

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF WEST VIRGINIA

IN RE:
PRINCESS POLLY ANNA COAL, INC.;
Debtor

CHAPTER 11
CASE NO. 17-50060

DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S PLAN OF REORGANIZATION

This Disclosure Statement ("Disclosure Statement") and the accompanying ballots are being furnished by Princess Polly Anna Coal, Inc. (hereinafter, the "Debtor"), to the Debtor's known creditors pursuant to §§1125(a) and 1126(b) of the United States Bankruptcy Code ("Code") in connection with a solicitation by the Debtor of ballots for the acceptance of the Plan of Reorganization ("Plan") under Chapter 11 of the Code. As required by the Code, confirmation of a reorganization plan pursuant to Chapter 11 depends upon receipt of a sufficient number of votes in favor of the Plan. Your vote, therefore, is important.

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

Pursuant to Rule 3018 of the Bankruptcy Rules and the Code, the Bankruptcy Court ("Court") has fixed _____ p.m. Eastern time on _____, 2018 as the record date for the receipt of ballots accepting or rejecting the Plan. This solicitation period for ballots will expire at 5:00 p.m. local time in Beckley, West Virginia on the aforesaid date, unless and until the Court, in its discretion, extends the period of time in which ballots may be accepted. EXCEPT TO THE EXTENT ALLOWED BY THE COURT, BALLOTS THAT ARE RECEIVED AFTER THE EXPIRATION OF THE VOTING PERIOD MAY NOT BE ACCEPTED OR USED BY THE DEBTOR IN CONNECTION WITH THE DEBTOR'S MOTION FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

Pursuant to §1126 of the Code, certain holders of impaired claims or interests, as determined by the Court, will be entitled to vote to accept or to reject the Plan, or, in some cases, will be deemed to have accepted the Plan.

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

Amendments to the Plan's classification of Creditors and treatment of those Classes that do not materially and adversely change the treatment of that Class or the other Classes may be

made to the Plan either before or after the Confirmation hearing without re-solicitation of Creditors in the Classes that are not impaired by such an amendment. No such amendments, however, are envisioned at this time.

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

Likewise, there are often changes required by the Court in the Plan, which changes arise prior to or during the Confirmation hearing. These changes often are technical matters relating to Code provisions; other times they are substantive matters that affect only one or a limited number of Creditors. If such changes are required to the Plan, the Debtor intend to make those changes so without obtaining the approval of the Class or Classes affected so long as such change or changes do not materially and adversely affect the rights of such Creditors. The statements contained in this Disclosure Statement are made as of the date hereof, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with the Plan shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

1. INTRODUCTION

A. General

The Plan is being proposed by the Debtor after negotiations with various Creditors, and after much discussion with Frederick J. Taylor, the sole Shareholder of the Debtor. The Confirmation of the Plan described herein is also subject to other conditions in addition to the acceptances by one or more Impaired Classes of Creditors so there can be no assurance that such Plan will be confirmed.

This Disclosure Statement describes various transactions contemplated under the Plan. The following overview is qualified in its entirety by the specific terms of the Plan, and those terms and phrases as defined in the Plan are used in this Disclosure Statement. You are urged to read carefully the entire Plan and to consult with your attorney about the Plan and its impact upon your legal rights prior to voting for or against the Plan. Any inconsistency between statements in this Disclosure Statement and terms in the Plan shall be governed by the terms of the Plan.

B. Purpose of the Disclosure Statement

The Debtor's sole shareholder, Frederick J. Taylor, believes that the financial circumstances dictate the need to reorganize the Debtor's operations as a going concern. Reorganization will provide distributions greater than the distributions that Creditors would have otherwise received if the Debtor were liquidated under Chapter 7 by a Trustee in Bankruptcy or under Chapter 11 by Creditors. The Debtor believes that the Plan will provide for Creditors the maximum possible recovery from the Debtor's assets and future earnings.

For a Class to accept the Plan, votes representing at least two-thirds (2/3) in dollar amount and more than half in number of Claims voting in that Class must be cast in favor of acceptance of the Plan. If, upon the expiration of the solicitation period, the Debtor receives ballots approving the Plan from the requisite number of holders of Claims in each Class of Impaired Classes voting on the Plan, the Debtor, subject to certain conditions described herein, will move the Court for confirmation of the Plan. For the Plan to be confirmed, the Plan must be accepted by at least one Impaired Class of Claims or interests. A Claim that will not be repaid in full or a Claim which Claimant's legal rights connected to that Claim have been altered, or which Claimant has an interest that is adversely affected is "impaired." Generally, a holder of an impaired Claim or interest is entitled to vote to accept or reject the Plan if such Claim or interest has been at least provisionally allowed under §502 of the Code. In certain situations, an Impaired Class of Creditors may not be authorized to vote because that Class has legally waived its right to vote for or against the Plan.

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

2. BUSINESS OF THE DEBTOR

A. Background

The Debtor began its existence April 24, 1984 when it was organized Frederick J. Taylor with the filing of its Articles with the West Virginia Secretary of State's Office. In 2012 the Debtor was to begin contract mining services on Big Mountain in Greenbrier County, West Virginia. The Debtor acquired equipment, growing its mining production capabilities over the next 3 years. The Debtor had gross sales of:

\$7,900,567.66 in 2014
\$8,370,618.00 in 2015 and
\$6,072,774.43 in 2016.

B. Events Prior to the Chapter 11 Case

Unfortunately, its economic and financial troubles began in 2015 at its contract mining job on Big Mountain Greenbrier County, West Virginia. The Debtor expended significant sums to build roads, ponds and other infrastructure to begin said job; however, when the Debtor began its operations, much of the permitted area had already been mined decades earlier from another direction. Despite difficult mining conditions, coal prices were high and Debtor was able to operate profitably. Beginning 2015 coal prices began falling precipitously. The Debtor's gross sales dropped over \$2,000,000 in 2016. Reduced revenues have continued through 2017. During this period of time, the Debtor sold virtually all of its production of coal Greenbrier Minerals LLC. on a long term contract. In October 2016 Debtor's problems were further complicated when Frederick Taylor, Debtor's President and CEO suffered a serious stroke. Mr. Taylor was incapacitated for more than six months. During this time family members attempted to fill in for Mr. Taylor but with poor results.

C. Future Operations

The Debtor will continue its operations under the direction of its sole shareholder, Frederick J. Taylor, and will repay its Creditors in conformity with and pursuant to the terms of the Plan. The Debtor will endeavor to keep its operating costs low. Exhibit 1 describes the anticipated projections of revenue and expenditures/distributions for the Term of October, 2017 through September, 2018.

