

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF WEST VIRGINIA**

In re

**MEDFORD TRUCKING, LLC,
Debtor-in-Possession.**

**Bankruptcy Case No. 14-20354
Chapter 11**

**THE AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE
UNITED STATES BANKRUPTCY CODE FOR THE PLAN OF LIQUIDATION OF MEDFORD
TRUCKING, LLC PROPOSED BY THE DEBTORS AND DEBTORS-IN-POSSESSION**

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**THE PROPOSED AMENDED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY
THE BANKRUPTCY COURT AND UNTIL SUCH APPROVAL HAS BEEN GRANTED THE
SAME MAY NOT BE RELIED UPON BY ANY CREDITOR OR PARTY IN INTEREST THE
DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE UNITED STATES
BANKRUPTCY CODE FOR THE PLAN OF LIQUIDATION OF MEDFORD TRUCKING, LLC
PROPOSED BY THE DEBTORS-IN-POSSESSION**

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I. INTRODUCTION

On June 27, 2014, a voluntary petition under Chapter 11 of the Bankruptcy Code was filed in this court in the name of the debtor, Medford Trucking, LLC (the "Debtor") in the United States Bankruptcy Court for the Southern District of West Virginia (the "Bankruptcy Court"). The Debtor's Chapter 11 case was assigned to the Honorable Judge Ronald Pearson, United States Bankruptcy Judge, and later re-assigned as result of the Honorable Judge Ronald Pearsons' retirement to the Honorable Judge Frank W. Volk. The Debtors' Chapter 11 case was designated on the Bankruptcy Court's docket as Case No. 14-bk-20354. The Debtor submits this Disclosure Statement pursuant to § 1125 of the Bankruptcy Code in connection with soliciting acceptances of the Debtor's Plan of Liquidation dated _____, _____, 2017 (the "Plan"). A copy of the Plan, which provides for the liquidation of the Debtor's assets, is attached to this Disclosure Statement as Exhibit A.

ALL HOLDERS OF CLAIMS WITH RESPECT TO THE DEBTOR ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS. PARTICULAR ATTENTION SHOULD BE GIVEN TO THOSE PROVISIONS OF THE PLAN IMPAIRING THE RIGHTS OF CREDITORS.

THE COURT HAS SCHEDULED A HEARING ON CONFIRMATION OF THE PLAN FOR _____, _____, 2017. ANY CREDITORS ENTITLED TO VOTE ON THE PLAN SHOULD HAVE RECEIVED A BALLOT IN THE SOLICITATION PACKAGE CONTAINING THIS DISCLOSURE STATEMENT. YOUR VOTE IS IMPORTANT. THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF CREDITORS. THE PLAN PROPONENTS URGE ALL CREDITORS ENTITLED TO VOTE ON THE PLAN TO VOTE IN FAVOR OF THE PLAN.

ANY SUCH CREDITOR WHO WISHES TO VOTE ON THE PLAN SHOULD (1) COMPLETE THE ENCLOSED BALLOT AND (2) MAIL THE ORIGINAL BALLOT TO BRIAN R. BLICKENSTAFF, ESQ., 216 BROOKS STREET, SUITE 200, CHARLESTON, WEST VIRGINIA, 25301. THE DEADLINE FOR VOTING ON THE PLAN IS _____, _____, 2017. BALLOTS MUST BE RECEIVED BY BRIAN R. BLICKENSTAFF ON OR BEFORE SUCH DEADLINE IN ORDER TO BE COUNTED. BALLOTS RECEIVED AFTER THE DEADLINE WILL NOT BE COUNTED. ANY BALLOT THAT IS SUBMITTED VIA FACSIMILE WILL NOT BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN.

CREDITORS NEED NOT CAST A BALLOT TO RECEIVE A DISTRIBUTION UNDER THE PLAN. THE PLAN, IF CONFIRMED, WILL BE BINDING ON EACH AND EVERY CREDITOR OF THE DEBTOR, REGARDLESS OF WHETHER THE CREDITOR VOTED FOR OR AGAINST THE

PLAN OR FILED A PROOF OF CLAIM.

