

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:	)	Chapter 7
)	
NEW WEI, INC., ET AL.,	)	Case No. 15-02741-TOM7
)	
<u>Debtors.</u>	)	Jointly Administered

**UNITED STATES OF AMERICA’S MOTION TO (1) STAY THE
CHAPTER 7 TRUSTEE’S MOTION FOR APPROVAL OF PROPOSED SETTLEMENT
(DOC. 3145) FOR NINETY (90) DAYS, OR (2) ENFORCE SETTLEMENT,
ENTER JUDGMENT AND LIFT STAY**

Pursuant to 11 U.S.C. §§ 105(a) and 362, Rule 4001 of the Federal Rules of Bankruptcy Procedure, and Bankr. N.D. Ala. R. 4001-1, the claimant, United States of America, respectfully moves this Court to stay the Chapter 7 Trustee’s Motion for Approval of Proposed Settlement (Doc. 3145)¹ (“Trustee’s motion to settle”) for a period of ninety (90) days so that the United States and the Chapter 7 Trustee may have adequate time to settle the unresolved tax matters pending for the tax years ended August 31, 1983 through May 31, 1995 and May 31, 2000 through December 31, 2006 before the Court considers and acts upon the Trustee’s motion to settle. If the Court, however, is not inclined to stay the Trustee’s motion to settle, the United States moves the Court to enforce the parties’ settlement of the Debtors’ consolidated federal income tax liabilities for the tax years ended August 31, 1983 through May 31, 1995 and enter judgment in the adversary

¹ The term “Doc.” refers to the docket entry relating to a document filed in the bankruptcy cases, In re New WEI, Inc., Case No. 15-02741-TOM-11 (Bankr. N.D. Ala) and In re Hillsborough Holdings Corp., et al., Case No. 89-bk-9715-KRM (Bankr. M.D. Fla.). The terms “AL Doc.” and “FL Doc.” refers to the docket entry relating to a document filed in the adversary proceedings, Hillsborough Holdings Corp. v. United States, Adv. Proc. No. 15-00127-TOM (Bankr. N.D. Ala.) (“Hillsborough II”), and Hillsborough Holdings Corp. v. United States, Adv. Proc. No. 91-00313-KRM (Bankr. M.D. Fla.) (“Hillsborough I”), respectively.



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proceeding, bearing Adv. Proc. No. 15-00127-TOM (Bankr. N.D. Ala.), on terms consistent with the settlement. The United States also requests that the Court lift the automatic stay to: (1) allow the United States to exercise its setoff rights, and (2) commence the 90-day period for filing a petition with the United States Tax Court, if necessary, to resolve the Debtors' consolidated federal income tax liabilities for the tax years ended May 31, 2000 through December 31, 2006.

I. JURISDICTION.

This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 1334 and 157. The United States consents to entry of any appropriate orders and judgments by this Court with respect to this matter, subject to review by the district court pursuant to 28 U.S.C. § 158. The statutory and legal predicates for the relief requested herein are 11 U.S.C. §§ 105(a) and 362, Bankruptcy Rule 4001, and Bankr. N.D. Ala. R. 4001-1. Venue is proper pursuant 28 U.S.C. §§ 1408 and 1409.

II. FACTS.

A. GENERAL BACKGROUND OF BANKRUPTCY CASES IN FLORIDA AND ALABAMA.

1. On December 27, 1989, Hillsborough Holdings Corporation ("HHC"), predecessor in interest to New WEI, Inc. ("New WEI") (formerly, Walter Energy, Inc. ("WE") and Walter Industries, Inc. ("WI")) and its subsidiaries (collectively, the "HHC Group" or "Florida Debtors") filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C., in the United States Bankruptcy Court for the Middle District of Florida ("Florida Court"). See In re Hillsborough Holdings Corp., et al., Case No. 89-bk-9715-KRM (Bankr. M.D. Fla.).

2. On May 14, 1991, HHC commenced an adversary proceeding to resolve the consolidated federal income tax claims that the IRS asserted against the HHC Group for the tax years ending

August 31, 1983 through May 31, 1995 (“1983-1995 Liabilities”). See Hillsborough Holdings Corp., et al. v. United States, Adv. Proc. No. 91-00313-KRM (Bankr. M.D. Fla.) (“Hillsborough I”); discussion, *infra*, at pp. 3-16 for further discussion of the Florida adversary proceeding.

3. On March 1, 1995, prior to confirmation of the Florida Debtors’ plan of reorganization, the Florida Court approved a joint stipulation between HHC and the United States in which the United States agreed to withdraw its objection to confirmation of the plan in exchange for certain commitments regarding its claims involving the 1983-1995 Liabilities. See Exhibit “1” for Order on Parties’ Joint Stipulation entered by the Florida Court on March 24, 1995, including the Joint Stipulation Between Debtors and United States Regarding the Objection of the United States to Confirmation of the Consensual Plan filed with the Florida Court on March 22, 1995.

4. The Florida Court confirmed the Florida Debtors’ Chapter 11 plan of reorganization on March 2, 1995, with an effective date of discharge on March 17, 1995.

5. On or about March 17, 1995, HHC emerged from bankruptcy, and the bankruptcy cases of all of its affiliated debtors were closed. HHC’s bankruptcy case remained open because Hillsborough I was not resolved.

6. On June 9, 2010, approximately 20 years after commencement of Hillsborough I, the Florida Court entered a Final Judgment in the adversary proceeding (*see* AL Doc. 99 (FL Doc. 400)), and thereafter, vacated the judgment on June 22, 2010 (*see* AL Doc. 102 (FL Doc. 403)). In the June 22nd Order, the Florida Court ordered, in pertinent part, that: [t]he parties shall submit directly to chambers a proposed final judgment addressing all issues that have been resolved through proceedings before this Court or be agreement of the parties for all taxable years under this Court’s jurisdiction.” See Hillsborough I, at AL Doc. 102 (FL Doc. 403), at p. 2.

7. From 2010 through 2013, the parties discussed settlement of the 1983-1995 Liabilities.

8. Based on those discussions and by letter dated December 17, 2013, Stephen D. Gardner, Esq. (“Gardner”), counsel for WE, successor in interest to HHC, confirmed WE’s formal offer to the Department of Justice to settle “all pending issues for the tax years beginning with the August 31, 1983 tax year and ending with the May 31, 1995 tax year, the last tax year pending before the [Florida Court]” on the terms contained therein. See Exhibit “2” for Letter from Stephen D. Gardner, Esq. to Robert L. Welsh, Esq. dated December 17, 2013 (“December 17th Offer”).

9. Upon receipt of WE’s letter of December 17, 2013, Richard Bowles (“Bowles”) of the Office of Review for the Tax Division was assigned to consider and process WE’s offer and advise the high-ranking Department official, in this case the Associate Attorney General, as to the appropriate action to be taken on the offer. See Exhibit “3” for Declaration of Richard Bowles dated June 23, 2015 (“Bowles Decl.”), at p. 1.

10. From September 10, 2014 through March 17, 2015, representatives from PricewaterhouseCoopers (“PwC”), the accounting firm retained by WE’s counsel, and Bowles exchanged tax and interest computations to determine the settlement amount proposed in WE’s offer of December 17, 2013, and to ensure that said amount was agreeable to both parties. See Exh. 3, at p. 2.

11. PwC advised Bowles that the computations of March 17, 2015 were acceptable, and Bowles proceeded to submit WE’s offer for approval by the Associate Attorney General. See Exh. 3, at p. 2.

12. By letter dated June 8, 2015, Ann Reid, Chief of Office of Review for the Tax Division, advised Gardner that WE’s offer dated December 17, 2013 was accepted on behalf of the Attorney

General. See Exhibit “4” for Letter from Ann Reid, Esq. to Stephen D. Gardner, Esq. dated June 8, 2015, including enclosures (“June 8th Acceptance”). See also, Exh. 3, at p. 1.

13. In the June 8th letter, Reid enclosed an original and a copy of a Stipulation for Entry of Judgment on Plaintiffs’ Complaint for Determination of Tax Liability, and for Determination of the Validity, Extent and Priority of Liens (“Stipulation for Entry of Judgment”) and a Proposed Judgment, and requested that the stipulation be executed by June 15, 2015 for filing with the Florida Court. See Exh. 4, at enclosures. See also, Exh. 3, at p. 1.

14. The amounts contained in the Stipulation for Entry of Judgment and the Proposed Judgment came directly from the March 17, 2015 computations approved by PwC. See Exh. 3, at p. 2.

15. The Stipulation for Entry of Judgment provides, in pertinent part:

Pursuant to settlement, the parties stipulate that the debtor’s federal corporate income tax liabilities, which include interest and other additions net of payments to date, for the following tax periods are as follows, computed as of December 19, 2014 (further statutory additions accrue in accordance with law and prior stipulations and orders entered herein):

Tax Period Ended	Liability as of December 19, 2014
8/31/1983	-0-
8/31/1984	\$ 79,165,799.33
8/31/1985	\$ 36,571,037.41
8/31/1986	\$ 6,484,950.92
8/31/1987	\$ 37,191,939.69
5/31/1988	-0-
5/31/1989	-0-
5/31/1990	-0-
5/31/1991	\$ 6,994,989.85
5/31/1992	\$ 4,044,984.66
5/31/1993	\$ 11,655,887.45
5/31/1994	\$ 361,847.44
5/31/1995	-0-

Pursuant to the parties' stipulation, filed March 22, 1995, interest accrued from the confirmation date of March 2, 1995, and continues to accrue at a rate of 11 percent compounded quarterly on amounts due for the tax periods ended 8/31/1984, 8/31/1985, 8/31/1986, and 8/31/1987 until paid. Pursuant to the same stipulation, interest accrued from the due date of each tax return and continues to accrue at the floating rate provided in Section 6621 of the Internal Revenue Code (26 U.S.C.) on amounts due for the tax periods ended 5/31/1991, 5/31/1992, 5/31/1993, and 5/31/1994 until paid.