3. RECOMMENDATION OF THE DEBTOR

The Debtor has approved the terms of the Plan and believes that the Plan is in the best interests of all of the Creditors; will permit the maximum recovery for all Classes of Claims; and will be the fairest method of distribution of the Debtor's profits earned in the future. The Debtor believes all Classes voting should support the Plan with favorable votes on the Plan. Since there are a number of favorable terms in the Plan that justify Confirmation, it is believed that all voting Creditors will be in favor of the Plan. The Debtor projects that of all secured claims shall be paid the fair market value of the collateral of each secured creditor. The plan projects that unsecured creditors claims will be paid approximately 50% of filed and proven claims.

Upon the Effective Date of the Plan, the Debtor will devote the business operations from its Big Mountain Mine to the payment of its operating costs and payments to its secured creditors, defined in the Plan as the "Secured Creditors Funds" in Article 1.77. The Class 2, 10 and 11 priority and non-priority unsecured creditors will receive \$.50 per ton from all coal sales arising from the Big Mountain Mine, plus such additional amounts determined by the Debtor to be surplus funds not necessary for the continued mining operations, and finally, the Prosecutable Claims Proceeds, defined in the Plan as the "Unsecured Creditors Funds" in Article 1.82. The Debtor shall directly pay the Secured Creditors Funds to Classes 1, 3, 4, 5, 6, 7, 8 and 9; the Disbursing Agent shall receive the Unsecured Creditors Funds from the Debtor and distribute those funds to the Creditors in Classes 2, 10 and 11 pursuant to the Plan.

B. Unclassified Expenses - Article 2 of the Plan

The Unclassified Expenses comprise the various Claims granted priority under Code §§ 503(b) and 507(b) and all fees and charges assessed against the estate under Chapter 123 of Title 28, United States Code, including the U.S. Trustee's fees. Such fees and expenses normally include all allowances of compensation and reimbursement of expenses to the extent allowed by the Code for Professionals, including Counsel, other attorneys & accountants. Under Code §1129(a)(9), all administrative claims are to be paid in cash, in full. Also, the Disbursing Agent shall pay from the Unsecured Creditors Fund all reasonable fees and expenses incurred in connection with the Post- Confirmation implementation and consummation of the Plan, including reasonable fees and expenses of Counsel and other hired professionals.

The Debtor has estimated that allowances of compensation and reimbursement of expenses of all Professionals and other costs and expenses associated with this Chapter 11 Case after the filing of the Petitions through the Confirmation Date may amount to approximately \$20,000.00; Further, such estimate assumes that there will be no material litigation in the Chapter 11 Case involving any aspect of the Plan or any Claims thereunder, and that the Plan will be confirmed without substantial controversy. If there is material litigation in this Chapter 11 Case involving any aspect of the Plan or any Claims, or if Confirmation of the Plan is delayed for any reason, such fees for Counsel and the Professionals could be substantially greater than estimated herein.

All Professionals performing services for the Reorganized Debtor Post-Confirmation will submit an application to the Disbursing Agent for payment of services rendered and expenses incurred after the Effective Date, with copies to such other parties described in the Plan. All applications for Professionals' fees may be monitored by the U.S. Trustee.

Article 2.8, 2.9 and 2.10 of the Plan states that the Debtor shall pay all operating expenses and on-going taxes in the ordinary course of business as said expenses become due and payable, including, but not limited to, all Reclamation Obligations, and the insurance premium finance obligations owed any bank or finance company for the Debtor's general liability and casualty policies. Upon the Debtor performing all reclamation obligations to the State of West Virginia, such reclamation bonds will be released, thus terminating the cash bonds pledged by Frederick J. Taylor.

C. Classification and Treatment of Claims and Interests

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

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

The following is a summary of the various Classes of Creditors' Claims of the Debtor under the Plan and of the payment provisions made therein for each Class:

(1) Class 1 consists of the Claims held by Persons who are parties to the Assumed Contracts and Leases set forth in Article 10.2 and 10.3. The Creditors in this Class shall be treated in conformity with the original contract documents and any future obligations and/or expenses shall be paid by the Reorganized Debtor in the ordinary course of business. With the exception of the lessor identified in Article 10.3 who shall be treated as set forth therein, the Debtor shall cure all monetary defaults if any within twenty-one (21) days after the Effective Date of the Plan by payment in full of all past-due royalties and which shall be paid from the Secured Creditors Funds.

(2) Class 2 consists of the Pre-Petition Tax Claims held by the Internal Revenue Service and the West Virginia State Tax Department Department, Greenbrier County Sherriff and any other taxing entity, known or unknown, holding a Tax Claim against the Debtor. After payment of the Article 2 Unclassified Expenses and reservation of future Article 2 expenses, Class 2 shall be paid by the Disbursing Agent from the Unsecured Creditors Funds until their Claims are paid in full with statutory interest. All penalties shall become Unsecured Claims allowable in Class 13.

(3) Class 3 consists of the Claim of Ford Motor Credit Company. Ford Motor Credit Company shall have an Allowed Secured Claim equal to the amount of its debt as shown on its Proof of Claim, Claim Nos. 2 and 3. The rights and remedies of Ford Motor Credit Company shall remain unaltered, and its claim shall be paid in full out of the Secured Creditors Funds; provided, however, that any arrearages that were past-due on the Petition Date shall be paid by the Debtor by extending the original term of the loan by the number of months required to pay all such

arrearages in full. Upon payment in full, Ford Motor Credit Company shall release its lien upon its collateral.

(4) Class 4 consists of the Claim of Carter Machinery Co. Inc. (Claim 22, 23 and 24) which shall be rejected pursuant to Section 10.1 of the Plan.

(5) Class 5 consists of the Claim of Powerscreens Mid-Atlantic . Powerscreens Mid-Atlantic shall have an Allowed Secured Claim equal to the lesser of a the fair market value of its collateral or the amount of its debt a shown on its Proof of Claim, Claim No. 21. The Debtor shall make sixty (60) monthly payments of this Allowed Secured Claim with interest at the rate of 5% per annum from the Secured Creditors Funds beginning in the first month following the Effective Date until the amount referend above is paid in full,, at which time Powerscreens Mid-Atlantic shall release its title lien

(6) Class 6 consists of the Claims of Terex Financial Service. The Terex Financial Service shall have an Allowed Secured Claim equal to to the lesser of a the fair market value of its collateral or the amount of its debt a shown on its Proof of Claim, Claim Nos. 20. The Debtor shall make sixty (60) monthly payments of this Allowed Secured Claim with interest at the rate of 5% per annum from the Secured Creditors Funds beginning in the first month following the Effective Date until the amount referend above is paid in full,, at which time Terex Financial Service shall release its title lien

(7) Class 7 consists of the Claim of Caterpillar Financial Services Corp. Debtor shall pay Caterpillar Financial Services Corp. an amount equal to the lesser of a the fair market value of its collateral or the amount of its debt a shown on its Proof of Claim, Claim Nos. 18 and 19. The Debtor shall make sixty (60) monthly payments of this amount with interest at the rate of 5% per annum from the Secured Creditors Funds beginning in the first month following the Effective Date until the amount referenced above is paid in full, at which time Caterpillar Financial Services Corp. shall release its lien upon its collateral.

