10; 1998, ch. 190, § 1.

NOTES:
AMENDMENT NOTES. --The 1995 amendment, effective May 1, 1995, added internal designations in Subsections (2), (3), and (7); subsituted "an agency of the state or federal government" for "the Division of State Lands and Forestry or an agency of the federal government" in Subsection (7)(c); and made stylistic changes.

The 1998 amendment, effective May 4, 1998, in Subsection (1) added "division or" and "as provided in this section"; added Subsection (2)(a), redesignated former Subsection (3)(a) as (2)(d), subdivided Subsections (2)(b) and (d), and made related designation changes; substituted "division" for "board" throughout Subsection (2);

deleted "factual information and recommendations provided by the division as to" at the end of the introductory phrase in Subsection (2)(b); in Subsection (2)(d), deleted "a written contractual agreement" from the list of forms of surety; added Subsection (3)(a); in Subsection (3)(b), deleted "such factors as" from the end of the introductory language, added the Subsection (i) designation, and redesignated former Subsections (3)(b)(i) to (3)(b)(iv) as (3)(b)(i)(A) to (3)(b)(i)(D); added Subsections (3)(b)(ii) and (3)(b)(iii); in Subsection (7)(c) substituted "the Division of Forestry, Fire, and State Lands, the School and Institutional Trust Lands Administration" for "an agency of the state"; and made numerous related and stylistic changes throughout the section.

FORM B10 (Official Form 10)(4/01)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY (LEXINGTON)

[redacted]

Name of Debtor
Lodestar Energy, Inc., a Deleware Corporation

Case Number
01-50969

[redacted]

Name of Creditor (The person or other entity to whom the debtor owes money or property):
STATE OF UTAH
Name and Address where notices should be sent:

STATE OF UTAH
DIVISION OF OIL GAS & MINING
P O BOX 14580
SALT LAKE CITY, UT 84114

Telephone Number:

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
☐ Check box if you have never received any notices from the bankruptcy court in this case.
☐ Check box if the address differs from the address on the envelope sent to you by the court.

[redacted]

THIS SPACE IS FOR COURT USE ONLY

Account or other number by which creditor identifies debtor:
Permit No. ACT/007/001

Check here if this claim ☐ replaces ☐ amends a previously filed claim, dated _____

1. Basis for Claim
☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other Mine Reclamation obligation under Federal and State Coal Mining Reclamation Acts

☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries, and compensation (fill out below)
Your SS #: _____ _____ _____
Unpaid compensation for services performed from _____ (date) to _____ (date)

2. Date debt was incurred:
July 14, 1999

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed: $_____
If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.
☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.
☒ Check this box if your claim is secured by collateral (including a right of setoff).
Brief Description of Collateral:
☐ Real Estate ☐ Motor Vehicle
☒ Other Reclamation Agreement Surety Bond, Frontier Insurance Company, Surety
Value of Collateral: $_____

Value to Utah: $4,292,000.00

Amount of arrearage and other charges at time case filed included in secured claim, if any: $_____

6. Unsecured Priority Claim.
☐ Check this box if you have an unsecured priority claim
Amount entitled to priority $_____
Specify the priority of the claim:
☐ Wages, salaries, or commissions (up to $4,650),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
☐ Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4).
☐ Up to $ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(__).

Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.
8. Supporting Documents: *Attach copies of supporting documents,* such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.
9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY
EASTERN DISTRICT OF KENTUCKY
FILED
6-4-01
JUN 04 2001
249 KB
AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COURT

Date 5/30/01

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):
Kurt E. Seez, Assistant Attorney General

Penalty for presenting fraudulent claim: Fine of up to $500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

**** Proof of claim forms and attachments must be filed IN DUPLICATE****
To receive a file-stamped copy, file claim in triplicate and include a self-addressed, stamped envelope.