The parties stipulate that judgment may be entered in favor of the United States and against the debtor in the amounts and for the periods set forth herein. The parties request that the court retain jurisdiction to enforce this settlement and judgment. Each party is to bear its own fees and costs, including attorneys fees and expenses.

See Exh. 4, at Stipulation for Entry of Judgment, pp. 3-4. The proposed Final Judgment attached hereto is consistent with the terms of the stipulation, above.

16. WE, on behalf of the Florida Debtors, did not execute the Stipulation for Entry of Judgment by June 15, 2015. Nor had WE withdrawn its offer prior to acceptance of the offer by the United States on June 8, 2015.

17. On June 24, 2015, the United States moved for entry of a final judgment in Hillsborough I consistent with the terms of the parties' settlement, and the Florida Debtors opposed the motion repudiating the settlement. See AL Docs. 136, 137, 141, 151 and 155 (FL Docs. 439, 440, 444, 454 and 458).

18. In opposing the motion for entry of a final judgment, the Florida Debtors represented to the Florida Court, albeit erroneously, that there were significant overpayments of tax from subsequent tax years that would offset the 1983-1995 Liabilities. See AL Doc. 141 (FL Doc. 444), at pp. 2, 4 and 9; AL Doc. 155 (FL Doc. 458), at pp. 2 and 5. See also, discussion regarding overpayments, *infra*, at p. 18. The Florida Debtors' opposition did not include any substantiation in support of

their “overpayment” claim. Moreover, for over two years, the debtors have not produced any proof of their “overpayment” claim despite repeated requests by the United States.

19. The Florida Debtors also represented to the Florida Court, albeit erroneously, that its offer to settle the 1983-1995 Liabilities was contingent upon a settlement of the consolidated federal income tax liabilities of WI and its subsidiaries for the tax years 2000 through 2006 (“2000-2006 Liabilities”)² with the IRS. See AL Doc. 155 (FL Doc. 458), at pp. 2-3. However, the plain language of WE’s offer dated December 17, 2013 demonstrates that the offer was in no way contingent upon a settlement of the 2000-2006 Liabilities. See Exh. 2.

20. On July 15, 2015, WE and certain of its subsidiaries, predecessor in interest to New WEI and successor in interest to HHC and WI, (collectively, the “Alabama Debtors” or “Debtors”) filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Alabama (“Alabama Court” or “Court”). On the petition date, the Alabama Court entered an order consolidating the Chapter 11 cases for procedural purposes only.

21. On August 18, 2015, the Florida Debtors moved the Florida Court to transfer the Hillsborough I adversary proceeding to the Alabama Court. See AL Doc. 141 (FL Doc. 444). In support of their motion, the Florida Debtors stated:

The Chapter 11 Cases [in Alabama] are proceeding on an expedited schedule. Before the Petition Date, the Debtors and an unofficial committee of holders of first-lien secured debt executed a Restructuring Support Agreement (“RSA”) that establishes milestones for the Chapter 11 cases and imposes various conditions and requirements on the Debtors. In particular, the RSA currently

² The 2000-2006 Liabilities are outside the scope of the Florida Debtors’ complaint, including amendments therein, filed in Hillsborough I, and the Department of Justice has no authority to settle or otherwise resolve those liabilities. Settlement authority over the 2000-2006 Liabilities lies with the IRS.

requires that the Alabama Bankruptcy Court confirm the Debtors' plan of reorganization by January 13, 2016. RSA ¶ 5(p). Generally speaking, if the Debtors fail to meet these milestones or satisfy certain conditions, the RSA requires the Debtors to immediately stop efforts to confirm a plan of reorganization in favor of a sale of substantially all of the Debtors' assets under section 363 of the Bankruptcy Code.

Given the RSA's requirements, the Debtors must resolve their tax disputes with the government as quickly as possible. The Debtors have determined that the most efficient way to do so is to address all Outstanding Tax Issues – including those matters at issue in the [Hillsborough I] Adversary Proceeding – at once, in a single forum. They believe it is appropriate and more efficient for the Alabama Bankruptcy Court to oversee that process.

See AL Doc. 141 (FL Doc. 444), at pp. 5-6 (footnote omitted).

22. On September 2, 2015, the United States opposed the Florida Debtors' request to transfer the Hillsborough I adversary proceeding to the Alabama Court because the only issue remaining to be decided in the proceeding is "whether there is an enforceable settlement" fixing the amount of the 1983-1995 Liabilities. See AL Doc. 151 (FL. Doc. 454), at p. 1. The United States further suggested that a final resolution of the 1983-1995 Liabilities is necessary before the parties can resolve the contested tax liabilities for the subsequent tax years. As a consequence, an overall resolution of the Debtors' total tax liabilities for all years would be more expeditiously achieved by enforcement of the settlement and entry of a judgment, rather than transferring the adversary proceeding to the Alabama Court. See AL Doc. 151 (FL. Doc. 454), at p. 4.

23. In response, the Florida Debtors stated:

[A]ll of the issues in the [Hillsborough I] Adversary Proceeding, along with all of Plaintiff's other federal tax issues, can be dealt with in the Alabama Bankruptcy Court, without any prejudice to the government's positions in this matter.

....

In the end, where the transfer of the Adversary Proceeding is without prejudice to any rights of the government respecting the “Final Judgment Motion,” the government has little about which to complain.

See AL Doc. 155 (FL Doc. 458), at pp. 1-2 and 7.

24. On September 24, 2015, the Florida Court transferred the Hillsborough I adversary proceeding to the Alabama Court. See AL Doc. 157 (FL Doc. 460).

25. On October 30, 2015, the Hillsborough I adversary proceeding was docketed by the Alabama Court and assigned Adv. Proc. No. 15-00127-TOM (“Hillsborough II”). See AL Doc. 1.

26. On December 10, 2015, the Florida Court entered a Final Decree closing the Florida bankruptcy case. See In re Hillsborough Holdings Corporation, Case No. 89-bk-09715, at Doc. 21984.

27. On January 11, 2016, the IRS filed proofs of claim in the Alabama bankruptcy cases for the 1983-1995 Liabilities and the 2000-2006 Liabilities. See e.g., Claim Nos. 5034, 5036, 5037, 5038, 5039, 5040, 5042, 5043, 5044, 5045, 5046, 5047 and 5048. With respect to certain Debtors, the United States filed two proofs of claim. See e.g., Exhibit “5” for the IRS’s Proof of Claim filed against Walter Energy, Inc., et al. on January 11, 2016 (Claim No. 5037). The first proof of claim reports the claims based on enforcement of the settlement of the 1983-1995 Liabilities. The second proof of claim is a protective claim that reports the claims based on the amounts due if the Alabama Court is not inclined to enforce the settlement.³

³ Amendment of the proofs of claim is required for two reasons. First, the priority claims that reflect the claims based on enforcement of the settlement of the 1983-1995 Liabilities must be reduced to remove the claims reported for the tax years August 31, 1983 and May 31, 1990. See discussion, *supra*, at pp. 5-6. The settlement reflects no tax liabilities due for those years. Second, the unsecured general claims reported on both proofs of claim need to be reclassified as priority claims under 11 U.S.C. § 507(a)(8)(A)(iii). See discussion, *infra*, at pp. 16-17.

28. In the Alabama Chapter 11 cases, the Debtors were unable to confirm a plan of reorganization. Accordingly, the Alabama Debtors sold substantially all of their assets in two court approved sales.

29. One sale (the “Core Asset Sale”) involved the sale of the Debtors’ principal mining assets to Warrior Met Coal LLC (formerly, Coal Acquisition LLC) (“Warrior Met Coal”). The Court approved the Core Asset Sale on January 8, 2016 and that sale closed on March 31, 2016. See e.g., Docs. 993, 1119, 1584 and 2235.

30. The other sale (the “Non-Core Asset Sale”) involved the sale of the Debtors’ coke facility and remaining assets to Seminole Coal Resources, LLC, ERP Compliant Coke, LLC, and ERP Environmental. The Court approved the Non-Core Asset Sale on February 8, 2016 and that sale closed on February 12, 2016. See e.g., Docs. 993, 1119, 1784 and 1863.

31. Upon closing the two sales, above, the Debtors began to engage in winding down the Debtors’ operations in accordance with the “wind down trust” agreement established under the asset purchase agreement with Warrior Met Coal. See e.g., Doc. 2849, at pp. 3-4 and 6-11.

32. Because the wind down trust was due to expire on February 28, 2017 and based on the Debtors’ representation that approximately \$1.6 million remained in the trust, the Debtors moved the Court to convert the Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code. See Doc. 2849, at pp. 4 and 6-11.