(8) Class 8 consists of the Claim of Spring Creek Energy Company, LLC. Debtor shall pay Spring Creek Energy Company, LLC an amount equal to the lesser of a the fair market value of its collateral or the amount of its debt a shown on its Proof of Claim,, Claim No. 14. The Debtor shall make sixty (60) monthly payments of this Allowed Secured Claim with interest at the rate of 5% per annum from the Secured Creditors Funds beginning in the first month following the Effective Date until the amount referend above is paid in full,, at which time Spring Creek Energy Company, LLC shall release its lien upon its collateral.

(9) Class 9 consists of the Claim of United Bank, Inc. United Bank, Inc. shall have an Allowed Secured Claim in the amount equal to the amount of its debt as sown on its Proof of Claim, Claim (UNFILED). The rights and remedies of United Bank, Inc. shall remain unaltered, and its claim shall be paid in full out of the Secured Creditors Funds; provided, however, that all arrearages that were past-due on the Petition Date shall be paid by the debtor by extending the original term of the loan by the number of months required to pay all such arrearages in full. Upon payment in full, United Bank, Inc. shall release its lien upon its collateral. The Debtor is two (2) monthly payments in arrears to United Bank, Inc..

(10) Class 10 consists of the Unsecured Claims under \$2,500.00 as a “convenience class” for purposes of administration and payment of these smaller Unsecured Creditors. Any Unsecured Creditor in Class 11 with a claim greater than \$2,500 may opt into Class 10, forgive their debt in excess of \$2,500 and receive a distribution of \$2,500 before the Class 11 Unsecured Claims are paid. After deductions of the Article 2 expenses and the projections and reservation of future Article 2 expenses, and after payment in full of the Class 1 Arrearages arising from Assumed Contracts and Leases and the Class 2 Priority Tax Claims, then the Creditors in this Class shall be paid from the Unsecured Creditors Funds until their Allowed Claims are paid in full.

(11) Class 11 consists of the Allowed Unsecured Claims, being Creditors who hold nonpriority Claims against the Debtor, not secured by any collateral. The Unsecured Claims include the Deficiency Claims, Rejection Claims, Guarantee Claims and subordinated tax penalties. After payment in full of Classes 1, 2 and 12, the Creditors in this Class shall be paid from the unsecured Creditors Funds, *Pro Rata*, until their Claims are all paid in full or until the end of the Term, whichever event occurs first. Any Creditor in this Class 11 may make an election on its ballot to be treated as a Creditor in Class 12 with an Allowed Claim of \$2,500 and to receive the maximum distribution in that Class of \$2,500; provided, however, that the election may be made only on its ballot during the voting on the Confirmation of the Plan and once made shall be irrevocable.

(12) Class 12 consists of the sole Shareholder of the Debtor, Frederick J. Taylor. Taylor shall retain his ownership of the Reorganized Debtor, but shall be subject to the provisions and limitations of Article 2.12 and 6.7. Article 2.12 states that the Member shall continue to direct the operations of the Reorganized Debtor after Confirmation, determine its expenditures of Operating Expenses in the exercise of his business judgment, and shall continue to receive compensation for his duties of the Reorganized Debtor. On the Effective Date and at all times until the end of the Term, all Creditors holding Guarantee Claims shall be precluded and stayed from asserting against the Member any such guarantee of or surety obligation with respect to a Claim based upon any document, instrument, act, omission, transaction, chose in action, or other activity of any kind or nature that occurred on or before the Confirmation Date.

(13) Class 1 is not impaired and will not be entitled to vote for or against the Plan. Classes 2 through 11 are impaired and shall be entitled to vote for or against the Plan. Class 12 is the proponent of the Plan and will be presumed to vote in favor of the Plan and its Confirmation by the Court.

Refinancing of Secured Debt. The Debtor shall have the right to refinance the Secured Creditors in Classes 3 through 11 during the Term upon such terms and conditions that are more favorable than the existing terms; provided, however, that such refinancing coupled with borrowing additional money can occur during the Term if such decision is made by the Debtor in the ordinary course of business as necessary for the continued operation or expansion of the mining business.

Implementation of Continuing Stay for Shareholder. On the Effective Date and at all times until

the end of the Term, all Creditors holding Claims guaranteed by Frederick Taylor shall be precluded and stayed from asserting against the Shareholder any such guarantee of or surety obligation with respect to a Claim based upon any document, instrument, act, omission, transaction, chose in action, or other activity of any kind or nature that occurred on or before the Confirmation Date. The affected creditors are: Caterpillar Financial Services, and Terex Financial. The basis for the extension of this “extended automatic stay” to the sole Shareholder is two-fold. First, the Debtor’s Plan of Reorganization provides for the payment in full of all of the secured debts to these affected creditors, except Caterpillar Financial Services. Second, Mr. Taylor’s compensation is limited. The failure to extend the stay would interfere with his ability to effectively manage the Debtor’s business operations.

D. Allowance and Payment of Claims

The payment to the Creditors will be dependent upon a Claim being an Allowed Claim. Allowance will be determined per the provisions in Plan Article 8, summarized below:

1. Distribution Based on Allowed Claims Only. No Creditor shall receive any distribution under this Plan unless such Person holds an Allowed Claim.
2. Filing of Proofs of Claim. No Creditor shall receive any distribution under this Plan unless such Person files or has filed a Proof of Claim with the Court on or before the Bar Date an such Claim becomes an Allowed Claim.
3. Bar Date. The time within which a Creditor must file a Proof of Claim shall be fixed at forty (40) days after the Effective Date, notice of which shall be included in bold print in the Confirmation Order. Any Creditor who has previously filed a Proof of Claim shall not be required to file a new Proof of Claim.
4. Late Claims. Except as otherwise expressly provided for in this Plan, any Claim not timely filed pursuant to the terms of this Plan, shall ipso facto not be an Allowed Claim. Neither the Reorganized Debtor, Counsel, nor the Disbursing Agent shall be required or obligated to file any objection or motion to disallow such late claim with the Court, but Counsel shall file a notice of disallowance pursuant to the terms of this paragraph on any such late-filing creditor. The rights of judicial review shall be available to any aggrieved creditor.
5. Time for Objections to Claims. Any objection(s) to a Claim shall be filed before the first distribution to Class 13 Unsecured Claims under this Plan has been made, or within eighteen (18) months after the Effective Date, whichever is longer, unless such time limitation is extended by a Court Order at the request of the Reorganized Debtor. Distribution to any disputed Claim in a Class shall be subject to the provisions set forth in Article 9.2 unless such objections have been resolved by agreement.
6. Who May Object to Claims. The Reorganized Debtor, any Committee, the U.S. Trustee and any Creditor who holds an Allowed Claim may file objections to claims in conformity with the time limitations set for the Article 8.1.5 above, provided, however, that only the Reorganized Debtor may request an extension of such time limitation.