THE REPRESENTATIONS IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. WHILE THE DEBTOR MAY FURNISH CREDITORS WITH ADDITIONAL INFORMATION PRIOR TO THE VOTING DEADLINE TO THE EXTENT REQUIRED BY APPLICABLE LAW, THE DELIVERY OF THIS AMENDED DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO ACCEPT OR REJECT THE PLAN. NOTHING CONTAINED HEREIN SHALL CONSTITUTE, OR BE DEEMED TO CONSTITUTE ADVISE ON THE TAX OR OTHER LEGAL CONSEQUENCES OF ANY REORGANIZATION TO THE HOLDERS OF CLAIMS.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE PLAN. IT IS NOT TO BE CONSTRUED AS ADMISSIONS OR STIPULATIONS. BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

NO AUDIT WAS CONDUCTED ON THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION CONTAINED IN THE DEBTOR'S BOOKS AND RECORDS AND OTHER SOURCES BELIEVED TO BE ACCURATE, BUT THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THIS DISCLOSURE STATEMENT IS WITHOUT ERROR. THE DEBTOR'S COUNSEL HAS NOT UNDERTAKEN ANY SEPARATE ANALYSIS OF THE INFORMATION CONTAINED HEREIN, AND, THEREFORE ALSO IS UNABLE TO WARRANT THAT THE DISCLOSURE STATEMENT IS WITHOUT ERROR. NEITHER THE DEBTOR NOR DEBTOR'S COUNSEL, HOWEVER, ARE AWARE OF ANY ERRORS OR OMISSIONS.

THE COURT APPROVED THIS DISCLOSURE STATEMENT PURSUANT TO ITS ORDER ENTERED _____, _____, 2017 AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TYPICAL OF CREDITORS OF THE CLASSES SET FORTH IN THE PLAN TO MAKE AN INFORMED DECISION ABOUT THE PLAN. THIS DISCLOSURE STATEMENT AND THE BALLOT ARE THE ONLY DOCUMENTS AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES WITH RESPECT TO THE PLAN, EXCEPT AS INCLUDED IN THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBITS, NO REPRESENTATIONS ABOUT THE DEBTOR, INCLUDING WITHOUT LIMITATION, THE VALUE OF ASSETS AND AMOUNT OF CLAIMS ARE AUTHORIZED BY THE COURT. NO PERSON IS AUTHORIZED BY THE DEBTOR IN CONNECTION WITH THE PLAN OR SOLICITATION OF VOTES FOR THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBITS OR SCHEDULES. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR OR APPROVED BY THE COURT.

CAPITALIZED TERMS OR TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE BANKRUPTCY CODE, THE BANKRUPTCY RULES, OR THE PLAN.

The Plan divides claims against the debtor into five (5) classes and provides separate treatment for each such class. The Class I Claims (Administrative Claims including professional fees and attorney fees), Class II Claims (Administrative Claims –Post-Petition Claims), Class III Claims (Priority Claims of the Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez), Class IV Claims (General, Unsecured Claimants; Penalties of the U.S. Department of Transportation and Fines from MSHA) and Class V Claims (Roger Medford and Kevin Medford). Creditors in Classes III, IV and V are impaired because the Plan modifies the legal, equitable or contractual rights attaching to the Claims in each such Class.

The Plan proponents seek the acceptance by each of the impaired classes of claims. The impaired classes will have accepted the Plan if ballots evidencing acceptance of the Plan are received from Creditors holding at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Claims held by the Creditors in each class who are eligible to vote and who have actually voted to accept or reject the Plan. **Note that only the Claims actually voted are taken into account to determine acceptance or rejection by a Class. Any impaired Class that fails to accept the Plan is deemed to have rejected the Plan.** Any impaired Class that fails to accept the Plan is deemed to have rejected the Plan.

Your vote on the Plan is important. The Bankruptcy Code requires for confirmation of a plan of reorganization, with certain exceptions, that each impaired Class vote to accept the Plan. Thus, except as described in the succeeding paragraph, the Plan may be confirmed only if accepted by each of the impaired Classes.

If the required acceptances are not obtained, the Plan Proponents will request Confirmation of the Plan pursuant to § 1129(b) of the Bankruptcy Code. Section 1129(b) permits Confirmation notwithstanding

rejection by one or more impaired Classes if the Bankruptcy Court finds that the Plan does not discriminate unfairly and is "fair and equitable" with respect to the rejecting Class or Classes. Confirmation of the Plan on such basis is commonly referred to as a "cram down". For a more detailed description of the requirements for acceptance of the Plan and of the criteria for Confirmation, notwithstanding rejection by one or more Classes, see Article IX below on Confirmation.

This Disclosure Statement is not intended to substitute for a careful and detailed review and analysis of the Plan by each Creditor entitled to vote thereon. The descriptions of certain provisions of the Plan contained in this Disclosure Statement are summaries only, and Creditors and other parties in interest are cautioned to review the Plan for a full understanding of its provisions. This Disclosure Statement is qualified in its entirety by reference to the provisions of the Plan. The Plan Proponents believe that, with respect to each class of Claims, the value of the Distributions under the Plan are greater than the value which would be received if the Debtor were subject to a liquidation under Chapter 7 of the Bankruptcy Code. For a more detailed description, see Article VII below on Liquidation Analysis.