33. On January 23, 2017, the United States filed an objection to the Debtors’ motion to convert urging the court to deny the Debtors’ motion unless the Debtor, New WEI, as successor in interest to HHC, agrees to entry of a final judgment in Hillsborough II that is consistent with the terms of the parties’ settlement for the 1983-1995 Liabilities, and the Court enters the judgment prior to

conversion of the Chapter 11 cases to Chapter 7. See Doc. 2871, at p. 1. As the United States explained in its objection, entry of a final judgment in Hillsborough II is necessary so that the IRS may pursue collection of the 1983-1995 Liabilities from former members of the HHC Group that are not debtors in the Alabama bankruptcy case. See Doc. 2871, at p. 2. The United States further explained that the Debtors' reasons for contesting entry of a final judgment in Hillsborough II is not valid and any additional delays in entering the judgment is unduly prejudicing the IRS's ability to collect the 1983-1995 Liabilities. See Doc. 2871, at pp. 2-4.

34. On January 27, 2017, the Debtors responded to the United States' objection to their motion to convert. See Doc. 2878.

35. After holding a hearing on the Alabama Debtors' motion to convert, the Court overruled the United States' objection and ordered the conversion of Debtors' Chapter 11 cases to Chapter 7 on February 21, 2017. See Doc. 2893.

36. By order entered on February 21, 2017, the Court appointed Andre' M. Toffel ("Chapter 7 Trustee" or "Trustee") as the Interim Chapter 7 Trustee, and ordered that he would be deemed to have accepted the appointment unless he rejected it within seven (7) days following receipt of the order. See Doc. 2911.

37. On July 11, 2017, the Trustee's counsel, Stephen B. Porterfield, Esq., and the Trustee's accountant, Edmond R. Denaburg, supplemented their applications for approval of employment of professional persons to advise the Court that Mueller Water Products, Inc. and Walter Investment Management Corporation have agreed "to pay or reimburse all reasonable fees and expenses of the Chapter 7 Trustee and his professionals . . . for any efforts relating to the [Hillsborough II] adversary proceeding and the objection to the Internal Revenue Service claims." See Doc. 3092, at

p. 2; Doc. 3093, at p. 2. They further advised the Court that “[t]his bankruptcy estate will not incur any fees or expenses for the work described in this supplement and the time incurred will not be included on [their] fee applications filed with this Court.” See Doc. 3092, at p. 2; Doc. 3093, at p. 2.

38. On October 13, 2007, the Chapter 7 Trustee filed a Notice to Creditors advising that there will be no funds available for distribution to general unsecured creditors, and that for all claimants holding general unsecured claims, “the Trustee hereby gives notice to you of his final report of no distribution in these cases.” See Doc. 3144, at pp. 1 and 3. The Trustee further advised that he and Warrior Met Coal had reached a compromise regarding certain assets sold to Warrior Met Coal during the Chapter 11 cases and that a portion of those assets may be available to pay administrative and priority creditors. See Doc. 3144, at pp. 1-2.

39. The Trustee’s Notice to Creditors summarized the proposed settlement between him and Warrior Met Coal, as follows:

Upon conversion of these cases the Chapter 7 Trustee took possession of several bank accounts. Warrior Met made a claim to substantial portions of the funds in said bank accounts based upon the Amended and Restated Asset Purchase Agreement dated March 31, 2016, and approved by the Bankruptcy Court. In addition, there are certain assets that were purchased by Warrior Met upon which the trustee may also have an interest, and Warrior Met and the Trustee have agreed to work together to recover some of those assets. The settlement proposed includes the formation of a liquidating trust. All of the assets in the possession of the Trustee which Warrior Met contends it purchased will be transferred to the trust, and all future recoveries of assets by the Trustee to which Warrior Met claims an interest will be deposited into the trust. Once the liquidating trust is established, all cash due to Warrior Met pursuant to the settlement agreement shall be paid out to Warrior Met. The Trustee and Warrior Met have agreed that up to \$2,900,000, or the amount necessary to make a substantial distribution on all 503(b)(9) claims and those with a higher priority, plus potentially more if certain recoveries are successful, of said trust assets will be used to pay the administrative and priority claims of the liquidating trust and these bankruptcy estates.

The Trustee of these estates will also be the sole trustee of the liquidating trust formed as described above. The Trustee will be compensated by the trust pursuant to the calculations prescribed by 11 U.S.C. § 326. All monies paid into and out of the trust will be subject to said calculation. Based upon the estimated range of recoveries by the trustee and Warrior Met, the anticipated compensation to the Trustee from both the liquidating trust and these bankruptcy estates, will likely be in a range between \$275,000 and \$425,000. This amount is exclusive of compensation paid to professionals employed by the Trustee.

See Doc. 3144, at pp. 2-3.

40. On October 13, 2017, the Chapter 7 Trustee moved the Court to approve the compromise and settlement of claims between the Debtors' estates and Warrior Met Coal, summarized in paragraph 39, above ("Trustee's motion to settle"). See Doc. 3145. Attached to the Trustee's motion was the parties' settlement agreement, but no trust documents for the liquidating trust. See Doc. 3145, at Exhibit "A."

41. The undersigned counsel requested that the Trustee's counsel furnish her with a copy of the trust documents for the liquidating trust. In response, the Trustee's counsel advised her that no trust documents exist.

42. Since conversion of the Debtors' Chapter 11 cases to Chapter 7 in February 2017, the undersigned counsel has attempted to resolve the pending unresolved tax matters by arranging and participating in telephone conferences, sending e-mails, promptly responding to the Trustee's requests for IRS transcripts, and attending several status conferences, but her efforts have been to no avail. In particular, the undersigned counsel has made repeated requests for the production of substantiation in support of the Debtors' claims that overpayments of tax exist to offset the 1983-1995 Liabilities. However, she has received nothing in response to her requests.

B. SUMMARY OF UNRESOLVED TAX MATTERS.

43. The unresolved consolidated federal income tax liabilities of the Florida Debtors and the Alabama Debtors, including those liabilities that are the subject of the pending Hillsborough II adversary proceeding, span more than thirty years.

44. For the tax years ended August 31, 1983 through December 31, 2016, New WEI and its predecessors in interest, HHC, WI and WE, filed consolidated U.S. Corporate Income Tax Returns (Forms 1120) with its subsidiaries.

45. New WEI and as successor in interest to HHC, WI and WE, incorporated under the laws of the state of Delaware,⁴ is the common parent of the affiliated group of corporations and the sole agent for each member of the group, duly authorized to act in its own name in all matters relating to the income tax liabilities for the tax years ended August 31, 1983 through December 31, 2016, including giving waivers, executing closing agreements or offers in compromise, and filing petitions and conducting proceedings before the United States Tax Court.

46. The common parent corporation and each subsidiary that was a member of the group during any part of the consolidated return year is severally liable for the tax for such year.

47. During the Florida bankruptcy case, certain Florida Debtors left the HHC consolidated group and are not debtors in the Alabama bankruptcy case (“Nondebtor Members”).

⁴ The Delaware Secretary of State’s records as of March 2, 2017 indicate that New WEI is delinquent in filing its annual reports and paying its annual tax assessments. See Exhibit “6” for the Delaware Secretary of State’s Records for New WEI, Inc.

1. 1983-1995 Liabilities.

48. Pursuant to a settlement effectuated in Hillsborough I on June 8, 2015 (*see* discussion, *supra*, at pp. 3-11), the parties agreed to settle the 1983-1995 Liabilities in the following amounts, plus interest thereon:

<u>Tax Period Ended</u>	<u>Liability as of December 19, 2014</u>
8/31/1983	-0-
8/31/1984	\$ 79,165,799.33
8/31/1985	36,571,037.41
8/31/1986	6,484,950.92
8/31/1987	37,191,939.69
5/31/1988	-0-
5/31/1989	-0-
5/31/1990	-0-
5/31/1991	6,994,989.85
5/31/1992	4,044,984.66
5/31/1993	11,655,887.45
5/31/1994	361,847.44
5/31/1995	-0-
Total	<u>\$ 182,481,436.75</u>

See Exh. 4 and proposed Final Judgment attached hereto.

49. The United States moved for entry of a judgment consistent with the terms of the settlement, and the Debtors opposed the government's request on grounds that there are overpayments of tax available for offset against the 1983-1995 Liabilities, and that the settlement of the 1983-1995 Liabilities with DOJ is contingent upon a settlement of the 2000-2006 Liabilities with the IRS. See discussion, *supra*, at pp. 3-7.

50. Contrary to the Debtors' "overpayment" claim, there are no overpayments available for offset against the 1983-1995 Liabilities. Nor have the Debtors produced any evidence establishing the existence of any such overpayments of tax. See discussion, *infra*, at p. 18.

51. Also, contrary to the Debtor's claims of a global settlement of the tax liabilities for 1983-1995 and 2000-2006, the plain language of WE's offer to settle the 1983-1995 Liabilities shows that the settlement offer was not conditioned upon any settlement of the 2000-2006 Liabilities with the IRS. See Exh. 2.

52. In view of the above, the United States requests herein enforcement of the settlement of the 1983-1995 Liabilities and entry of a judgment consistent with the terms of that settlement.

2. 2000-2006 Liabilities.

53. The IRS conducted an examination of the Debtors' consolidated income tax liabilities for the tax years ended May 31, 2000 through December 31, 2008 and based on that examination proposed adjustments to the Debtors' tax liabilities in the following amounts for the following tax years:

<u>Tax Year</u>	<u>Tax Deficiency</u>
5/31/00	\$ 48,983,052
12/31/00	16,867,561
12/31/01	38,115,350
12/31/02	21,865,521
12/31/03	-
12/31/04	18,521
12/31/05	287,991
12/31/06	<u>5,255,682</u>
Total Tax Deficiency	<u>\$ 131,393,678</u>

See Exhibit "7" for the IRS Statutory Notice of Deficiency sent to Walter Energy, Inc. on December 12, 2016.