249

EXHIBIT E

Bond # Frontier 143715

RECLAMATION AGREEMENT

Permit Number: ACT/007/001
Date Original Permit Issued: August 24, 1984
Effective Date of Agreement: July 14, 1999

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

COAL RECLAMATION AGREEMENT

--ooOOoo--

For the purpose of this **RECLAMATION AGREEMENT** the terms below are defined as follows:

"PERMIT":	(Mine Permit No.)	ACT/007/001 (County) Carbon
"MINE":	(Name of Mine)	White Oak No. 1 and No. 2 Mines
"PERMITTEE":	(Company or Name)	Lodestar Energy, Inc.
	(Address)	333 W. Vine Str., Suite 1700, Lexington, KY 40507
"PERMITTEE'S REGISTERED AGENT":	(Name)	CT Corporation System
	(Address)	50 West Broadway, 8th Floor, Salt Lake City, UT 84101
	(Phone)	(801) 364-5101
"COMPANY OFFICER(S)":		R. Eberley Davis, Vice President and Assistant Secretary
"BOND TYPE":	(Form of Bond)	Surety
"BOND":	(Bond Amount-Dollars)	$4,292,000
	(Escalated to Year)	2004
"INSTITUTION":	(Bank or Agency)	[NA]
"POLICY OR ACCOUNT NUMBER":		[NA]

RECLAMATION AGREEMENT

Permit Number: ACT/007/001
Date Original Permit Issued: _____
Effective Date of Agreement: July 14, 1999

"LIABILITY INSURANCE": (Exp.) 08/31/1999
(Insurance Company) Reliance National

"STATE": Utah Department of Natural Resources
"DIVISION": Division of Oil, Gas & Mining
"DIVISION DIRECTOR": Lowell Braxton

EXHIBITS:		Revision Dates		
"SURFACE DISTURBANCE"	Exhibit "A"	_____	_____	_____
"BONDING AGREEMENT"	Exhibit "B"	_____	_____	_____
"LIABILITY INSURANCE"	Exhibit "C"	_____	_____	_____
"POWER OF ATTORNEY"		_____	_____	_____

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereinafter referred to as Agreement) is entered into by the Permittee.

WHEREAS, on July 14, 1999, the Division approved the Permit Application Package, hereinafter PAP, submitted by Lodestar Energy, Inc., hereinafter Permittee; **and**

WHEREAS, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; **and**

WHEREAS, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation or the Property; **and**

WHEREAS, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.

2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.

3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.

4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.

6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.

7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.

8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.

9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.

10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)

11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.

12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

RECLAMATION AGREEMENT

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.

14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this 14th day of July, 1999

STATE OF UTAH:

~~Lowell P. Braxton, Director~~ Associate Director, Mining
Division of Oil, Gas & Mining

PERMITTEE:

LODESTAR ENERGY, INC.

VP + AS

R. Eberley Davis, Vice President and
Assistant Secretary

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/001
Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the **RECLAMATION AGREEMENT**, the **PERMITTEE** intends to conduct coal mining and reclamation activities on or within the **PERMIT AREA** as described hereunder: (The bonded area equals the permit area.)

Total acres of **PERMIT AREA**: 3,746 acres

Legal Description of **PERMIT AREA**:

Township 13 South, Range 6 East, SLBM

Section 24:	SE ¼, and portions of S ½ NE ¼, NW ¼ NE ¼, and E ½ SW ¼
Section 25:	E ½, portion of W ½
Section 35:	Portions of E ½ E ½, and SW ¼ SE1/4
Section 36:	All

Township 13 South, Range 7 East, SLBM

Section 8:	E ½ SE ¼, portion of SW ¼ SE ¼
Section 9:	W ½ SW ¼
Section 16:	W ½ W ½, NE ¼ NW ¼, NW ¼ NE ¼
Section 17:	NE ¼ excluding parts of SW ¼ NE ¼ and NE ¼ NE ¼, N ½ SE ¼,
Section 19:	S ½ SW ¼, NE ¼ SW ¼, and portions of W ½ E ½, E ½ NW ¼,
Section 20:	Portions of NE ¼ NE ¼
Section 21:	Portions of NW ¼ NW ¼
Section 30:	W ½ W ½, SE ¼ SW ¼, NE ¼ NW ¼
Section 31:	W ½ NW ¼, SW 1/4

Township 14 South, Range 6 East, SLBM

Section 1:	E ½ NE ¼, NE ¼ SE ¼

Township 14 South, Range 7 East, SLBM

Section 6:	W ½, W ½ E ½
Section 7:	NW ¼, NW ¼ NE ¼

This is the **PERMIT AREA** that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the **SURETY** has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company
SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(FEDERAL COAL)

RECLAMATION AGREEMENT

Exhibit "B" - **SURETY BOND** Permit Number: ACT/007/001

SURETY BOND

(FEDERAL COAL)

THIS SURETY BOND entered into and by and between the undersigned **PERMITTEE**, and **SURETY COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (**OSM**) in the penal sum of $4,292,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this **RECLAMATION AGREEMENT**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE's** reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirement of the Act, the applicable rules and regulations, SMCRA, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** and **OSM** may sustain as a result of the **PERMITTEE's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** and **OSM** of any notice received or action alleging to insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY's** license.