7. **Unclassified Expenses Reserve.** Prior to making any distributions to the Creditors in Classes 2, 12 and 13, the Disbursing Agent shall first make distribution to the Allowed Administrative Expenses in conformity with Article 2.1, 2.3 and/or 2.7, and reservations of funds for those Unclassified Expenses in conformity with Article 2.2 and/or 2.4.

8. **Dates for Distribution.** The Disbursing Agent shall commence payments from the Unsecured Creditors Funds in accordance with the terms of this Plan and shall commence payment to the Creditors in Class 2 on or before the day that is ninety (90) days after the payments in full of the Administrative Expenses ("Initial Distribution Date"), and shall continue such payments no less than every ninety (90) days thereafter until all such Unsecured Creditors Funds are exhausted ("Final Distribution Date"). The Disbursing Agent may, in his discretion, shorten or extend the Initial Distribution Date for good cause. Such distributions shall conform to the priorities fixed by the terms of this Plan. All payments to be made by the Disbursing Agent pursuant to this Plan shall be made by a check drawn on the Disbursing Agent's IOLTA escrow account maintained in a U.S. Trustee-approved depository.

9. **De Minimis Payments.** In no event shall the Disbursing Agent be obligated to make a distribution if, in the discretion of the Disbursing Agent, there are insufficient funds available to make a cost-efficient distribution, taking into account the size of the distribution to be made and the number of recipients of such distribution. In the event the Disbursing Agent deems a distribution impractical such funds shall, in the Disbursing Agent's discretion, either be paid into the Court and disposed of under Chapter 129 of Title 28 of the United States Code or be donated to a reputable charitable organization of the Disbursing Agent's choice. In no event shall the foregoing impair the right of the Disbursing Agent to use funds to satisfy the costs of administering or fully consummating this Plan as authorized in Article 8.2.

10. **Delivery of Distributions and Undeliverable Distributions.** Distributions to the holder of an Allowed Claim shall be made at the address of such holder as set forth on the Proof of Claim filed by such holder or by a separate written notice to the Disbursing Agent providing actual knowledge to the Disbursing Agent of a mailing address or a change of address. If any holder distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Disbursing Agent is notified in writing by such holder, within six months of the distribution date, of such holder's then current address, at which time all distributions shall be made to such holder, without interest. All Claims for undeliverable distributions shall be made within six months after the date such undeliverable distribution was initially made. If any address correction is not timely made as provided herein, such Claim shall be disallowed and forever barred from all distribution under the Plan, with prejudice. After such date, all unclaimed property shall be applied first to satisfy the costs of administering and fully consummating this Plan, then for distribution in accordance with this Plan, and the holder of any such Claim shall not be entitled to any other or further distribution under this Plan on account of such undeliverable distribution or such Claim. **IT SHALL BE THE RESPONSIBILITY OF EVERY CREDITOR TO KEEP THE DISBURSING AGENT ADVISED OF ANY CREDITOR'S CHANGE OF ADDRESS.**

11. Time Bar to Payments and Disallowances. Checks issued by the Disbursing Agent in respect of Allowed Claims shall be void if not negotiated within six months after the date of issuance thereof. Requests for reissuance of any unnegotiated check shall be made to the Disbursing Agent by the holder of the Allowed Claim to whom such check originally was issued, on or before the expiration of six months following the date of issuance of such check. After such date, all funds held on account of such void check shall be applied first to satisfy the costs of administering and fully consummating this Plan, then for distribution in accordance with this Plan. If the holder of an unnegotiated check does not send a request for reissuance of its check within the six months limitation, then such Creditor's Claim shall be disallowed in its entirety and such holder shall not be entitled to, and shall be barred from, any other or further distribution on account of such void check or such Claim.

12. Minimum Distributions. If a distribution to be made to a holder of an Allowed Claim on any distribution date, including the Final Distribution Date, would be \$100.00 or less, notwithstanding any contrary provision of this Plan, no distribution will be made to such holder and such Claimant shall not be entitled to any future distribution under this Plan. Transactions on Business Days. If the Effective Date or any other date on which a transaction, event or act may occur or arise under this Plan shall occur on Saturday, Sunday or any day that is not a Business Day, the transaction, event or act contemplated by this Plan to occur on such day shall instead occur on the next day which is a Business Day.

13. Set Off and Recoupment Rights by Creditors. No Person shall retain any contractual or statutory right to set off or to recoup any asset in which the Debtor has an interest in satisfaction of that Claimant's prepetition Claim. Any right to set off or to recoup a Claim against an Asset or, any of the Debtor's Assets that are not specifically retained by a Creditor is waived and forever barred.

E. Procedures for Resolving and Treating Disputed Claims

1. Objections to Claims and Proofs of Claims. The Reorganized Debtor or any Creditor shall have the right to object to Claims and the allowances of such Claims, subject to the procedures and limitations set forth in Article 8.1.5, the Bankruptcy Rules, and the Code.

2. No Distribution Pending Determination of Allowability of Disputed Claims; Distributions to be Made on Undisputed Balances of Partially Disputed Claims. No Unsecured Creditors Funds shall be distributed under this Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim; provided, however, that, except as otherwise required by §502(d) of the Code, if a Claim is partially disputed, contingent or unliquidated but the balance of the Claim is undisputed, liquidated and not contingent (the "Undisputed Balance"), then distribution shall be made to the holder of the Claim on such Undisputed Balance and distribution shall be withheld on the part of the Claim that is disputed, unliquidated, or contingent unless and until such part becomes an Allowed Claim.

3. Reserve Accounts for Disputed Claims. On or prior to the Initial Distribution Date and each subsequent distribution, the Disbursing Agent shall reserve cash in an aggregate amount sufficient to pay each holder of a Disputed Claim (a) the amount of cash that such holder would

have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Initial Distribution Date, or (b) such lesser amount as the Court may estimate or may otherwise order (“Disputed Claims Reserve”).

4. Allowance and Payment of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall, within 30 days after the date on which such Disputed Claim becomes an Allowed Claim or as soon thereafter as is practicable, distribute from the Disputed Claims Reserve to the holder of such Allowed Claim the amount of distributions that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

5. Release of Excess Funds from Disputed Claims Reserve. If at any time or from time to time after the Effective Date, there shall be cash in the Disputed Claims Reserve in an amount in excess of the amount which the Disbursing Agent is required at such time to reserve on account of Disputed Claims under this Plan or pursuant to any Order of the Court, such excess funds shall become available to the Disbursing Agent generally and shall be applied first to satisfy the costs of administration of the Plan and then for distribution in accordance with the Plan.