54. Before the parties effectuated a settlement of the 1983-1995 Liabilities on June 8, 2015, the Debtors and IRS Appeals discussed potential settlement of the 2000-2006 Liabilities. Based on those discussions, the parties agreed to terms upon which to settle the 2000-2006 Liabilities (“Appeals Settlement”), but they could not compute the settlement amount for those years until the earlier years’ tax liabilities (i.e., 1983-1995) were resolved and the amount of those liabilities finally determined. In other words, the computations for the subsequent years’ taxes may be affected by the amount of the tax liabilities for the earlier years.

55. Although the parties settled the 1983-1995 Liabilities on June 8, 2015, the Debtors and the IRS have not effectuated a settlement of the 2000-2006 Liabilities.

56. Upon enforcement of the settlement of the 1983-1995 Liabilities and entry of a judgment consistent with the terms of that settlement, the Debtors and the IRS may resolve the 2000-2006 Liabilities. In this respect, the IRS agrees to settle the 2000-2006 Liabilities in accordance with the terms of the Appeals Settlement.

57. On December 12, 2016, because the parties have not settled the 2000-2006 Liabilities, the IRS sent a Statutory Notice of Deficiency to WE, on behalf of the consolidated group, that proposed tax deficiencies for 2000 through 2006 in the total amount of \$131,393,678. See Exh. 7; discussion, *supra*, at pp. 16-17.

58. Generally, New WEI, as successor in interest to WE, would have 90 days from the date of the Statutory Notice of Deficiency to file a petition in the United States Tax Court to request a redetermination of the IRS’s proposed tax deficiencies for 2000 through 2006. However, because New WEI is in bankruptcy, the 90-day period for filing a Tax Court petition is stayed.

3. Potential Overpayments of Tax.

59. Based on the IRS's records, potential overpayments of tax, plus interest thereon, that may be available to offset the Debtors' consolidated income tax liabilities for the tax years at issue are, as follows:

<u>Tax Year</u>	<u>Date – IRS Transcript</u>	<u>Potential Overpayments of Tax</u>
5/31/97	8/14/17	\$ <356,584>
12/31/07	Form 4549-A	<9,022,992>
12/31/09	10/9/17	<271,653>
12/31/10	10/9/17	<25,726,647>
12/31/11	10/9/17	<46,410,391>
12/31/12	10/9/17	<25,194,160>
12/31/14	10/2/17	<u><128,106></u>
Total Potential Overpayments		<u>\$ <107,110,533></u>

See Exhibit "8" for IRS Transcript for the tax year ended 5/31/97; Exhibit "9" for IRS Form 4549-A, "Income Tax Discrepancy Adjustments," for 2007; Exhibit "10" for IRS Transcript for 2009; Exhibit "11" for IRS Transcript for 2010; Exhibit "12" for IRS Transcript for 2011; Exhibit "13" for IRS Transcript for 2012; and Exhibit "14" for IRS Transcript for 2014.

60. As the chart, above, shows, the prepetition overpayments of tax available for offset against Debtors' prepetition consolidated tax liabilities (i.e., \$107,110,533) are not sufficient to eliminate the Debtors' tax liabilities for 2002 through 2006 (i.e., \$131,393,678). As a consequence, contrary to the Debtors' contention, no overpayments of tax are available to offset the Debtors' 1983-1995 Liabilities.

III. ARGUMENT.

A. THE FORMATION OF A LIQUIDATING TRUST UNNECESSARILY COMPLICATES AN ALREADY UNREASONABLE DELAY IN THE RESOLUTION OF THE UNRESOLVED TAX MATTERS.

Let there be no mistake, the United States is complaining and for good reasons. In the Florida bankruptcy case, the Debtors represented to the Florida Court that transfer of the Hillsborough I adversary proceeding to the Alabama Court would allow the parties to promptly and efficiently resolve the unresolved tax matters. This has not happened and any additional delays continue to unduly prejudice the United States' efforts to collect the unpaid tax liabilities from the solvent Nondebtor Members.

In the Alabama bankruptcy case, the Debtors were unable to confirm a plan of reorganization. Because of their inability to confirm a plan, they were forced to sell substantially all of their assets and convert their Chapter 11 cases to Chapter 7. Since the transfer of Hillsborough I to this Court, and after reneging on the settlement of the 1983-1995 Liabilities, the Debtors have made no attempt to resolve their unresolved tax matters, 1983-1995 Liabilities and 2000-2006 Liabilities. They have offered no valid reasons for reneging on the settlement of their 1983-1995 Liabilities. Their unsubstantiated repudiation of the settlement has precluded a resolution of their 2000-2006 Liabilities. These delays have unduly prejudiced the United States' ability to collect the unpaid taxes, including interest thereon, from the Nondebtor Members.

Now, the Trustee moves the Court to approve a proposed settlement between the Debtors' Estate and Warrior Met Coal that will involve the formation of a liquidating trust and the creation of a pot that will primarily pay additional legal and accounting fees. The Trustee has advised that there will be no funds available for distribution to general unsecured claims. A review of the

proposed settlement indicates that there will be no funds for the IRS's tax claims, whether classified as priority or nonpriority. The lack of funds available to satisfy the tax claims only hastens the need to resolve the 1983-1995 and 2000-2006 Liabilities so that the IRS may pursue collection of those liabilities from the Nondebtor Members.

In addition to there being no potential distributions available for the tax claims, the proposed settlement, if approved, will unnecessarily complicate and further delay a resolution of the 1983-1995 and 2000-2006 Liabilities. In the proposed settlement, the Trustee indicates that he expects to close the Debtors' estate by September 30, 2018. See Doc. 3145-1, at p. 18. In this respect, the proposed settlement provides, *inter alia*, for the formation of a Liquidating Trust that will "oversee and distribute the assets that Warrior Met Coal is sharing pursuant to the settlement agreement." See Doc. 3145-1, at pp. 7, 10-11, 13-15 and 18. The proposed settlement further provides that "notwithstanding the creation of the Liquidating Trust, the [Alabama Court] will retain jurisdiction over most everything, and its primary role would be resolving all objections to claims, . . . and also adversary proceedings regarding some of the assests." See Doc. 3145-1, at pp. 7-8, 15 and 18.

The Liquidating Trust, as a successor in interest to New WEI, is a separate and distinct entity, a trust. See e.g., City Investing Co. Liquidating Trust v. Continental Casualty Co., 624 A.2d 1191, 1197 (Del.Supr. 1993) ("[T]he liquidating trust is a separate entity, but not a corporation"). The Liquidating Trust will not qualify as an agent of the consolidated group for each of the twenty-one (21) consolidated tax years at issue in this case. See e.g., 26 C.F.R. §§ 1.1502-77, 1.1502-77A and 1.1502-77B. See also, United States v. Bond, 762 F.3d 255, 260-263 (2d Cir. 2014) (The bankruptcy court lacked jurisdiction to adjudicate the liquidating trustee's tax refund claim).

Regardless of whether the 1983-1995 and 2000-2006 Liabilities are settled or adjudicated, a valid agent for the consolidated group for each of the consolidated years is necessary, *inter alia*, to execute closing agreements and offers in compromise, and file petitions and conduct proceedings before the United States Tax Court. See e.g., 26 C.F.R. § 1.1502-77(d)(4), (5) and (10); J & S Carburetor Co., et al. v. Commissioner, 93 T.C. 166 (1989) (Nonbankrupt subsidiaries that filed a consolidated return lacked authority to file a petition and conduct proceedings in the Tax Court while their common parent corporation was in bankruptcy).

Three sets of rules govern the designation of an agent for the consolidated years at issue in this case. See 26 C.F.R. § 1.1502-77 (generally, for years beginning on or after April 1, 2015), 26 C.F.R. § 1.1502-77A (generally, for years beginning before June 28, 2002), and 26 C.F.R. § 1.1502-77B (generally, for years beginning on or after June 28, 2002 and before April 1, 2015). Given the number of tax years at issue, the process of designating a new agent in place of New WEI will differ depending on the rules applicable to each particular year and may result in the appointment of more than one agent. In other words, one entity may be designated the agent for some years, and another entity may be designated the agent for other years. Moreover, any entities designated to serve as agents will likely be Nondebtor Members over which this Court has no jurisdiction. In view of the above, it is fair to conclude that the formation of a Liquidating Trust will unnecessarily and unduly prolong any possible resolution of the unresolved tax matters and further prejudice the United States' efforts to collect unpaid tax liabilities from the Nondebtor Members. Therefore, it would be prudent for the parties to resolve the pending tax matters before the Trustee's motion to settle is granted and the Liquidating Trust is formed.

For the above reasons and in the interest of judicial economy, the United States moves the Court to stay the Trustee's motion to settle for a period of ninety (90) days so that the parties may resolve the pending tax matters before formation of the Liquidating Trust. Alternatively and for the reasons described, below, if the Court is not inclined to stay the Trustee's motion to settle, the United States requests that the Court enforce the parties' settlement of the 1983-1995 Liabilities, enter a judgment consistent with the terms of that settlement ("1983-1995 Judgment"), lift the automatic stay to allow the United States to exercise its setoff rights before the Liquidating Trust is established, and lift the automatic stay to commence the 90-day period for filing a petition with the Tax Court, if necessary, for a redetermination of the 2000-2006 Liabilities.