Terms for release or adjustment of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.

LODESTAR ENERGY, INC.
PERMITTEE

R. Eberley Davis VP

By: R. Eberley Davis

Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 19 99.

Frontier Insurance Company
SURETY

Dawn L Morgan

By: Dawn L. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

~~Lowell P. Braxton, Director~~ Associate Director
Division of Oil, Gas & Mining
Mary Ann Wright Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "C"

LIABILITY INSURANCE

Willis

July 8, 1999

7 Hanover Square
New York, NY 10004-2594
Telephone 212-344-8888
Fax 212-344-8511
Cable NOORROC
Telex
Domestic 12-8283
International 421034-ITT

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City, UT 84114-5801

Dear Certificate Holder:

Enclosed is the Certificate of Insurance issued on behalf of Lodestar Energy, Inc. and subsidiaries.

Should you have any questions please feel free to call.

Sincerely yours,

Willis Corroon Corporation of New York

Enclosure

cc: Lodestar Energy, Inc. and subsidiaries
Reliance Insurance Company
Reliance National Insurance Company

ACT/007/001
#4
Certificate. Orig. to Eng
Copy to #4, Pam

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

Willis Corroon
Corporation of
New York
Insurance Brokers
Consultants

12 + 22

ACORD CERTIFICATE OF LIABILITY INSURANCE — PAGE 1 OF 2

DATE (MM/DD/YY): 8-JUL-1999

PRODUCER 89613
Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A Reliance Insurance Company

COMPANY B Reliance National Insurance Company

COMPANY C

COMPANY D

INSURED
Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	NGB0144-018	01-FEB-1999	31-AUG-1999	GENERAL AGGREGATE	$ 2,000,0
	[X] COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$ 2,000,0
	[ ] CLAIMS MADE [X] OCCUR				PERSONAL & ADV INJURY	$ 2,000,0
	[ ] OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	$ 1,000,0
					FIRE DAMAGE (Any one fire)	$ 500,0
					MED EXP (Any one person)	$ 5,0
A	AUTOMOBILE LIABILITY	NKA0144-017	01-FEB-1998	31-AUG-1999	COMBINED SINGLE LIMIT	$ 1,000,0
	[X] ANY AUTO				BODILY INJURY (Per person)	$
	[ ] ALL OWNED AUTOS					
	[ ] SCHEDULED AUTOS				BODILY INJURY (Per accident)	$
	[X] HIRED AUTOS					
	[X] NON-OWNED AUTOS				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	[ ] ANY AUTO				OTHER THAN AUTO ONLY: EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	[ ] UMBRELLA FORM				AGGREGATE	$
	[ ] OTHER THAN UMBRELLA FORM					$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	TBD	09-JUL-1999	09-JUL-2000	[X] WC STATUTORY LIMITS [ ] OTHER	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: [ ] INCL [ ] EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
	OTHER					

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
SEE ATTACHED

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE TH[E] EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL XXXXXXXX MA[IL] 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LE[FT] XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

AUTHORIZED REPRESENTATIVE
Gary Langl[signature]

© ACORD CORPORATION 1[9..]

Willis **CERTIFICATE OF INSURANCE** PAGE 2 OF 2

ISSUE DATE (MM/DD/YY) 8-JUL-1999

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW

89613

INSURED

Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

PRODUCER

Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PE INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TE EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
Permit #ACT/007/001, White Oak Mines Complex, located at: Mine Road, off Eccles Canyon Rd., off Route 96, near Scofield, UT.

The General Liability policy includes explosives coverage.

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE T EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ~~EMDEAVOR TO~~ M 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LE ~~BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIA~~ ~~ON THE COMPANY, ITS AGENTS OR REPRESENTATIVES~~

AUTHORIZED REPRESENTATIVE

Daly Langh

WILLIS 25W1 (9/95) LODESTAR1 © WILLIS

RECLAMATION AGREEMENT

AFFIDAVITS OF QUALIFICATION

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR
--ooOOoo--

I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said **ASSOCIATE DIRECTOR** is authorized to execute the same authority of law on behalf of the State of Utah.

Mary Ann Wright, Associate Director
Division of Oil, Gas & Mining

Subscribed and sworn to before me this 14th day of July, 1999.