A. Source of information

The information contained in this Disclosure Statement was obtained from the Debtor's books and records, from the schedules of assets and liabilities of the debtor filed with the Court on or about July 27th, 2014, claims filed by creditors, and from various other pleadings and documents filed with the Court in connection with the Chapter 11 case.

B. Voting Instructions

The ballot forwarded to you with this Disclosure Statement has been specifically designed for the purpose of soliciting votes on the Plan from each Class of Claims entitled to vote. Accordingly, please use only the ballot(s) sent to you with this Disclosure Statement, complete if fully, sign the original, and return it in the enclosed envelope. To simplify the voting procedure, ballots have been sent to all known holders of Claims.

However, the Bankruptcy Code provides that only holders of Allowed Claims are entitled to vote on the Plan. A Claim to which an objection is filed is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection and, therefore, a Disputed Claim may not be considered in the vote tabulations.

YOUR BALLOT, TO BE COUNTED, MUST BE COMPLETED AS SET FORTH ABOVE, MAILED AND RECEIVED AT THE FOLLOWING ADDRESS NO LATER THAN _____, _____, 2017 BY 5:00 P.M. EASTERN DAYLIGHT SAVINGS TIME:

Brian R. Blickenstaff, Esq.
Turner & Johns, PLLC
216 Brooks Street, Suite 200
Charleston, WV 25301
Phone No: (304) 720-2300

Any ballots received that do not indicate either acceptance or rejection of the Plan, or that indicate both acceptance and rejection of the Plan, will be deemed to have accepted the Plan. Creditors who fail to vote will not be counted in the calculation of whether Creditors have accepted or rejected the Plan.

C. Objections

Any objection to confirmation of the Plan must be in writing, must comply with the Bankruptcy Rules and Local Rules of the Bankruptcy Court, and must be filed with the United States Bankruptcy Court for the Southern District of West Virginia, United States Bankruptcy Court, 300 Virginia Street, East, Charleston, WV 25301, and served so as to be received by Robert L. Johns, Esq., Turner & Johns, PLLC, 216 Brooks Street, Suite 200, Charleston, WV 25301, counsel for debtor, and the UNITED STATES TRUSTEE, 2025 United States Courthouse, 300 Virginia Street East, Charleston WV 25301, Attn: Debra Wertman, Esq., no later than _____, _____, 2017 at 5:00 p.m.

II. RULES OF CONSTRUCTION

The rules of construction set forth in § 102 of the Bankruptcy Code shall apply to the interpretation of the provisions of the Plan. Any term used in initially capitalized form in the Plan that is not defined therein but that is used in the Bankruptcy Code shall have the meaning assigned to such term in the Bankruptcy Code.

The use of the plural form in this Amended Disclosure Statement or in the Plan shall include the singular, and vice versa.

When used in the Plan or this Amended Disclosure Statement, the words "includes" and "including" are not limiting, the word "or" is not exclusive, and the words "may not" are prohibitive and not permissive. References in the Plan or this Amended Disclosure Statement to the filing of documents shall refer to the delivery of such documents to the Clerk of the Bankruptcy Court and the entry upon the appropriate legal docket by the clerk or his or her designee of a notation of the receipt and filing thereof.

In computing any period of time prescribed or allowed under the Plan, unless otherwise set forth therein, the provisions of Bankruptcy Rule 9006(a) shall apply.

III. INFORMATION REGARDING THE DEBTOR

A. Historical Background of the Debtors

The Debtor was primarily in the business of hauling coal for Alpha Natural Resources and its subsidiaries: Alex Energy, Inc., Black Castle Mining Company, Inc., Brooks Run Mining Company, LLC, Eagle Energy, Inc., Elk Run Coal Company, Inc., Green Valley Coal Company, Independence Coal Company, Inc., Kingston Mining, Inc., Marfork Coal Company, Inc., Maxxim Rebuild Company, LLC, Pioneer Fuel Corporation, Republic Energy, Inc., Spartan Mining Company ("Alpha") by truck and trailer from mine sites to river docks or rail yards for further shipment to Alpha's customers.

B. Principal Factors Leading to the Chapter 11 Filing of Debtors

At the time of filing, the Debtor was attempting to reorganize its debts and obligations to emerge from Chapter 11 as a going concern. The Debtor previously purchased ten (10) Caterpillar trucks, but the trucks had multiple mechanical problems that decreased the Debtor's hauling capacity and increased its maintenance and fleet costs. On June 16, 2015, Alpha filed a motion to lift stay to terminate certain contracts it had with the Debtor. Alpha's termination of their contracts effectively ended the Debtor's business.