B. THE COURT'S ENFORCEMENT OF THE SETTLEMENT OF THE 1983-1995 LIABILITIES IS APPROPRIATE AND NECESSARY.

Enforcement of the settlement of the 1983-1995 Tax Liabilities, and entry of a final judgment consistent with the terms of the settlement, is appropriate and necessary to avoid any further undue prejudice to the United States in its efforts to collect the tax liabilities from former members of the HHC Group that are not debtors in the Alabama bankruptcy case. See 11 U.S.C. § 105(a). Indeed, any further delay in enforcing the settlement of the 1983-1995 Liabilities and entering a judgment will not serve the interests of justice and will only unduly prejudice the United States' collection efforts for those years and the subsequent tax years.

The Florida Debtors offered to settle all tax issues pending in the Hillsborough I and II adversary proceedings. The United States accepted their offer and this Court should enter a judgment consistent with the terms of the parties' settlement before the Liquidating Trust is established.

Section 105(a) of the Bankruptcy Code provides:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, *sua sponte*, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process.

See 11 U.S.C. § 105(a).

Courts consider the following factors to determine “the fairness, reasonableness and adequacy of a proposed settlement agreement:”

- (1) The probability of success in the litigation;
- (2) The difficulties, if any, to be encountered in the matter of collection;
- (3) The complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and
- (4) The paramount interest of the creditors and a proper deference to their reasonable views in the premises.

See In re Chira, 567 F.3d 1307, 1312-1313 (11th Cir. 2009) (quoting, In re Justice Oaks II, Ltd., 898 F.2d 1544, 1549 (11th Cir. 1990) (quoting, In re A & C Corp., 784 F.2d 1377, 1381 (9th Cir. 1986)). The bankruptcy court’s approval of a settlement is reviewed for abuse of discretion, and “consideration of the Justice Oak factors need not be explicit.” See In re Daughtrey, 2015 WL 5604764, at *8 (M.D. Fla. Sept. 23, 2015) (citing, Chira, 567 F.3d at 1313).

Applying the above factors to the facts here, the settlement is fair, reasonable and adequate to settle the 1983-1995 Liabilities, and therefore, enforcement of the settlement is necessary and appropriate. On May 14, 1991 and over 25 years ago, the Debtors commenced an adversary proceeding, requesting, *inter alia*, a determination of HHC Group’s 1983-1995 income tax liabilities. On September 24, 2015, the Florida Court transferred the Hillsborough I adversary

proceeding to this Court. Before the transfer, the United States moved for entry of a final judgment in the adversary proceeding consistent with the terms of the parties' settlement, and the debtor opposed the motion repudiating the settlement. The Florida Court did not rule on the motion.

Although the Debtors repudiated the parties' settlement before transfer of Hillsborough I to this Court, they have offered no valid reasons why the parties' settlement is not binding and enforceable. Moreover, despite the Debtors' representations to the Florida court that significant overpayments of tax from subsequent tax years would be available to offset the 1983-1995 Liabilities, it has not established the existence of such overpayments. Indeed, although there are overpayments of tax in subsequent tax years, they are not sufficient in amount to offset any of the 1983-1995 Liabilities. Nor have the Debtors made any "good faith" efforts (over the past 2½ years) to settle or otherwise resolve the 1983-1995 Liabilities, despite their representations to the Florida Court that the transfer of the adversary proceeding to this Court would result in a prompt and efficient resolution of the unresolved tax matters.

Further, contrary to the Debtors' representations to the Florida Court, the plain language of its offer to settle and compromise the 1983-1995 Liabilities demonstrates that its offer was in no way contingent or otherwise conditioned upon a settlement of the 2000-2006 Liabilities with the IRS. See Exh. 2 for December 17th Offer. The Department of Justice accepted the Debtors' settlement offer on June 8, 2015 based on the terms set forth in their December 17th offer. See Exh. 4 for June 8th Acceptance. Even if the Debtors, as they claim, intended or desired to accomplish a global settlement with the Department and the IRS, its intentions and desires are not sufficient, alone, to invalidate the settlement of the 1983-1995 Liabilities. Put bluntly, the parties

settled the 1983-1995 Liabilities, and the United States is entitled to entry of a judgment consistent with the terms of that settlement.

Enforcement of the settlement will not impact the Debtors' estate. The Trustee has already advised that there will be no distribution to unsecured general creditors. Based on the Trustee's motion to settle, it appears that funds will be available to pay only professional fees and certain other administrative claims. The Trustee's counsel and accountant have advised that any fees incurred with regard to the claims involving the 1983-1995 and 2000-2006 Liabilities will be paid by the Nondebtor Members, and not the estate.

If the settlement is not enforced, the parties will return to the point in the litigation when the Florida Court vacated its judgment in June 2010, and as a result, they will be subject to further unnecessary "expense, inconvenience and delay." See Chira, 567 F.3d at 1312-1313 (citations omitted). In addition to unnecessarily prolonging the litigation of the adversary proceeding, the United States is unduly prejudiced by the continuing unreasonable delays in collecting the 1983-1995 Liabilities from the Nondebtor Members. As the record shows, the settlement of the 1983-1995 Liabilities is "fair and equitable" under the circumstances. Accordingly, through exercise of its § 105 powers, the Court should enforce the settlement, enter a judgment consistent with the terms of the settlement, and close the 27-year old adversary proceeding. A proposed Final Judgment is attached hereto.

C. THE COURT SHOULD LIFT THE STAY TO ALLOW THE UNITED STATES TO EXERCISE ITS SETOFF RIGHTS.

The United States possesses a valid right to setoff the Debtors' prepetition overpayments against their prepetition tax liabilities. See 26 U.S. § 6402(a). The Debtors' prepetition overpayments of tax equal \$107,110,533, plus interest thereon, for the tax years ended May 31,

1997, and December 31, 2007, 2009, 2010, 2011, 2012 and 2014 (“overpayments”). See Exhs. 8-14. The overpayments are not sufficient to eliminate the Debtors’ prepetition liabilities in full. For instance, the prepetition overpayments are not sufficient to eliminate the Debtors’ 2002-2006 Liabilities in the amount of \$131,393,678, plus interest thereon.

Section 553 of the Bankruptcy Code preserves the right of a creditor, like the United States, “to offset a mutual debt owing by such creditor to the debtor that arose before the commencement of the case under this title against a claim of such creditor against the debtor that arose before the commencement of the case.” See 11 U.S.C. § 553(a). See e.g., In re Bill Heard Enterprises, Inc., 400 B.R. 813, 823-825 (Bankr. N.D. Ala. 2009). “Essential to setoff, and a prerequisite to a claim under § 553, is that liabilities are *mutual*: A owes B and B owes A.” See In re Colonial BancGroup, Inc., 2012 WL 12878, at * 4 (M.D. Ala. Jan. 4, 2012) (citation and internal quotations omitted). “[D]ebts are considered mutual when they are between the same parties acting in the same capacity.” See Colonial BancGroup, 2012 WL 12878, at * 4 (citation omitted).

Before the United States may exercise its setoff rights, it must obtain relief from the automatic stay. See 11 U.S.C. §§ 362(a)(7) and 362(d). Allowance of the setoff is within the discretion of the Court and is limited by the purpose and equitable principles of the Bankruptcy Code. Accordingly, the United States requests that the Court lift the stay and allow the IRS, in its discretion, to offset the Debtors’ prepetition overpayments, including interest thereon, against their prepetition tax liabilities, including interest thereon, before formation of the Liquidating Trust. See In re Ryan, 64 F.3d 1516, 1524 (11th Cir. 1995) (“Pursuant to clear statutory authority and the implementing Treasury Regulations, the IRS has the discretion to designate the application of overpayments among a taxpayer’s various liabilities”).

As the proposed settlement reveals, the IRS is not expected to receive any distributions on its tax claims, whether those claims are classified as priority or unsecured general claims. Further, if the United States does not exercise its setoff rights before formation of the Liquidating Trust, it may risk losing those rights through waiver or extinguishment. As a result, it is both equitable and appropriate for the Court to lift the automatic stay and allow the United States to exercise its setoff rights before the Liquidating Trust is formed.

D. THE COURT SHOULD LIFT THE STAY TO ALLOW COMMENCEMENT OF THE TAX COURT PROCEEDINGS, IF NECESSARY, TO RESOLVE THE 2000-2006 LIABILITIES.

Although the Debtors and IRS Appeals have agreed to terms upon which to settle the 2000-2006 Liabilities, they cannot effectuate a settlement of those years until earlier years' tax liabilities (i.e., 1983-1995) are resolved and finally determined. The computations for the 2000-2006 Liabilities may be affected by the amount of the 1983-1995 Liabilities. Accordingly, upon final resolution of the 1983-1995 Liabilities, the Debtors and the IRS should be able to resolve the 2000-2006 Liabilities in accordance with the terms of the Appeals Settlement. In the event, however, that the parties cannot settle the 2000-2006 Liabilities, the Debtors will likely contest the tax deficiencies proposed for those years.