Notary Public

My Commission Expires:

February 29, ~~19~~ 2000

Notary Public
VICTORIA A. BAILEY
1594 West North Temple
Salt Lake City, Utah 84114
My Commission Expires
February 29, 2000
State of Utah

Attest:

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--ooOOoo--

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc. ; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

R. Eberley Davis VP+AS
R. Eberley Davis, Vice President and Assistant Secretary

Subscribed and sworn to before me this 9th day of July, 1999.

Linda Kay Kunzi
NOTARY PUBLIC

My Commission Expires:
July 28, 2001

LINDA KAY KUNZI
Notary Public
State of Utah
My Comm. Expires Jul 28,2001
201 South Main Suite 1800 SLC UT 84145

Attest:

STATE OF UTAH _____)
COUNTY OF _____) ss:

LODESTAR ENERGY, INC.

Unanimous Consent in Lieu of Meeting of Board of Directors

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the ~~22~~ 28nd day of July, 1997.

Ira Leon Rennert, Director

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY
--ooOOoo--

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **SURETY COMPANY** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan
[NAME- POSITION]
Dawn L. Morgan - Attorney-in-Fact

Subscribed and sworn to before me this 9th day of July, 19 99.

Kelly A. Jacobs
NOTARY PUBLIC

My Commission Expires:

June 15, ~~19~~ 2002

"OFFICIAL SEAL"
KELLY A. JACOBS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/15/2002

Attest:

STATE OF Illinois)
COUNTY OF Cook) ss:

RECLAMATION AGREEMENT

POWER OF ATTORNEY

Frontier INSURANCE COMPANY

ROCK HILL, NEW YORK 12775-8000

(A Stock Company)

POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: Lewis James Scheer Michael J. Scheer Alice Rhoads James I. Moore Bonnie Kruse Stephen T. Kazmer Dawn L. Morgan

of Countryside, in the State of Illinois

its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed: not to exceed Four Million Three Hundred Thousand ($4,300,000.00) Dollars——— and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 29th day of April, 19 97

FRONTIER INSURANCE COMPANY

BY: _____
HARRY W. RHULEN, President

State of New York
County of Sullivan ss.:

On this 29th day of April, 19 97, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came HARRY W. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NANCY V. PIERRO
Notary Public State of New York
Sullivan County Clerk's No. 2385
Commission Expires July 8, 1998

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this 9th day of July, 19 99.

FORM B10 (Official Form 10)(4/01)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY (LEXINGTON)

PROOF OF CLAIM

Name of Debtor
Lodestar Energy, Inc., a Deleware Corporation

Case Number
01-50969

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (The person or other entity to whom the debtor owes money or property):
STATE OF UTAH
Name and Address where notices should be sent:

STATE OF UTAH
DIVISION OF OIL GAS & MINING
P O BOX 14580
SALT LAKE CITY, UT 84114

Telephone Number:

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
☐ Check box if you have never received any notices from the bankruptcy court in this case.
☐ Check box if the address differs from the address on the envelope sent to you by the court.

THIS SPACE IS FOR COURT USE ONLY

Account or other number by which creditor identifies debtor:
Permit No. ACT/007/020

Check here if this claim ☐ replaces ☐ amends a previously filed claim, dated _____

1. Basis for Claim
☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other Mine Reclamation obligation under Federal and State Coal Mining Reclamation Acts

☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries, and compensation (fill out below)
Your SS #: _____
Unpaid compensation for services performed from _____ (date) to _____ (date)

2. Date debt was incurred: July 14, 1999

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed: $ 711,000.00
If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.
☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.
☒ Check this box if your claim is secured by collateral (including a right of setoff).
Brief Description of Collateral:
☐ Real Estate ☐ Motor Vehicle
☒ Other Reclamation Agreement Surety Bond, Frontier Insurance Company, Surety
Value of Collateral: $_____
Value to Utah: $711,000.00

Amount of arrearage and other charges at time case filed included in secured claim, if any: $_____

6. Unsecured Priority Claim.
☐ Check this box if you have an unsecured priority claim
Amount entitled to priority $_____
Specify the priority of the claim:
☐ Wages, salaries, or commissions (up to $4,650),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
☐ Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4).
☐ Up to $ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(__).

Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.
8. Supporting Documents: *Attach copies of supporting documents,* such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.
9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY
EASTERN DISTRICT OF KENTUC
FILED
6-4-01
JUN 04 2001
250KB
AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COU

Date 5/30/01

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):
Kurt E. Seff, Assistant Attorney General

Penalty for presenting fraudulent claim: Fine of up to $500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

**** Proof of claim forms and attachments must be filed IN DUPLICATE ****
To receive a file-stamped copy, file claim in triplicate and include a self-addressed, stamped envelope.