6. Set Offs and Recoupment by Disbursing Agent. The Disbursing Agent may, upon obtaining an Order after opportunity notice and a hearing, setoff against or recoup from any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), the claims, rights and causes of action of any nature (including Prosecutable Claims) that the Debtor may have against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff or assert a recoupment nor the allowance of any Claim shall constitute a waiver or release of such claims, rights and causes of action (including Prosecutable Claims) that the Debtor may possess against such holder.

5. BACKGROUND OF THE DEBTOR’S OFFICERS

A. Debtor’s Sole Shareholder -. Frederick J/ Taylor is the sole shareholder of the Debtor. Mr. Taylor has been an independent coal operator for over 30 years. He formed Princess Polly Anna Coal, Inc. in 1984. During its existence PPA has profitably conducted both deep mine and surface mine operation exclusively in the Greenbrier County West Virginia coal fields.

B. Debtor’s Counsel -John F. Leaberry will continue Post- Confirmation as Debtor’s Counsel. Mr. Leaberry obtained BBA-Accounting from Marshall University in 1977, an MBA-Finance from Marshall University I 1979. , a JD degree from West Virginia University and an LLM- Taxation degree from the University of Miami in Coral Gables Florida in 1991. He has been admitted to the West Virginia State Bar since 1981. He practices in Lewisburg West Virginia. He has been admitted to the US District Court and the US Bankruptcy Court in the Northern and Southern Districts of West Virginia and the US Fourth Circuit Court of Appeals.

He will continue Post-Confirmation as Debtor’s Counsel to assist with the legal duties in the claims reconciliation process and the Prosecutable Claims actions.

6. METHOD OF EFFECTING PAYMENTS TO CLASSES

A. Duties of Disbursing Agent

B.

1. Disbursing Agent. After the Confirmation Date, all funds in the possession of the Debtor or which come into the possession of the Reorganized Debtor (Prosecutable Claims Proceeds and Unsecured Creditors Funds) are to be transferred to the Disbursing Agent, who will maintain all funds received by him in a bank authorized by the U.S. Trustee as an acceptable debtor-in-possession depository or in investments made in conformity with Code §345. He is to hold and to disburse these monies to the Creditors in accordance with the priorities set forth in Articles 2, 3 and 5 of the Plan. Any employment of professionals to assist the Disbursing Agent in his duties will be at reasonable rates and subject to objection by the U.S. Trustee.

2. Appointment of Disbursing Agent. In the Confirmation Order, the Court is to fix a bond for the Disbursing Agent and his successors in conformity with Code §322(a) and the Disbursing Agent and her successors are to maintain such bond at all times until final distribution of all funds that come or are to come into his hands under the Plan. The cost of said bond premiums will be paid out of the Distribution Proceeds (or by the Reorganized Debtor). The Court may, from time to time, increase or reduce the Disbursing Agent's bond whenever needed.

3. Monitoring of Disbursements. The U.S. Trustee has the right to monitor and to direct the collection, accounting, treatment, and distributions made by the Disbursing Agent and payments to any professional employed by him. This monitoring is subject to the following:

(A) Availability of Records. The Disbursing Agent will make available his books, records, office, and personnel to the U.S. Trustee, or any Creditor at any reasonable time, but so as not to interfere with the Disbursing Agent's business, upon at least a 24-hour fax or e-mail notice.

(B) Payment of Compensation. The Disbursing Agent will be paid compensation for his services as Disbursing Agent at the rate of \$300 per hour and shall be reimbursed for all reasonable expenses incurred. He will pay his monthly billing invoices for services as Disbursing Agent from the Distribution Proceeds (or from the Reorganized Debtor) in accordance with the terms set forth in the Plan.

(C) Creditors' Option to Remove Disbursing Agent. At any time during the Term, the U.S. Trustee has the right to remove the Disbursing Agent, but only for good cause. Any successor thereof will be appointed by the Court subject to the bonding requirements in Section 6.2.1 prior to taking possession of the funds for which the Disbursing Agent is responsible.

(D) Duties and Authority of Disbursing Agent. Except as otherwise limited herein, the Disbursing Agent will have authority to (a) receive and hold all Cash from the Distribution Proceeds (b) collect, account for, and make distributions provided for herein, (c) act in any way that is in conformity with or in furtherance of the terms of this Plan, (d) with the assistance of Counsel, object to and litigate objections to any Claims or claim which are asserted against the Debtor as a result of actions following the Petition Date,

(e) negotiate and settle any Claim or claim dispute in amounts in controversy, (f) to prepare the quarterly reports, and (g) perform such other duties as approved by the Reorganized Debtor.

(E) Resignation of Disbursement Agent. If the Disbursing Agent resigns, dies, or is unable to perform her duties as such due to illness or disability, the Court will appoint a successor Disbursing Agent who shall be subject to the provisions of this Plan as successor disbursing agent.

(F) Liability of Disbursing Agent. The Disbursing Agent will not be held personally liable, directly or indirectly, for any decision, action, inaction, activity or inactivity arising from the exercise of its duties as Disbursing Agent, except for fraud or gross negligence.

C. Duties of Debtor's Counsel

The Plan provides that John F. Leaberry will stand reappointed and perform the duties of Counsel for the Reorganized Debtor.

(A) Duties of Counsel. Debtor's Counsel will have authority on behalf of the Debtor to (a) perform the legal services required by the work outlined in Plan Section 6.1.3.5, (b) perform the legal duties for the Reorganized Debtor as required by the Code, this Plan and the Court, (c) prosecute the Prosecutable Claims, (d) appear in Court and argue any matter on behalf of the Debtor as is authorized, permitted, or envisioned by the terms of this Plan or as required by the Code or the Court, (e) to file the quarterly reports with the Court, and (f) perform such other duties as assigned to him by the Reorganized Debtor.

(B) Liability of Counsel. Counsel will not be held personally liable, directly or indirectly, for any decision, action, inaction, activity or inactivity arising from the exercise of their duties as Counsel, except for fraud or gross negligence.

C. Prosecutable Claims' Personnel

The Plan provides that the Prosecutable Claims (preferences and fraudulent conveyance claims and other causes of action) shall be prosecuted in the Reorganized Debtor's name by the Reorganized Debtor, its attorneys or such other attorney(s) designated by the Reorganized Debtor, the latter under a grant of derivative authority approved by the Court in the Confirmation Order. Debtor's Counsel, will prosecute the Prosecutable Claims, using accountants and such other professionals as are necessary or appropriate, with payment for them as set forth in Article 2 of the Plan. The collected Prosecutable Claims Proceeds will be turned over to the Disbursing Agent for distribution in accordance with the terms of the Plan. There is no way to estimate exactly what amounts will be collected from the Prosecutable Claims' targets. Thus, the Plan does not set forth a specific figure for Prosecutable Claims Proceeds, other than to say that the net receipts will be paid to the Disbursing Agent to be distributed in accordance with the terms of the Plan.