As the facts, however, demonstrate, any challenge to the 2000-2006 Liabilities will not benefit the estate. Based on the Trustee's filings on October 13, 2017, he does not expect to make any distributions to the IRS in connection with the claims filed for the 2000-2006 Liabilities, whether those claims are classified as priority or nonpriority. Further, given the administrative insolvency of the Debtors' estate, any judicial determination of the 2000-2006 Liabilities is necessary only for the purpose of collecting the unpaid taxes, including interest thereon, from the

solvent Nondebtor Members that are not subject to this Court's jurisdiction. As a consequence, any judicial determination of the 2000-2006 Liabilities will not benefit the Debtors' estate, but will serve only to benefit the Nondebtor Members. Put simply, the bankruptcy court lacks jurisdiction to determine the 2000-2006 Liabilities because the outcome of that proceeding could not conceivably have any effect on the estate being administered in bankruptcy. See In re Robles, 2016 WL 721521, at *2 (Bankr. S.D. Fla. February 23, 1016) (citing, In re Lemco Gypsum, Inc., 910 F.2d 784, 788 (11th Cir. 1990) (citing, In re Pacor, 743 F.2d 984, 994 (3d Cir. 1984)); In re Huckabee Auto Co., 783 F.2d 1546, 1549 (11th Cir. 1986).

Moreover, the Nondebtor Members' funding of the litigation involving the IRS claims confirms that the Nondebtor Members are pulling the strings in this bankruptcy case in an effort to stonewall or otherwise delay collection of the unpaid taxes for the years ended August 31, 1983 through May 31, 1995 and May 31, 2000 through December 31, 2006. This is an improper use of the bankruptcy court's resources and should be stopped. To the extent that the Nondebtor Members wish to challenge the 2000-2006 Liabilities, they should do so in a nonbankruptcy forum. For the above reasons, in the interest of judicial economy and the avoidance of any further undue delays in resolving the 2000-2006 Liabilities, the United States requests that the Court lift the automatic stay to allow commencement of the 90-day period for filing a petition in Tax Court, if necessary, to determine the 2000-2006 Liabilities. See 11 U.S.C. §§ 362(a)(8) and 362(d). See also, 26 U.S.C. § 6213(a); Exh. 7. The 90-day period will give the parties adequate time to determine if they can settle the 2000-2006 Liabilities before the filing of a petition is required.

IV. CONCLUSION.

In the interest of judicial economy and for the reasons discussed, above, the Court should stay the Trustee's motion to settle for a period of ninety (90) days so that the Chapter 7 Trustee, on behalf of New WEI, and the United States may resolve the unresolved tax matters. Alternatively, if the Court is not inclined to stay the Trustee's motion to settle, it should enforce the parties' settlement of the 1983-1995 Liabilities, enter a judgment consistent with the terms of that settlement, lift the automatic stay to allow the United States to exercise its setoff right before the Liquidating Trust is formed, and lift the automatic stay to commence the 90-day period for filing a Tax Court petition, if necessary, to obtain a redetermination of the 2000-2006 Liabilities. A proposed Final Judgment is attached hereto.

Dated this 8th day of November, 2017.

Respectfully submitted,

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CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the foregoing United States of America's Motion To (1) Stay the Chapter 7 Trustee's Motion for Approval of Proposed Settlement (Doc. 3145) for Ninety (90) Days, or (2) Enforce Settlement, Enter Judgment and Lift Stay, including accompanying Exhibits "1" through "14" and Proposed Final Judgment, has this 8th day of November 2017, been made by electronically filing a copy on all CM/ECF participants via the CM/ECF system or by depositing a copy thereof in the United States mail, first class postage prepaid, on all non-CM/ECF participants, as indicated on the attached Service List.

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:	)	Chapter 7
)	
NEW WEI, INC., ET AL.,	)	Case No. 15-02741-TOM7
)	
<u>Debtors.</u>	)	Jointly Administered

**EXHIBIT LIST FOR
UNITED STATES OF AMERICA’S MOTION TO (1) STAY THE
CHAPTER 7 TRUSTEE’S MOTION FOR APPROVAL OF PROPOSED SETTLEMENT
(DOC. 3145) FOR NINETY (90) DAYS, OR (2) ENFORCE SETTLEMENT,
ENTER JUDGMENT AND LIFT STAY**

- Exhibit “1”** - Order on Parties’ Joint Stipulation entered by the Florida Court on March 24, 1995, including the Joint Stipulation Between Debtors and United States Regarding the Objection of the United States to Confirmation of the Consensual Plan filed with the Florida Court on March 22, 1995
- Exhibit “2”** - Letter from Stephen D. Gardner, Esq. to Robert L. Welsh, Esq. dated December 17, 2013
- Exhibit “3”** - Declaration of Richard Bowles dated June 23, 2015
- Exhibit “4”** - Letter from Ann Reid, Esq. to Stephen D. Gardner, Esq. dated June 8, 2015, including Stipulation for Entry of Judgment on Plaintiffs’ Complaint for Determination of Tax Liability, and for Determination of the Validity, Extent and Priority of Liens and a Proposed Judgment
- Exhibit “5”** - IRS’s Proof of Claim filed against Walter Energy, Inc., et al. on January 11, 2016 (Claim No. 5037)
- Exhibit “6”** - Delaware Secretary of State’s Records for New WEI, Inc.
- Exhibit “7”** - IRS Statutory Notice of Deficiency sent to Walter Energy, Inc. on December 12, 2016
- Exhibit “8”** - IRS Transcript for the tax year ended May 31, 1997
- Exhibit “9”** - IRS Form 4549-A, “Income Tax Discrepancy Adjustments,” for 2007
- Exhibit “10”** - IRS Transcript for 2009

- Exhibit “11” -** IRS Transcript for 2010
- Exhibit “12” -** IRS Transcript for 2011
- Exhibit “13” -** IRS Transcript for 2012
- Exhibit “14” -** IRS Transcript for 2014

EXHIBIT “1”

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE:

HILLSBOROUGH HOLDINGS CORPORATION,
ET AL.,

CASE NOS. 89-9715-8P1
through 89-9746-8P1
and No. 90-11997-9P1

Debtors,

ORDER ON JOINT STIPULATION
BETWEEN DEBTORS AND UNITED STATES
REGARDING THE OBJECTION OF THE UNITED STATES
TO CONFIRMATION OF THE CONSENSUAL PLAN

On March 1, 1995, this cause came on for hearing on confirmation of the Consensual Plan of Reorganization and on the Objection to Confirmation filed by the United States. Debtors and the United States advised the Court that the parties entered into a Joint Stipulation between Debtors and United States Regarding the Objection of the United States to Confirmation of the Consensual Plan ("Joint Stipulation"), which provides that all agreements and provisions contained in the Joint Stipulation shall be incorporated by reference into the Court's Order confirming the Consensual Plan and that the Joint Stipulation shall control to the extent that the Stipulation and the Consensual Plan are in conflict. The Court having heard argument of counsel and otherwise being fully advised in the premises, it is hereby

ORDERED AND ADJUDGED

1. That the Joint Stipulation be and the same is hereby approved.

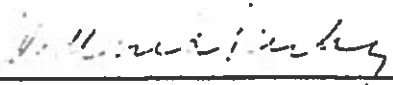


2. That, Pursuant to Section 105 of the Bankruptcy Code, the pre-confirmation tax claims of the Internal Revenue Service will maintain their priority status until the Debtors' federal tax obligations for all pre-confirmation tax years have been satisfied in full; and

3. That the pre-confirmation tax claims of the Internal Revenue Service will maintain their priority status in any subsequent case, including, but not limited to, a subsequent bankruptcy case.

4. That all agreements and provisions contained in the Joint Stipulation between the Debtors and the United States Regarding the Objection of the United States to Confirmation of the Consensual Plan, attached hereto and incorporated herein, are incorporated as a part of this Order and to the extent that the Consensual Plan, as confirmed, and the Joint Stipulation conflict, the provisions of the Joint Stipulation control.

DONE AND ORDERED in Tampa, Florida on this 24 day of March, 1995.



ALEXANDER L. PASKAY
Chief Bankruptcy Judge

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Core Service Group

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FILED

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

MAR 22 1995

CLERK, U.S. BANKRUPTCY
COURT, TAMPA, FL

IN RE:

HILLSBOROUGH HOLDINGS CORPORATION,
ET AL.,

CASE NOS. 89-9715-8P1
through 89-9746-8P1
and No. 90-11997-9P1

Debtors,

JOINT STIPULATION BETWEEN DEBTORS AND
UNITED STATES REGARDING THE OBJECTION
OF THE UNITED STATES
TO CONFIRMATION OF THE CONSENSUAL PLAN

Come now the Debtors and the United States of America and stipulate and agree as follows:

1. The discharge and injunction provisions of Sections 1141 and 524 of the Bankruptcy Code and of the Consensual Plan dated December 9, 1994, or of the Plan as finally approved by the Bankruptcy Court (hereinafter the "Consensual Plan"), do not prohibit or in any manner affect the continuing litigation of the Debtors/Plaintiffs' tax liabilities in the Adversary Proceeding No. 91-313, including all tax years ending on or prior to May 31, 1994 and up through the effective date of the Plan, and do not affect the ongoing audit by the Internal Revenue Service of the Debtors' tax returns for fiscal year ending May 31, 1992 and for all years subsequent.

2. The discharge and injunction provisions of Sections 1141 and 524 of the Bankruptcy Code and the Consensual Plan do not prohibit or affect in any manner the ability of the United States to collect post-confirmation those liabilities determined by final order of the Court or by agreement of the parties of the Debtors' priority tax liabilities, their administrative tax expenses for which a claim has been filed, or tax liabilities for fiscal year ending May 31, 1992 and for years subsequent.