750

Bond # Frontier 125427

RECLAMATION AGREEMENT

Permit Number: ACT/007/020
Date Original Permit Issued: October 10, 1996
Effective Date of Agreement: July 14, 1999

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

COAL RECLAMATION AGREEMENT

--ooOOoo--

For the purpose of this **RECLAMATION AGREEMENT** the terms below are defined as follows:

"PERMIT":	(Mine Permit No.)	ACT/007/020 (County) Carbon
"MINE":	(Name of Mine)	Horizon Mine
"PERMITTEE":	(Company or Name)	Lodestar Energy, Inc.
	(Address)	333 W. Vine Str., Suite 1700, Lexington, KY 40507
"PERMITTEE'S REGISTERED AGENT":	(Name)	CT Corporation System
	(Address)	50 West Broadway, 8th Floor, Salt Lake City, UT 84101
	(Phone)	(801) 364-5101
"COMPANY OFFICER(S)":		R. Eberley Davis, Vice President and Assistant Secretary
"BOND TYPE":	(Form of Bond)	Surety
"BOND":	(Bond Amount-Dollars)	$711,000
	(Escalated to Year)	2001
"INSTITUTION":	(Bank or Agency)	[NA]
"POLICY OR ACCOUNT NUMBER":		[NA]

RECLAMATION AGREEMENT

Permit Number: ACT/007/020
Date Original Permit Issued: _____
Effective Date of Agreement: _____

"LIABILITY INSURANCE":	(Exp.)	08/31/1999
	(Insurance Company)	Reliance National

"STATE":	Utah Department of Natural Resources
"DIVISION":	Division of Oil, Gas & Mining
"DIVISION DIRECTOR":	Lowell Braxton

EXHIBITS:		Revision Dates		
"SURFACE DISTURBANCE"	Exhibit "A"	_____	_____	_____
"BONDING AGREEMENT"	Exhibit "B"	_____	_____	_____
"LIABILITY INSURANCE"	Exhibit "C"	_____	_____	_____
"POWER OF ATTORNEY"		_____	_____	_____

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereinafter referred to as Agreement) is entered into by the Permittee.

WHEREAS, on July 14, 19 99, the Division approved the Permit Application Package, hereinafter PAP, submitted by Lodestar Energy, Inc, hereinafter Permittee; **and**

WHEREAS, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; **and**

WHEREAS, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation or the Property; **and**

WHEREAS, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.

2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.

3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.

4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.

6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.

7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.

8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.

9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.

10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)

11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.

12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.

14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this 14th day of July, 19 99

STATE OF UTAH:

Mary Ann Wright Associate Director, Mining

~~Lowell P. Braxton, Director~~
Division of Oil, Gas & Mining

PERMITTEE:

LODESTAR ENERGY, INC.

R. Eberley Davis VP+AS

R. Eberley Davis, Vice President and Assistant Secretary

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/020
Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder: (The bonded area equals the permit area.)

Total acres of PERMIT AREA: 317.5

Legal Description of PERMIT AREA:

Township 13 South, Range 8 East, SLM, Utah

Section 8: SE1/4 SW1/4, SW1/4 NW1/4 SW1/4 SE1/4, W1/2 SW1/4 SW1/4 SE1/4,

Section 17: NW1/4 NE1/4, S1/2 NW1/4, N1/2 NW1/4 SW1/4, NE1/4 SW1/4, NW1/4 SE1/4, N1/2 SE1/4 SW1/4, N1/2 SW1/4 SE1/4, W1/2 W1/2 SW1/4 NE1/4

This is the PERMIT AREA that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the SURETY has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company
SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(NON-FEDERAL COAL)

RECLAMATION AGREEMENT

Exhibit "B" - **SURETY BOND** Permit Number: ACT/007/020

SURETY BOND

(NON-FEDERAL COAL)

--ooOOoo--

This **SURETY BOND** entered into by and between the undersigned **PERMITTEE**, and **SURETY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**) in the penal sum of $711,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of the Reclamation Agreement.

This **SURETY BOND** will remain in effect until all of the **PERMITTEE's** reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirements of the Act, the applicable rules and regulations, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** from all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** of any notice received or action alleging the insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY's** license.