C. Operations Under Chapter 11

The Debtor operated as a going concern under Chapter 11 from June 25, 2014, until June 26, 2015. On November 16, 2015, the Bankruptcy Court approved an order allowing the Debtor to Sell Personal Property Free and Clear of all Liens and Encumbrances Pursuant to 11 USC Section 363(f) by Public Auction. The Public auction was held by Ritchie Bros. Auctioneers (America), Inc.

D. Review of Unpaid Claims

The Debtor's case reflects claims filed by general, unsecured claims of Four Million Four Hundred Forty-Five Thousand Four Hundred Eighteen Dollars and Sixty-One Cents (\$ 4,445,418.61), priority claims of One Hundred Fifty-Two Thousand Nine Hundred Seventy-Two Dollars and Thirty-Five Cents (\$152,972.35) and post-petition claims in the amount of One Hundred Thirty-Nine Thousand Five Hundred Ninety-Two Dollars and Ninety-One Cents (\$149,629.84). The Debtor has previously paid post-petition, administrative claims pursuant to prior court order.

IV. SUMMARY OF THE PLAN

The following is a brief description of the significant provisions of the Plan of Liquidation ("Plan"). **THIS SUMMARY HIGHLIGHTS ONLY CERTAIN PROVISIONS OF THE PLAN AND IS NOT A SUBSTITUTE FOR A FULL AND COMPLETE READING OF THE PLAN.** A copy of the Plan is

attached hereto as Exhibit A. Creditors are referred to the Plan for a more thorough discussion of the provisions of the Plan. In the case of any discrepancies between the terms of the Plan and the discussion of the Plan in this Amended Disclosure Statement, the terms of the Plan shall govern.

A. Summary

The Plan is designed so that upon its Effective Date all of the Estate Assets of the Debtors can be determined with a reasonable degree of certainty and will be distributed by counsel for the debtors to creditors as provided for herein. Distribution under the Plan is in accordance with the distribution system set forth in the Bankruptcy Code. The Plan contemplates multiple distributions by the Debtor to Creditors. The First distribution will be from the remaining Sale Proceeds in the amount of Eighty-One Thousand Four Hundred Thirty-Three Dollars and Twenty-One Cents (\$ 81,433.21)¹ from the Court approved sale of November 15, 2015. This First distribution will pay Class II (Administrative Claims of Elizabeth Carrico and William E. Jones) which is currently disputed and is a contested matter. If remaining funds are available there will be a distribution to Class III Claims (Priority Claims of the Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez) pursuant to the order of priority pursuant to 11 U.S.C. § 507 and subject to approval of settlement of the Ginger Lopez claim, *Ginger Lopez v. Medford Trucking, LLC*, adversary proceeding Case No. 15-AP-02020 currently before the Court.

The Remaining distributions will be from the payment of certain settlement and/or judgment awards in favor of the Debtor and any remaining Sale Proceeds. The Debtor currently has four (4) active lawsuits² including:

¹ As of the Debtor's October 2016 Monthly Operating Report.

² The Debtor has estimated the range of any possible settlement and/or judgment award for these actions. This information is provided to inform creditor and other interested parties of possible resolutions and in no way guarantees the ultimate success and/or recovery from these actions.

1. *Qualls v. Medford Trucking, LLC*; Case No. 11-C-1883; pending in the Circuit Court of Kanawha County, West Virginia; Bad Faith Insurance Claim; estimated value of Fifty Thousand Dollars (\$ 50,000.00) or lower.
2. *Wade v. Medford Trucking, LLC*; Case No. 12-C-1013; pending in the Circuit Court of Kanawha County, West Virginia; Bad Faith Insurance Claim; estimated value Seven Hundred Thousand Dollars (\$ 700,000.00) or lower.
3. *Medford Trucking, LLC v. Presidential Trucking, Inc. et al.*; Case No. 13-C-358; pending in the Circuit Court of Kanawha County, West Virginia; Bad Faith Insurance Claim; estimated value of Fifty Thousand Dollars (\$ 50,000.00) or lower.
4. *Medford Trucking, LLC v. Caterpillar*; Case No. 15-C-893; pending in the Circuit Court of Kanawha County, West Virginia; Warranty Claim; consolidated with *Nalar Leasing, Inc. v. Caterpillar, Inc.*; Case No. 15-C-1116; estimated value of Three Hundred Thousand Dollars (\$ 300,000.00) to One Hundred Thousand (\$ 100,000.00).