3. The audit by the Internal Revenue Service of the tax years for which a proof of claim for all pre-petition tax liabilities, interest, and penalties or a claim for administrative expense has been filed in this bankruptcy case shall be deemed complete as of the Effective Date of the Confirmation of the Consensual Plan and no further amendments to such claims shall be filed except upon the grounds set forth in Section 6501(c) of the Internal Revenue Code which includes the filing of a fraudulent return and willful intent to evade tax. Nothing in this paragraph shall be deemed to be interpreted as waiving any right of the Internal Revenue Service to audit and to take any action allowed by the Internal Revenue Code or by law with respect to any amended return which the Debtors may file. Further, the Debtors agree that the United States may file post-confirmation an amended claim for administrative expenses for any year which ended prior to confirmation other than years ending May 31, 1990 or May 31, 1991.

4. The Debtors consent that the taxes, interest, and penalties for which proof of claims and claims for administrative expenses have been filed by the United States in this bankruptcy case may be assessed regardless of the provisions of Section 6213 of the Internal Revenue Code, but it is agreed that no liens will be filed by the Internal Revenue Service unless Debtors fail to pay, in accordance with the provisions of this Stipulation and the Consensual Plan, the amount of tax, penalties, and interest, if any, determined by final order of the Court or by agreement of the parties to be due and owing. However, in consideration of the United States agreeing to withdraw its objection to confirmation of the Consensual Plan, the tax claims of the Internal Revenue Service will maintain their priority status pursuant to an order of the Court under § 105 of the Bankruptcy Code until the Debtors' Federal tax obligations for all preconfirmation tax years have been satisfied in full. The Court order, pursuant to § 105, will explicitly provide that the claims of the United States will maintain their priority status in any subsequent proceeding, including, but not limited to, a subsequent bankruptcy proceeding.

5. The full amount of the United States' allowed priority tax claim, which will be determined by either final order of the court or by the agreement of the parties, shall be paid within six (6) years from the date of assessment in twenty-four (24) equal quarterly installments (subject to the provisions of Paragraph 6, below) with interest from the date of confirmation at a rate of 11 percent compounded quarterly.

6. If during the six (6) year period provided for the payment of the priority tax claims under Section 1129 of the Bankruptcy Code and the confirmed Plan, the allowed amount of such priority tax claims is determined by either final order or by agreement of the parties, that portion of the allowed amount, including principal and interest which would have been due by such time, is immediately due and owing with the remaining portion of the allowed priority tax liability to be amortized and paid over such portion of the six (6) years as remain.

7. The full amount of the allowed claim for administrative expenses of the United States, including interest at the rate described in paragraph 8, below, shall be paid as soon as such allowed amount is determined by either final order of the Court or by agreement of the parties.

8. Interest on the allowed amount of the claim for administrative expenses shall be paid at the floating rate provided in Section 6621 of the Internal Revenue Code for any period for which interest is due pre- and post-confirmation computed from the due date of such tax return until payment in full of the allowed amount of the claims for administrative expenses.

9. If the allowed amount of the priority tax claims and the claims for administrative expenses are not determined within six (6) years from the date of assessment, the Consensual Plan does not discharge any of the unpaid or undetermined priority or administrative tax claims. Should the allowed amount of such claims be determined beyond six (6) years from the date of

assessment, the allowed amount of such liabilities will be paid at such time as the allowed amount of the claims are determined.

10. A cash payment to the Internal Revenue Service in lieu of the reserve fund as detailed in Sections 4.11, 4.12, and 4.13 of the Consensual Plan shall be made in the amount of Two and One-Half Million Dollars (\$2,500,000) as an advance payment to be applied toward the allowed amount of the priority and administrative tax claims, once determined either by Final Order or by agreement of the parties, which are currently in dispute. The cash payment shall be made directly to the Internal Revenue Service. The amount of the cash payment in no way affects nor implies what may be the allowed amount of the Debtors' taxes for all years in dispute and in audit. Debtors neither admit nor intend any admission that they are indebted to the Internal Revenue Service for any amount. Any excess payment by reason of the advance payment shall be released immediately to the Debtors with no right of offset or requirement that a formal claim be filed by the Debtors.

11. The parties agree and understand that, pursuant to Article IX, Section 9.1 of the Consensual Plan, the Bankruptcy Court will retain jurisdiction to determine the validity and amount of all pending tax claims and Adversary Proceeding No. 91-313.

12. As a condition of this Joint Stipulation the United States agrees to withdraw its objections to confirmation of the Consensual Plan. The parties hereto further agree that all agreements and provisions contained herein shall be adopted and incorporated by reference and become a part of the Court's Order

Confirming the Consensual Plan. To the extent that the Consensual Plan as finally confirmed and this Stipulation are in conflict, then the terms of the Stipulation shall control.

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EXHIBIT “2”



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AND FIRST-CLASS MAIL

December 17, 2013

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**RE: Walter Industries, Inc. v. United States
Settlement Offer**

Dear Mr. Welsh:

This letter contains the offer by the Taxpayer to resolve all pending issues for the tax years beginning with the August 31, 1983 tax year and ending with the May 31, 1995 tax year, the last tax year pending before the Bankruptcy Court. The Taxpayer's offer was originally contained in a letter dated October 19, 2011, and was modified in letters dated July 17, 2012, and January 8, 2013. This letter is not intended to change any of the terms of the offer as set forth in the prior three letters, but merely to state all of the terms of the offer in a single letter.

By this letter, the Taxpayer is confirming its formal offer to the Department of Justice to settle all issues pending in the above case. We respectfully request that it be formally considered by the Department of Justice and Commissioner of Internal Revenue under the established procedures of those agencies.

Our offer of settlement is as follows:

1. Straight-line issue:

The Government would concede this issue for all taxable years pending before the Bankruptcy Court, except for those situations where the aggregate amount of interest and principal payable under the contract exceed \$250,000. The Taxpayer would concede this issue for such situations, if they exist.

2. Discount issue:

The Taxpayer would concede 75% of this issue and the Government would concede 25% of this issue for all taxable years pending before the Bankruptcy Court. With respect to the method of reporting the discount attributable to the 25% which the Government is conceding, that discount would be taken into income under a method that would approximate economic accrual. It is possible that precise data does not exist to allow for an exact economic accrual, and if that is the case, the parties will use their best effort to approximate economic accrual.

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Robert L. Welsh, Esq.
December 17, 2013
Page Two

3. Certain expenses in connection with the LBO:

See discussion below after issue #5.

4. Professional fees incurred during the course of the bankruptcy proceedings:

See discussion below after issue #5.

5. Deductibility of capitalized LBO costs:

The Taxpayer proposes to resolve Issue 3 (LBO Expenses), Issue 4 (Professional Fees Incurred in Connection with the Bankruptcy), and Issue 5 (Deductibility of Capitalized LBO Costs) as set out in the attached Appendices. Appendix A-1 relates to Issue 3 and reflects that a total of \$13,673,722 would be deductible when incurred with the remainder capitalized. Appendices A-2 and A-3 relate to Issue 4 and reflects that a total of \$1,180,155 would be deductible when incurred with the remainder capitalized. Appendix A-4 relates to the treatment of costs that are part of Issue 5; 100% of these costs would initially be capitalized, with half of them subject to being deducted when various business segments are disposed of.

Appendix B-1 and B-2 contain the proposed allocation and timing of recovery for the capitalized KKR transaction costs and bankruptcy reorganization costs.

6. Coal Royalties:

The Government would concede this issue on the understanding that the Taxpayer will demonstrate that the amount of tax ultimately involved, if the Government were to successfully obtain a reversal of the Bankruptcy Court decision in favor of the Taxpayer, is approximately \$1,500,000. This is attributable to the increased depletion allowance J. Walter Resources would be entitled to, the fact that there was no difference between corporate ordinary and capital gain rates and other computational factors.

See Appendix C for the calculation demonstrating that the amount of tax ultimately involved on this issue is \$1,521,688.

7. DISC issue:

The Taxpayer would concede this issue.



Robert L. Welsh, Esq.
December 17, 2013
Page Three

Thank you for your consideration of this formal settlement offer, and we look forward to hearing from you and meeting with you as soon as possible.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen D. Gardner".

Stephen D. Gardner

SDG:ek

Enclosures

cc: Michael R. Hurley
James E. Connor
Kevin Brown

2094363 v1/NY

Hillsborough Holdings Corporation
 Issues #25 and 29 in FYE ENDED 8-31-87
 Issues #22, 23, 25, 26, 72 and 73 in FYE ENDED 5-31-88

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Rationale for Proposed Resolution
Shearson Lehman Bros	Advisory Fees for Special Committee	8,102,687	5,671,888	2,430,808	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and further explained in Large Business & International (LBI) Directive 04-0511-012. Of the capitalized amount, 50% will be deducted upon disposition of various business enterprises. The remaining 50% will not be deducted upon disposition of various business enterprises.
Wachtel, Lipson, Rosen and Katz	Legal for Special Committee	6,000,000	4,200,000	1,800,000	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and further explained in Large Business & International (LBI) Directive 04-0511-012. Of the capitalized amount, 50% will be deducted upon disposition of various business enterprises. The remaining 50% will not be deducted upon disposition of various business enterprises.
Goodland	Legal for class action lawsuit	2,808,492	2,808,492		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Simpson, Thacher & Bartlett	Legal for class action lawsuit	588,873	588,873		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Simpson, Thacher & Bartlett	1-8-88 thru 5-31-88 legal - post closing	31,757	31,757		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Holland and Knight	Legal for class action lawsuit Florida issues - Waller	46,534	46,534		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Shulie, Roth & Zabel	Legal for Shearson	308,490	215,943	92,547	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and further explained in Large Business & International (LBI) Directive 04-0511-012. Of the capitalized amount, 50% will be deducted upon disposition of various business enterprises. The remaining 50% will not be deducted upon disposition of various business enterprises.
Shulie, Roth & Zabel	Legal for Shearson	11,895	8,327	3,568	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and further explained in Large Business & International (LBI) Directive 04-0511-012. Of the capitalized amount, 50% will be deducted upon disposition of various business enterprises. The remaining 50% will not be deducted upon disposition of various business enterprises.
Latham & Watkins	Legal for Hillsborough Holdings for solvency opinion	424,985		424,985	Debt issuance cost amortized from 1988 to 1995.
Kelst & co	Public relations	20,900	20,900		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Richards, Layton		4,949		4,949	In the interval of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.
Taylor & Ives	Advertising	101,628		101,628	In the interval of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.
Keck, Mahin	Inter. Comm.	19,308	19,308		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.