Terms for release or adjustment of the **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEEMNT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.
insert here

LODESTAR ENERGY, INC.
PERMITTEE

R. Eberley Davis VP

By: R. Eberley Davis

Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 1999.

Frontier Insurance Company
SURETY

Dawn L. Morgan

By: Dawn L. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

~~Lowell P. Braxton, Director~~
Division of Oil, Gas & Mining
Mary Ann Wright Mini

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "C"

LIABILITY INSURANCE

Willis

July 8, 1999

7 Hanover Square
New York, NY 10004-2594
Telephone 212-344-8888
Fax 212-344-8511
Cable NOORROC
Telex
Domestic 12-8283
International 421034-ITT

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City, UT 84114-5801

ACT/007/020 #

Dear Certificate Holder:

Enclosed is the Certificate of Insurance issued on behalf of Lodestar Energy, Inc. and subsidiaries.

Should you have any questions please feel free to call.

Certificate Orig. to file
Copies to #4,
Pam, PTO

Sincerely yours,

Willis Corroon Corporation of New York

Enclosure

cc: Lodestar Energy, Inc. and subsidiaries
Reliance Insurance Company
Reliance National Insurance Company

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

Willis Corroon
Corporation of
New York
Insurance Brokers
Consultants

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY) 8-JUL-1999

PRODUCER 89613
Willis Corroon Corporation of New York
7 Hanover Square
New York NY 10004-2594
(212) 344-8888

Daniel Leung

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A: Reliance Insurance Company

COMPANY B: Reliance National Insurance Company

COMPANY C:

COMPANY D:

INSURED

Lodestar Energy, Inc. and subsidiaries
333 West Vine Street
Suite 1700
Lexington KY 40507

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	NGB0144-018	01-FEB-1999	31-AUG-1999	GENERAL AGGREGATE	$ 2,000,0
	X COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$ 2,000,0
	CLAIMS MADE X OCCUR				PERSONAL & ADV INJURY	$ 2,000,0
	OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	$ 1,000,0
					FIRE DAMAGE (Any one fire)	$ 500,0
					MED EXP (Any one person)	$ 5,0
A	AUTOMOBILE LIABILITY	NKA0144-017	01-FEB-1998	31-AUG-1999	COMBINED SINGLE LIMIT	$ 1,000,0
	X ANY AUTO				BODILY INJURY (Per person)	$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS					
	X HIRED AUTOS				BODILY INJURY (Per accident)	$
	X NON-OWNED AUTOS					
					PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY:	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELLA FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	TBD	09-JUL-1999	09-JUL-2000	X WC STATUTORY LIMITS / OTHER	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
	OTHER					

RECEIVED
JUL - 9 1999
DIV. OF OIL, GAS & MINING

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Permit # ACT/007/020 Horizon Coal Mine

The General Liability policy includes explosive coverage.

CERTIFICATE HOLDER

Utah Dept. of Natural Resources
Division of Oil, Gas &
Mining
Suite 1210
Salt Lake City UT 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ~~[illegible]~~ MAIL 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT ~~[illegible]~~

AUTHORIZED REPRESENTATIVE

Gary Langes

RECLAMATION AGREEMENT

AFFIDAVITS OF QUALIFICATION

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR
--ooOOoo--

I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said **ASSOCIATE DIRECTOR** is authorized to execute the same authority of law on behalf of the State of Utah.

Mary Ann Wright, Associate Director
Division of Oil, Gas & Mining

Subscribed and sworn to before me this 14th day of July, 1999.

Notary Public

My Commission Expires:

February 29, 19 2000

Notary Public
VICTORIA A. BAILEY
1594 West North Temple
Salt Lake City, Utah 84114
My Commission Expires
February 29, 2000
State of Utah

Attest:

STATE OF Utah)
COUNTY OF SALT LAKE) ss:

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--ooOOoo--

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc.; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

R. Eberley Davis VP + AS

R. Eberley Davis, Vice President and Assistant Secretary

Subscribed and sworn to before me this 9th day of July, 1999.

Linda Kay Kunzi

NOTARY PUBLIC

My Commission Expires:

July 28, 2001

LINDA KAY KUNZI
Notary Public
State of Utah
My Comm. Expires Jul 28,2001
201 South Main Suite 1800 SLC UT 84145

Attest:

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

LODESTAR ENERGY, INC.

Unanimous Consent in Lieu of
Meeting of Board of Directors

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the ~~22~~ 28nd day of July, 1997.

Ira Leon Rennert, Director