Upon resolution of any of above listed actions (the “Pending Litigation”), the Debtor will disburse in the following manner: Class III Claims (Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez) pursuant to order of priority under 11 U.S.C. § 507, pro rata to Class V Claims (General, Unsecured Claimants; Penalties of the U.S. Department of Transportation and Fines from MSHA) and any remaining amounts to Class VI Claims (Kevin Medford and Roger Medford).

B. Allowance of Claims

The Plan provides for distributions to be made only to those Creditors holding Allowed Claims in the various classes. In general there are two ways in which a Claim may become an Allowed Claim entitled to distribution under the Plan. First, the debtor has previously filed with the Court the Schedules, which set forth all Claims against the debtor at the time the debtor commenced the Chapter 11 Case as reflected in its

financial records. Unless the Schedules have denominated a particular Claim as "Contingent," "unliquidated," or "disputed," a scheduled Claim is deemed to be an Allowed Claim unless the debtor or any other interested party files an objection to such Claim. If an objection is made, the validity, priority, and amount of the Claim will be determined by the Bankruptcy Court following a hearing.

The second method by which a Claim may become an Allowed Claim is through the timely filing of a proof of claim. Such a filing is required in order to assert any Claim not reflected in the Schedules or any Claim listed in the Schedules as "contingent," "unliquidated," or "disputed." A proof of claim is also required by any person seeking to assert an amount larger than the amount the debtor scheduled or to assert a classification different from that shown in the Schedules. Upon filing, a proof of claim supersedes the information contained in the Schedules. As with scheduled Claims, a Claim asserted by means of a proof of claim will become an Allowed Claim unless an objection to it is filed. Upon objection, the Court will determine the validity, amount, and priority of the Claim after a hearing.

C. Classification and Treatment of Claims

1. Classification of Claims. The Plan divides holders of Claims against the Estate, other than Creditors with Unclassified Claims, into classes based upon their legal rights providing for satisfaction of the Claims from assets of the Estate. Only Allowed Claims shall receive distributions under the Plan. Claims that have not become Allowed Claims or that are subject to an objection before the Bankruptcy Court or other pending litigation shall be entitled to receive distribution(s) under the Plan only if and after the Claims become Allowed Claims.

The Plan provides for the following classes of claims:

- a. Class I Claims-Administrative Claims including Professional and Attorney Fees;
- b. Class II Claims-Administrative Claims-Post-Petition Claims (Carrico & Jones);
- c. Class III Claims-Priority Claims (Internal Revenue Service, West Virginia Department of

Revenue and Ginger Lopez);

d. Class IV Claims- General, Unsecured Claimants (General Creditors, U.S. Department of Transportation and MSHA; and

e. Class V Claims – Equity Security Shareholders (Roger Medford and Kevin Medford).

The Plan classifies claims in accordance with the Bankruptcy Code and provides different treatment for different Classes of Claims. Upon Confirmation, all Claims will be discharged, except for payments and distributions provided for in the Plan and the Confirmation Order. A brief description, qualified in all respects by reference to the Plan itself, of each Class and its respective treatment under the Plan follows.

The Plan divides Claims against the debtors into five (5) classes. Cash payments will be made to persons holding Allowed Claims in the various Classes described below.

2. Estimation and Treatment of Classified Claims the proposed treatment under the Plan of Allowed Claims of each class is as follows:

a. (Class I) Administrative Claims (Attorney Fees/Professional Fees/US Trustee Fees): this Class consists of any remaining amount owed to the United States Department of Justice, Office of the U.S. Trustee for fees remaining due and owing and that will accrue post-confirmation, attorney fees and professional fees. On December 16, 2016, Counsel for the Debtor filed the *Debtor's Second Interim Application for Allowance and Payment of Fees and Reimbursement of Costs of the Attorney for Debtor* in the amount of Twenty-Five Thousand Three Hundred Eighty-Seven Dollars and Fifty Cents (\$ 25,387.50) and expenses in the amount of Four Thousand Three Hundred Thirty-Four Dollars and Seventy-Four Cents (\$ 4,334.74). The Debtor estimates that there will be additional fees and costs that will be detailed in Debtor's counsel's final fee application to be approved by the court. The U. S. Trustee fees and the additional counsel fees and costs upon approval by the Court, shall be paid upon the effective date or upon application of this Court. As of the filing of this amended disclosure statement, John Alderman, special

counsel for the Debtor (“Special Counsel”), has no pending fees or expenses to be paid by the Debtor. Special Counsel reserves the right to claim additional fees and costs consistent with his pursuant of the pending litigation.