D. Final Distribution

Upon the distribution of all funds proposed by this Plan to be distributed, the Disbursing Agent is to file with the Court a final report of distribution at which time the Reorganized Debtor shall be released from the jurisdiction of the Court. The Court will, after the filing of the final report, cancel the bond and discharge the Disbursing Agent from all further duties.

E. Quarterly Reports and U.S. Trustees Fees

The Debtor's obligation of filing monthly financial reports with the U.S. Trustee shall pass to and become the obligation of the Reorganized Debtor and such obligation shall continue following Confirmation until the obligation to pay the U.S. Trustee's fees required to be paid pursuant to 28 U.S.C. Section 1930(a)(6) ends; provided, however, that (a) such reports by the Disbursing Agent shall be provided to Creditors upon request, and (b) such reports shall be filed quarterly instead of monthly. The Disbursing Agent shall prepare, sign, and file all Post-Confirmation reports and shall pay the U.S. Trustee's fees out of the Distribution Proceeds as Unclassified Claims. Copies of such reports shall be served on the U.S. Trustee, Counsel and on any Creditor requesting continued service of same. No assessment of U.S. Trustee's fees shall be made against the Disbursing Agent, Counsel, or any professionals in their individual capacity.

F. Administration of Reorganized Debtor

(1) On-going Business. From and after the Confirmation Date, the Debtor will continue in existence as the Reorganized Debtor for the purpose of (a) assisting Counsel, the Disbursing Agent and their Attorneys in enforcing and prosecuting the Prosecutable Claims, (b) assisting Debtor's Counsel, and the other professionals in reconciling Claims and resolving Disputed Claims, (c) signing and filing appropriate tax returns, (d) making the distributions to the Creditors, and (e) taking such other action as may be necessary or appropriate to effectuate this Plan.

(2) Officers. Frederick J. Taylor will also serve as the sole shareholder of the Debtor from the Confirmation Date through the earlier of (a) the date the Plan is fully consummated, (b) the date the sole Shareholder resigns or dies, or (c) the end of the Term. In his capacity President, he will have all operational duties and may be required to testify in the claims reconciliation stage of the Case and in any Prosecutable Claims litigation.

(3) End of Payout Term. Upon the distribution of all proceeds envisioned under the Plan, the Disbursing Agent will file with the Court a report that payout has been accomplished, at which time the Debtor shall be finally dismissed from all Court jurisdiction without the necessity for any other or further actions to be taken by or on behalf of the Debtor or payments to be made in connection therewith.

7. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Under Code §365, the Debtor may assume or reject executory contracts and unexpired leases. To the extent that the Debtor is party to any executory contract and/or unexpired lease that are governed by Code §365, all executory contracts and/or unexpired leases are expressly rejected pursuant to Code §365, (a) except as set forth in Article 10.2 and 10.3, or (b) unless the Debtor previously assumed or rejected same by separate Court Order.

Assumed Executory Contracts and Unexpired Leases. Notwithstanding Article 10.1 to the contrary and to the extent that the following are executory contracts and unexpired leases within the definitions of same in Code §365, the Debtor specifically assumes the following:

- (a) that certain "Contract Mining Agreement" with Princess Polly Anna & JCT Enterprises LLC; and
- (b) all Insurance Policies.

8. LEGALLY BINDING EFFECT; DISCHARGE OF CLAIMS AND INTERESTS

Upon Confirmation, the provisions of the Plan will bind all Creditors and the Member, whether or not they voted to accept or to reject the Plan. At the end of the Term, the Disbursing Agent will file a final report of distribution and the Debtor will file the appropriate local form requesting entry of an order of discharge for the Court's consideration. Upon the entry of an order of discharge, the Debtor will stand discharged of all Claims treated by the Plan even if such Claims have not been paid in full.

9. MODIFICATION OF THE PLAN

The Reorganized Debtor may propose amendments to or modifications of this Plan under Code §1127 at any time prior to the entry of the Confirmation Order.

After the Confirmation Date, the Reorganized Debtor may remedy any defects or omissions or reconcile any inconsistencies in this Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of this Plan so long as the interests of the Creditors are not materially and adversely affected. After Confirmation, the Reorganized Debtor may modify the Plan pursuant to the reservation of the right to modify as contained within the Plan, and to modify the plan after hearings on objections thereto if either an Order of the Court or the terms of the Plan either require or mandate modification.

10. JURISDICTION OF THE BANKRUPTCY COURT

The Court will retain all legally permissible jurisdiction including that necessary to insure that the purpose and intent of this Plan are carried out, to hear and determine all Claims, to determine any matter treated in this Plan for which reference to retained jurisdiction is made, and to hear and determine all Prosecutable Claims.

The Court will further retain jurisdiction Post-Confirmation for the purpose of resolving all disputes concerning the meaning and effect of any of the Court's Orders, including the Confirmation Order, or the application or interpretation of any provision of this Plan.

The Court will retain jurisdiction for the following additional specific purposes after the Confirmation Date: (a) to modify this Plan pursuant to the Code and the Bankruptcy Rules, or pursuant to the Reorganized Debtor's motion to modify in case of the death, disability, or retirement of the Member; (b) to assure performance by the Reorganized Debtor of its obligations to make distributions under this Plan and any other obligations and duties; (c) to enforce and interpret the terms of this Plan; (d) to enter such orders, including injunctions, as are necessary to enforce the title, rights, and powers of the Reorganized Debtor and the Disbursing Agent, and to interpret any limitations, restrictions, terms, or conditions on such title, rights, and powers, as may be necessary; (e) to enter an order concluding, terminating, and/or closing this Case; (f) to correct any defect, cure any omission, or reconcile any inconsistency in this Plan or the Order of Confirmation as may be necessary to carry out the purposes and intent of this Plan; (g) to decide issues concerning federal, state, and local tax reporting and payment which arise in connection with the Confirmation, execution, or performance of this Plan; (h) to hear and determine all Prosecutable Claims; (i) to appoint successor Counsel or a successor Disbursing Agent; and (j) to determine and enter final orders in all adversary actions pending on the Confirmation Date or filed thereafter.

11. PROSECUTABLE CLAIMS

Prosecutable Claims include all of the Debtor's present and future rights, claims, remedies, defenses, setoffs, recoupments, interests, suits, actions, and proceedings against any Person, whether arising before or after the Petition Date, including by not limited to (a) the preference or fraudulent conveyance claims or other rights to recover money or property pursuant to Code §§ 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553; or (b) any and all other claims, causes of action, avoiding powers, or remedies arising under the Code or any other state or federal law, rule or regulation.

Any proceeds collected from prosecution of the Prosecutable Claims, the Prosecutable Claims Proceeds, shall become part of the Unsecured Creditors Funds and shall be available solely for distribution to the Unsecured Creditors. These claims include, but are not limited to, actions by which the Debtor, pursuant to federal law and sometimes state law, can require or force certain Creditors to pay back to the Debtor monies paid out to these Creditors within certain time periods before the Petition Date. A preference is defined in Code §547(b) and is paraphrased as follows:

. . . any transfer of an interest in property (1) to or for the benefit of a creditor; (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made; (3) made while the Debtor was insolvent; (4) made (a) on or within 90 days before the date of the filing of the petition; or (b) between 90 days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider; and (5) that enables such creditor to receive more than such creditor would receive if - (a) the case were a case under Chapter 7 of this title; (b) the transfer had not been made; and (c)

such creditor received payment of such debt to the extent provided by the provisions of this title.

Thus if a preference payment (a late payment made within 90 days (or one year if made to an insider) under federal law exists and is determined, after investigation by the Reorganized Debtor who is designated as the entity to prosecute these claims, to be worthwhile to be pursued, then demands will be made to the preference targets (the affected Pre-Petition Creditors) to return the preference amount or an adversary action will be filed against them in the Court.

Pursuant to and in accordance with §§ 105(a), 1123(b)(3), and 1141(b) of the Code and except as provided below, upon the entry of the Confirmation Order, all Prosecutable Claims are to be reserved, retained and vested in the Reorganized Debtor for the benefit of the Creditors, and are hereby assigned to the Reorganized Debtor, their attorneys, or such other attorney(s) designated by the Reorganized Debtor, for prosecution derivatively on behalf of the Reorganized Debtor. All Prosecutable Claims will survive and continue post-Confirmation, free and clear of all liens, claims, interests, encumbrances, defenses of res judicata, waiver, laches and estoppel, for investigation, prosecution, enforcement, settlement, abandonment, adjustment or collection by the Reorganized Debtor for the benefit of the Allowed Unsecured Creditors.

These reserved claims are not limited to only preference claims. The definition of “Prosecutable Claims” in the Plan is broad enough to include, and is intended to include but is not limited to direct or indirect set-offs, fraudulent conveyance claims, recoupments, rebates, offsets, post-petition transfer claims, including payments made by cashiers’ checks purchased by the Debtor, by missing checks and by cash payments, and any other claim covered by the Code’s “strong-arm” powers.

Without limiting the generality of the foregoing, all Creditors and other parties in interest are hereby expressly advised and notified that the Reorganized Debtor shall have the right to investigate, prosecute, enforce, settle, adjust, collect, or otherwise dispose of the Prosecutable Claims, and **ALL CREDITORS, PERSONS, ENTITIES, AND OTHER PARTIES WHO RECEIVED DIRECTLY OR INDIRECTLY, PAYMENTS, OFFSETS, RECOUPMENTS OR TRANSFERS OF PROPERTY FROM THE DEBTOR WITHIN THE ONE (1) YEAR PERIOD PRECEDING THE PETITION DATE, OR WITHIN SUCH LONGER PERIOD OF TIME AS MAY APPLY UNDER APPLICABLE LAW INCLUDING, WITHOUT LIMITATION, PERSONS INCLUDED IN THE “LIST OF PROSECUTABLE CLAIMS TARGETS,” WHICH INCLUDES A LIST OF PAYMENTS MADE WITHIN ONE YEAR PRIOR TO THE PETITION DATE ATTACHED HERETO AS EXHIBIT 1 (AND INCORPORATED HEREIN BY THIS REFERENCE THE SAME AS IF SET FORTH AT LENGTH HEREIN), ARE HEREBY NOTIFIED THAT THEY MAY BE SUBJECT TO SUIT TO RECOVER ANY PREFERENCES, FRAUDULENT TRANSFERS, OR OTHER AVOIDABLE TRANSFERS AND TO PURSUE ANY PROSECUTABLE CLAIMS. At this time, no determination has been made to pursue any particular Prosecutable Claim.**

The Reorganized Debtor specifically reserves the Prosecutable Claims and, by setting forth notice to each currently known potential target of such Prosecutable Claim, expressly reserve such rights to survive beyond Confirmation, the finality of Confirmation, and all other

legal effects of such Confirmation, provided, however, this reservation shall not mean and shall not be construed to mean that any exclusion of any Person from Exhibit 1 frees, releases, or exonerates such Person from a Prosecutable Claim by way of any defenses, including but limited to the defenses set forth in Article 6.9.1 and 6.9.2, and the Reorganized Debtor shall have the right to investigate, pursue, prosecute and collect any unknown, but later discovered, Prosecutable Claims against any Person.

The Court will include in the Confirmation Order appropriate provisions incorporating the terms set forth above, including but not by way of limitation, the survival of the Prosecutable Claims from the defenses of res judicata, laches, waiver and estoppel and any other unknown but later discovered claim or claims after Confirmation.

The Reorganized Debtor and its Counsel will prosecute the Prosecutable Claims. In accordance with Code §502(d), Confirmation of this Plan will constitute a temporary disallowance of any Claim of a Creditor who has a preference claim asserted against such Creditor unless and until such Creditor has paid to the Debtor the amount adjudged by the Court as a preference liability.

The Plan provides that the Reorganized Debtor will have absolute discretion to pursue or not to pursue, to settle or not to settle, or to try and/or to appeal, any of the Prosecutable Claims as it determines in the exercise of its business judgment and without any further approval of the Court thereof. Neither the Reorganized Debtor nor its professionals, including Counsel, will have any liability for the outcome of its decisions.

Notwithstanding any legal decisions to the contrary, the Reorganized Debtor maintains and believes that it has explicitly and expressly reserved all Prosecutable Claims to survive the res judicata effect of the entry of the Confirmation Order. The currently-known potential targets of such collection suits are set forth in Exhibit 1 and the potential collection efforts are set forth herein and in other parts of this Disclosure Statement and the Plan.

12. FEASIBILITY OF THE PLAN

For the Plan to be confirmed, the Debtor has the obligation to present to the Court evidence of feasibility of the Plan. Such feasibility is traditionally shown by estimates of the Debtor's anticipated gross profit, expenses and net profit, and that the Plan can be performed by the Debtor. Here, however, the Debtor's Plan is dependent upon the performance of its mines, which may be affected by risks beyond the control of the Debtor, such as weather-related delays in production, delays in payment from the buyers of its coal, etc. The Debtor has reviewed its future costs and anticipated coal production and believes that the projections attached to this Disclosure Statement is an accurate financial model for the Debtor.

Presently, the Debtor produces between 7,000 and 10,000 tons of clean coal per month. The Debtor believes it can increase its production to approximately 15,000 tons per month during the next 12 months and lower its average cost per ton.. The Debtor believes that it can hold the operating costs of the Debtor to those amounts in the projections. Thus, the budgets for the five (5) years after the Effective Date will be different compared to 2015 through 2017 as

reflected in the projections of income, expenses (overhead), payments to Secured Creditors and the Unsecured Creditors, under the Plan.