b. (Class II) Administrative Claims (Post-Petition Claims): this Class consists of the claims of: Elizabeth Carrico and William E. Jones in the amount of One Hundred Thirty-Nine Thousand Five Hundred Ninety-Two Dollars and Ninety-One Cents (\$149,629.84). This claim has been objected to by the Debtor and is a contested matter. On October 11, 2016, a scheduling order was entered (*Docket No. 611*) allowing ninety (90) days of discovery to be completed January 3, 2107. A status conference is currently scheduled for January 3, 2017.

c. (Class III) Priority Claims (Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez): this Class consists of the claim of the Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez in the amount of One Hundred Fifty-Two Thousand Nine Hundred Seventy-Two Dollars and Thirty-Five Cents (\$152,972.35). The claim of West Virginia Department of Revenue is disputed because it is based in part on estimated taxes that the Debtor is not subject to pay. The claim of Ginger Lopez is subject to an adversary proceeding (Case No. 15-AP-02020). On September 21, 2016, a motion was filed by Ginger Lopez to approve a settlement in the amount of Fifty-Eight Thousand Dollars (\$ 58,000.00) and an objection was filed by the Office of the U.S. Trustee. A continued hearing on the motion to compromise and objection has been scheduled for January 3, 2017. If remaining Sale Proceeds are available there will be a distribution to Class III Claims (Priority Claims of the Internal Revenue Service, West Virginia Department of Revenue and Ginger Lopez) pursuant to the order of priority under 11 U.S.C. § 507 and subject to approval of settlement of the Ginger Lopez claim, *Ginger Lopez v. Medford Trucking, LLC*, adversary proceeding Case No. 15-AP-02020 currently before the Court. These claims are impaired under the Plan.

d. (Class IV) General, Unsecured Claims. The Creditors in this class shall receive a pro rata distribution as a result of any settlement and/or judgment in favor of the Debtor as a result of the Pending Litigation currently being pursued by the Debtor. These claims are impaired under the Plan.

e. (Class V) Equity Security Shareholders. The claimants of this class have the potential to receive a pro rata distribution as a result of any settlement and/or judgment in favor of the Debtor as a result of Pending Litigation currently being pursued by the Debtor. Any such distribution will be made after all Class V Creditors are paid in full. This claim is impaired under the Plan.

D. Executory Contracts and Unexpired Leases

All pre-petition date executory contracts and unexpired leases to which the debtor is a party that have not been expressly (i) assumed and assigned or (ii) rejected, pursuant to Order of the Court prior to Confirmation, are deemed rejected upon Confirmation under the terms of the Plan,

E. Implementation of the Plan

The Plan is a liquidation Plan under Section 1123 (b)(4) of the Bankruptcy Code. All of the debtor's assets have already been sold and the receivables collected. The First distribution shall be made from the debtors' cash on hand as of the Effective Date. The debtor has on deposit the sum of Six Hundred Twelve Thousand Four Hundred Thirty-Seven Dollars and Twenty-Nine Cents (\$ 612,437.29). All subsequent distributions will be made from certain settlement and/or judgment awards from Pending Litigation in favor of the Debtor.

V. FEASIBILITY

Section 1129(a)(11) of the Bankruptcy Code requires that the Court find that confirmation of this plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor or any successor to the debtor unless such liquidation is proposed in the plan. The Plan is a liquidating plan of reorganization and, therefore, satisfies the requirements under § 1129(a)(11) of the Bankruptcy Code. The Plan Proponents are unaware of any impediment to Confirmation of the Plan. The

Plan provides for the disposition of all of the remaining assets of the debtor and distribution of the proceeds thereof to creditors in accordance with the priority scheme of the Bankruptcy Code.

VI. LIQUIDATION ANALYSIS

The Debtor investigated the possibilities of reorganizing its operations to generate superior returns for Creditors. The Debtor determined that the loss of contracts with Alpha, coupled with the general poor health of the coal industry the likelihood of a successful reorganization was not feasible. Accordingly, the only alternative to the proposed liquidation and distribution under the terms of this Plan is liquidation under Chapter 7 of the Bankruptcy Code.

The debtors believe that Confirmation and implementation of the Plan will provide a greater distribution to Creditors than liquidation under Chapter 7 of the Bankruptcy Code. Liquidation under Chapter 7 would require that the debtor file a motion to convert the Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code. A trustee would then be appointed and charged with liquidating the assets of the Estate, administering and adjudicating claims, and distributing the proceeds of the sale of assets of the Estate in conformity with the priority scheme of the Bankruptcy Code. The priorities of distribution provided in the Plan are the same as the trustee would follow under Chapter 7. However, the administration and distribution of the Estate by a Chapter 7 trustee would result in administrative costs being incurred in excess of those being projected under the Plan. The Chapter 7 trustee would be required to conduct a lien search of the office of the Clerk of the County Commission and determine the priority of taxes thus incurring significant attorney fees. In addition the trustee would be entitled to the commission for the funds he distributes which is not being taken into account in this Chapter 11 liquidation. Lastly, conversion of the Chapter 11 case to a case under Chapter 7 and appointment of a trustee for administration of the Estate would likely delay liquidation of the assets and distribution of the proceeds.

VII. CONFIRMATION

The purpose of this Disclosure Statement is to provide Creditors with adequate information to enable them to make an informed decision regarding the merits of the Plan. The Court, after notice and a hearing should approve this Disclosure Statement as containing adequate information as required by § 1125 of the Bankruptcy Code. Section 1128 of the Bankruptcy Code, moreover, contemplates creditor voting with regard to Chapter 11 Plan of reorganization. The following paragraphs summarize the voting and the confirmation requirements in Chapter 11 proceedings. This summary constitutes neither a complete recital of Bankruptcy Code requirements regarding voting and confirmation nor a conclusive statement of Creditor rights. Any Creditor with questions concerning voting, confirmation or other matters should seek the advice of counsel. Pursuant to § 1129 of the Bankruptcy Code, in order to confirm the Plan the Court must find, among other things that (i) the Plan complies with the applicable provisions of the Bankruptcy Code, (ii) the debtor has complied with the applicable provisions of the Bankruptcy Code, (iii) the Plan Proponents proposed the Plan in good faith and not by any means forbidden by law, (iv) the debtor has made the disclosure required by § 1125 of the Bankruptcy Code, (v) the Plan has been accepted by the requisite vote of Creditors, (iv) the Plan is feasible and Confirmation is not likely to be followed by liquidation unless such liquidation is provided for in the Plan, (vii) the Plan is in the best interest of Creditors by providing to Creditors on account of such claims property of a value, as of the Effective Date, that is not less than the amount that such Creditor would receive or retain in a Chapter 7 liquidation, (viii) all fees and expenses required under 28 U.S.C. § 1930 as determined by the Court of a hearing on confirmation have been paid or the Plan provides for payment of such fees on the Effective Date, and (ix) the Plan addresses priority claims.

As indicated above, the Plan must be accepted by the requisite vote of Creditors in order to be confirmed by the Court. Section 1129 of the Bankruptcy Code requires that each Class of Claims accept the Plan by the requisite majority, or that the class be unimpaired under the Plan and deemed to have accepted

the Plan without solicitation. Only Creditors holding classified Claims that are impaired under the Plan, therefore, are entitled to vote to accept or reject the Plan. Generally a class is "impaired" unless the legal, equitable or contractual rights attaching to the Claims of that class are unaltered by the Plan or the Plan proposes to cure pre-Petition Date defaults and reinstate maturities and compensate the holder of such Claim for any damages or proposes payment in full in cash. Classes III, IV, and V are impaired, and holders of Allowed Claims in Classes III, IV, V are entitled to vote to accept or reject the Plan.

The majorities required for acceptance by an impaired class relate to both the amount of Allowed Claims in the class and the number of members in the class that actually vote for acceptance or rejection of the Plan. An impaired class is deemed to have accepted the Plan if the holders of at least two-thirds in dollar amount and a majority in number of the Allowed Claims of the class vote to accept the Plan. Only holders of Allowed Claims entitled to vote, who actually do vote to accept or reject the Plan are counted in this tabulation. A Creditor's vote may be disregarded to the extent the Court determines that the debtor did not solicit or procure the Creditors' acceptance or rejection in good faith.

If the Plan is accepted by all classes impaired under the Plan, the Plan will be confirmed provided that the Court finds that the Plan satisfies the other conditions set forth in § 1129(a) of the Bankruptcy Code. If, however, the voting members of an impaired class do not unanimously vote for the Plan, but nevertheless accept the Plan by at least the requisite two-thirds of the amount and a majority in number of claims that are actually voted, then, to be confirmed over the objection of a number of such impaired class, the Plan must provide that each member of the class receive property of the value, as of the Effective Date, not less than the amount such Creditor would receive under Chapter 7 of the Bankruptcy Code. The Plan may be confirmed even though it is not accepted by all impaired classes to the extent (i) at least one impaired class accepts the Plan; (ii) the Plan is "fair and equitable" as to those impaired classes not accepting the Plan; (iii) the Plan does not "discriminate unfairly" against any impaired class electing not to accept the Plan; and (iv) the Plan meets the conditions set forth in § 1129 of the Bankruptcy code regarding