13. CHAPTER 7 LIQUIDATION ANALYSIS

This estimated distribution to the Classes, however, is believed to be superior under a confirmed Chapter 11 Plan than if this Case were converted Chapter 7 Case. In the event this Case were converted to a Chapter 7, the Chapter 7 Trustee would only be entitled to the unencumbered assets of the Debtor. Secured Creditors have liens against every other asset, including the Debtor's cash collateral, for approximately \$4,000,000.00. Such secured claims are in excess of the value of the liquidation value of the Debtor's Assets.

Further, additional administrative costs that would diminish the amount paid to Unsecured Creditors includes the Chapter 7 Trustee's commission and the cost of the Trustee's attorneys and accountants. These additional costs, along with Trustee's commissions (not present in a Chapter 11), indicate that projected payments to secured and unsecured creditors will be greater in this Chapter 11 compared to a converted Chapter 7 case.

14. VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadline

Ballots to be used for voting to accept or reject the Plan will be made available after the entry of an Order approving this Disclosure Statement. There is a separate Ballot available for each Class of Creditors except as follows: Creditors in Class 12 and Class 13 will utilize the same Ballot and which ballot will contain the election language set forth in Part 4(C) of this Disclosure Statement pertaining to the election of Class 13 Creditors into the Class of Convenience Claims being Class 12.

Creditors may submit a written request to Counsel seeking delivery of the Plan, Disclosure Statement, Ballots, and/or the Disclosure Statement Approval Order. Ballots must be returned to Counsel via email (with signed and voted ballot included as a PDF attachment), fax, or US mail prior to the deadline fixed by the Court.

Pursuant to Bankruptcy Rule 3018, the Court will fix a specific date shown on the face of the Disclosure Statement and on the Notice of Voting Period transmitted to the impaired Creditors after the entry of the Order approving the Disclosure Statement as the deadline for the impaired Creditors to vote their acceptances or rejections of the Plan and for the ballots to be received by Counsel for tallying the vote. Except to the extent allowed by the Court, ballots that are received after the expiration of the aforesaid date will not be accepted or counted by the Debtor for or against Confirmation of the Plan or for any modification thereof.

B. Classes Entitled to Vote

A. Classes

Only Classes that are impaired under the Plan are entitled to vote to accept or reject the Plan. Code §1124 provides that a class of claims or interests is considered to be impaired under a plan of reorganization if the plan alters the legal, equitable, and contractual rights of the holders of such claims or interests. Such classes are considered impaired unless all outstanding defaults, other than defaults relating to the insolvency or financial condition of the debtor or the commencement of a bankruptcy case, are to be cured and the holders of claims or interests in such classes are to be compensated for any damages incurred as a result of any reasonable reliance by such holders on any contractual provisions or applicable law to demand accelerated payment. The Debtor has therefore determined that Class 2-11 are impaired. Due to such impaired status, the Creditors and these Classes will be entitled to vote for or against the Plan. Debtor's sole Shareholder, as Plan proponent, is deemed to have voted in favor of the Plan.

B. Vote Required For Class Acceptance

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

C. Confirmation Hearing

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

D. Requirements For Confirmation Of The Plan

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

(A) Best Interests Test. With respect to each impaired Class of Creditors, each holder of an Allowed Claim in such Class has either (i) accepted the Plan or (ii) receives or retains under the Plan, on account of its claim or interest, property of value, as of the Effective Date, which is not less than the amount such holder would receive or retain if the Debtor were to be liquidated under Chapter 7 of the Code.

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

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

To determine if the Plan is in the best interests of each impaired Class of the Creditors, the present value of the distributions from the proceeds of the liquidation of the Assets (after subtracting the amounts attributable to the Claims described above) are compared with the present value offered to each of the Classes of Creditors recognized under the Plan.

In applying the best interests test, it is possible that claims and interests in a Chapter 7 case may not be classified in the same manner as provided in the Plan. In the absence of a contrary determination by the Court, all allowed claims which have the same rights upon liquidation would be treated as one class for the purpose of determining the potential distribution of the liquidation proceeds under a Chapter 7 case of the Debtor. The distributions from the liquidation proceeds would be calculated *Pro Rata* according to the amount of the Allowed Claim held by each creditor in such class. The Debtor believe that the most likely outcome of a liquidation proceeding under Chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior class of creditors receives any distribution until all senior classes of creditors are paid in full with interest.

(B) Feasibility of the Plan. In order for the Plan to be confirmed, the Court must also determine that the need for further reorganization or a subsequent Chapter 7 liquidation of the Debtor is not likely to result following Confirmation of the Plan. Part 13 of this Disclosure Statement examines the feasibility of the proposed Plan.

(C) Acceptance by Impaired Classes. Code §1129(a)(8) requires that each impaired Class must accept the Plan by the requisite votes for Confirmation to occur. As described herein, an impaired Class will have accepted the Plan if at least two-thirds in amount and more than half in number of Claims in such class voting to accept or reject the Plan have voted in favor of acceptance. Because of the commitment of the Reorganized Debtor to enter into an overriding royalty agreement for continued contribution into the Unsecured Creditors Funds after the

conclusion of the Term, it is expected that all Creditors will accept the Plan and vote in favor of the Plan, rather than risk getting much less in liquidation.

D. Effect Of Confirmation

If the Court orders Confirmation of the Plan, then the Debtor and the Disbursing Agent will be obligated to implement the Plan upon the Effective Date, and shall begin paying the Allowed Claims in accordance with the terms and provisions of the Plan. Confirmation makes the Plan binding upon the Debtor and all Creditors, regardless of whether or not they have accepted or rejected the Plan.

15. CONCLUSION

The Plan constitutes an economically-viable opportunity and a reasonable method for Creditors to receive payments from the Debtor's coal mining operations. All Creditors are anticipated to receive distributions pursuant to the Plan. Because of the liens of the Secured Creditors, the Unsecured Creditors are better served by receiving payments over a period of time compared to the likely outcome in a hypothetical Chapter 7 liquidation a total liquidation. Creditors' acceptance of the Plan is therefore economically justified. To that extent, the ultimate potential benefits for the Creditors far outweigh any disadvantages or risks.

Dated: October 15,2017

PRINCESS POLLY ANNA COAL, INC.

By: /s/ Frederick J. Taylor
Frederick J. Taylor, Sole Shareholder

BY COUNSEL

/s/John F. Leaberry
John F. Leaberry (WV Bar# 2168)
Law Office of John Leaberry PLLC
106 Patrick Street
Lewisburg, WV 24901
T: 304-645-2025
F: 888-469-6631

CERTIFICATE OF SERVICE

I hereby certify that on this, the 13th day of December 2017, I have served a copy of the foregoing Disclosure Statement To Accompany Debtor's Plan of Reorganization to all affected parties by electronic mail or by mailing the same by United States Mail properly addressed and first class postage prepaid.

/s/John F. Leaberry