cram down. The "fair and equitable" standard requires, amount other things, that (i) no holder of a claim or interest in any class junior to any dissenting class of unsecured Claims receive or retain on account of such Claims unless the dissenting class of unsecured Claims receives full compensation of its Allowed Claims and (ii) the member of any dissenting class of secured claims either retain their Hen and receive deferred cash payments with a value as of the Effective Date of the Plan equal to the value of their interest in the debtors property or otherwise receive the "indubitable equivalent" of the value of their secured claims. Courts have interpreted the "fair and equitable" standard to prohibit any class of Claims senior to a dissenting class from receiving greater than one hundred percent (100%) of the value of the allowed claims in the class. The requirement that the Plan not "discriminate unfairly" simply means that the dissenting class must be treated substantially the same as other classes of equal rank. The debtor intends to rely upon the cram down provisions of the Bankruptcy Code to the extent necessary.

A. Effects of Confirmation

1. Vesting of Property. Except as otherwise provided for in the Plan or the Confirmation Order, on the Effective Date, all Estate Claims and Assets shall vest, free and clear of all Claims, Interests, and encumbrances, in the Liquidating Estate subject only to the provisions of the Plan.

2. Injunction. Except as otherwise provided for, the Confirmation Order, confirmation of the Plan, and **entry of the Confirmation Order shall constitute and provide for an injunction against all person or entities from taking any actions (other than actions brought to enforce any right, consistent with the U.S. Bankruptcy Code or under provisions or obligation under the Plan) to commence or continue any action or proceeding that arose before the Confirmation Date against or affecting the Estate or any property of the Estate, or any other direct or indirect transferee of any property of the Estate.**

3. Exemption from Certain Transfer Taxes. Pursuant to §1146(c) of the Bankruptcy Code, the

creation of any mortgage, deed of trust, or other security interest; the making or assignment of any lease or sublease; or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan will not be subject to any stamp tax, real estate transfer tax, or other similar tax.

4. Retention of Jurisdiction. Pursuant to Bankruptcy rule 3020 and the terms of the Plan, the Bankruptcy Court will retain jurisdiction to resolve matters arising under or concerning the enforcement and consummation of the Plan, including, but not limited to, the following:

- a. allowance of Claims and determination of any objections thereto;
- b. interpretations and enforcement of the Plan and issuance of such orders as may be necessary for the implementation, execution and consummation of the Plan;
- c. applications for allowance of compensation or reimbursement of expenses filed by Professional Persons, other than the payments authorized hereunder to the Trustee;
- d. applications, motions, adversary proceedings, contested matters and other litigated matters that may be pending in the Bankruptcy Court on and after the Effective Date;
- e. modifications to the Plan pursuant to Code § 1127, or to remedy any apparent nonmaterial defect or omission in the Plan, or to reconcile any nonmaterial inconsistency in the Plan so as to carry out its intent and purposes;
- f. applications, motions, adversary proceedings and other litigated matters relating to the Avoidance Actions and/or the liquidation of the Assets;
- g. entry of the Final Decree closing the Case; and
- h. such other matters as may be provided in the Confirmation Order.

B. Injunction

On and after the Effective Date, all entities that have held, currently hold, or may hold a Claim or other debt or liability against the Debtor are permanently enjoined from taking any of the following actions on account of any such Claims, debts, or liabilities, or Interests or rights: (1) commencing or continuing in any manner any action or other proceeding against the Debtor or its property; (2) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Debtor and its property; (3) creating, perfecting, or enforcing any lien or encumbrance against the Debtor and its property; (4) asserting a right of subordination of any kind against any debt, liability, or obligation due to the Debtor or its property; and (5) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of this Plan. The Confirmation and approval of this Plan does not affect the liability of any other person or entity, or the property of any other person or entity for, such debt.

C. Conditions to Effectiveness of the Plan

Effectiveness of the Plan is conditioned upon the Confirmation Order's becoming a Final Order.

D. Best Interests of Creditors

Notwithstanding acceptance of the Plan by holders of Claims, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of holders of all Classes of Claims. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired Class of Claims a recovery which has a present value at least equal to the present value of the distribution which each member would receive from the debtor if the debtor were liquidate under Chapter 7 of the Bankruptcy Code. The Debtor believes that the value of distributions from the proceeds of the liquidation of the debtor under Chapter 7 would be significantly less than the value of distributions under the Plan.

VIII. RECOMMENDATION

The Plan Proponents believe that acceptance of the Plan by Creditors is in the best interest of all parties and that Confirmation will provide the best and most prompt recovery for creditors. Accordingly, the Plan Proponents strongly recommend that holders of Claims vote to accept the Plan.

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