APPENDIX A-1

Hillsborough Holdings Corporation
 Issues #25 and 29 in FYE ENDED 8-31-87
 Issues #22, 23, 25, 26, 72 and 73 in FYE ENDED 5-31-88

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Rationale for Proposed Resolution
Special Committee	Additional board fee	91,000	63,700	27,300	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and further explained in Large Business & International (LBI) Directive 04-0511-012.
					Of the capitalized amount, 50% will be deducted upon disposition of various business enterprises. The remaining 50% will not be deducted upon disposition of various business enterprises.
Total		18,559,508	13,673,722	4,885,786	
			Amount Deductible	Amount Capitalized	

APPENDIX A-1

Halsborough Holdings Corporation
Professional Fees While in Bankruptcy Issues # 78 & # 79
RE: Years Ended May 31, 1990 - 91

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Reasoning	Current Authority
Ernst & Young Jones Day Arthur Anderson Stroock & Stroock Suchter & Reidel	Plan of Reorganization: No plans proposed, submitted or approved during 5-31-90 and 5-31-91	28,395		28,395	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Kaye Scholer Ernst & Young Jones Day Arthur Anderson Stroock & Stroock Suchter & Reidel Price Waterhouse Kaye Scholer Simpson Thacher Bradley & Arant Stroock & Stroock	Minor Liquidation: Requested to complete the liquidation under IRC sec. 332 which had been commenced prior to filing of Petitions in Bankruptcy	289,238		289,238	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Ernst & Young Jones Day Arthur Anderson Stroock & Stroock	Letter of Credit Agreement: Has a one (1) year term	2,168		2,168	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Ernst & Young Jones Day Arthur Anderson Stroock & Stroock	MadState Thomas Credit Facility: According to William H. Weldon, this financing was abandoned after Court failed to approve	124,149		124,149	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Beaz Stearns	Valuation Report: According to William H. Weldon, this report was abandoned and never used	150,000	150,000		Would have been deducted outside of bankruptcy, and thus should be allowed to be deducted in bankruptcy context. Court misapplied "but for" test.	Rev. Rul. 77-204; Treas. Reg. Sec. 1.263(a)-5(c)(4); Treas. Reg. Sec. 1.263(a)-5(f) Example (18)
Ernst & Young	Review: Re: Analyzing markets and competition	11,485		11,485	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Ernst & Young	Review: Re: annual business plans, Re: debt structure	25,143		25,143	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Ernst & Young	Review: Re: sale of assets, Re: analysis of creditors' rights, Re: financial analysis	5,040		5,040	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Jones Day	Review: Re: asbestos litigation, product liability	99,148	99,148		Would have been deducted outside of bankruptcy, and thus should be allowed to be deducted in bankruptcy context. Court misapplied "but for" test.	Rev. Rul. 77-204; Treas. Reg. Sec. 1.263(a)-5(c)(4); Treas. Reg. Sec. 1.263(a)-5(f) Example (18)
Arthur Anderson	Review of LBO: Re: analyze debt structure	12,560		12,560	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Arthur Anderson	Review: Re: subsidiary sales	4,914		4,914	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Arthur Anderson	Review: Re: asbestos litigation, product liability	14,646	14,646		Would have been deducted outside of bankruptcy, and thus should be allowed to be deducted in bankruptcy context. Court misapplied "but for" test.	Rev. Rul. 77-204; Treas. Reg. Sec. 1.263(a)-5(c)(4); Treas. Reg. Sec. 1.263(a)-5(f) Example (18)
Arthur Anderson	Review: Re: asbestos litigation, product liability	2,162	2,162		Would have been deducted outside of bankruptcy, and thus should be allowed to be deducted in bankruptcy context. Court misapplied "but for" test.	Rev. Rul. 77-204; Treas. Reg. Sec. 1.263(a)-5(c)(4); Treas. Reg. Sec. 1.263(a)-5(f) Example (18)

APPENDIX A-2

Hilsborough Holdings Corporation
Professional Fees Whake in Bankruptcy: Issues # 78 & # 79
RE: Years Ended May 31, 1990 - 91

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Reasoning	Current Authority
Arthur Anderson	Review, Re: MidState Homes and existing debt re proposed financing	13,498		13,498	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock	Review of LBO. Re: analysis debt structure	13,639		13,639	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock	Review of LBO. Re: debt	16,654		16,654	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock	Misc. Matters: Various other matters	2,156		2,156	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
TOTAL		613,996	265,956 Amount Deductible	648,040 Amount Capitalized		

APPENDIX A-2

Hillsborough Holdings Corporation
Professional Fees While in Bankruptcy, Issue #25
RE: Years Ended May 31, 1992-94

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Reasoning	Current Authority
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day Suchler Riedel Kaye Scholer Shackelford Farrow	Bankruptcy Administration: Monitoring of assets related to Bankruptcy Administration process	1,508,823		1,508,823	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson	Debtor's Plan of Reorganization: Plan Developed by the Debtors never adopted.	1,408,738		1,408,738	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day Suchler Riedel Kaye Scholer Stimpson Thacher PfeifferWaltershouse Shackelford Farrow	Creditor's Plan of Reorganization: Eventually became the Consensual Plan	1,017,208		1,017,208	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day Suchler Riedel Kaye Scholer	Miscellaneous Plans: Review of Plans filed by the secured creditors, such as the banks and the Series B and C Senior Noteholders. These specific plans were never adopted	219,528		219,528	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day Suchler Riedel	Consensual Plan	6,045		6,045	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
J.P. Morgan	Valuation Work: Advised and assisted the official committee of Bondholders by preparing a valuation of the Debtors to attempt to show that they were insolvent.	1,489,669		1,489,669	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day	Veil Piercing Litigation: Monitoring of Veil piercing/asset protection litigation	476,104	476,104		These expenses would have been deductible in the non-bankrupt setting. <i>Lohrke</i> (1987), and thus should be deductible in bank setting as well. (A) amounts specifically paid to ... context ... approval of the portion of a plan or reorganization under Chapter 11 that resolves tort liabilities of the taxpayer do not facilitate a reorganization ... if the amounts would have been treated as ordinary and necessary business expenses under section 162 had the bankruptcy proceeding not been instituted.	Treas. Reg. § 1.263(a)-5(c)(4)
Stroock & Stroock Ernst & Young Arthur Anderson Jonas Day	Claims Disputes: Monitoring of Various claimants litigation which the Debtors would have encountered regardless of the bankruptcy filing	438,095	438,095		Given that these expenses would have been incurred whether or not there had been a bankruptcy filing, it's hard to see how these would not be deductible — even using the Court's "but for" test.	IRC Section 162

APPENDIX A-3

Halsborough Holdings Corporation
Professional Fees Whistle in Bankruptcy Issue #35
RE: Years Ended May 31, 1992-94

Advisor	Description	Total Invoice	Amount Deductible	Amount Capitalized	Reasoning	Current Authority
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day	Mid-State Trust III Financing Representing the creditors concerning CMO to raise money to continue to finance the homes operation	105,259		105,259	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day Slichter Riedel Kaye Scholer	Bank Settlement Agreement: Defense of creditor committees' interests in bankruptcy litigation relating to the bank settlement agreement. No agreement was ever entered into.	567,273		567,273	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day	Sale of Assets: Monitoring of sales of assets by the Debtors.	1,399		1,399	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day	Wedge Transaction: Monitoring of an exchange of preferred stock for common stock, ultimately written off as worthless in 1997	1,525		1,525	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day Slichter Riedel Kaye Scholer	Value Sharing Plan: An offer of securities to benefit the unsecured bondholders. No terms were ever agreed upon and no securities were ever issued.	260,334		260,334	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day Slichter Riedel Kaye Scholer	Ordinary Course of Business: Monitoring of regular day to day activities relating to the Debtors' business operations.	176,795		176,795	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
Stroock & Stroock Ernst & Young Arthur Anderson Jones Day Slichter Riedel Kaye Scholer	Trade Post Petition Agreement: Discussions with Trade Committee re: receiving post-petition interest on their claim. No agreement finalized.	7,048		7,048	In the interest of finalizing the issues at hand in a timely manner, this cost is being conceded to the Government in the current settlement offer.	
TOTAL		7,644,843	914,199	6,770,644		

APPENDIX A-3

Hillsborough Holdings Corporation
Issues #78 & 79

Advisor	Description	Total Invoice	Amount deducted upon disposition of various business enterprises	Amount not deducted when incurred or upon disposition of various business enterprises
Deloitte, Haskins	Professional services relating to formation and structuring of Hillsborough related to transaction	889,270	444,635	444,635
Deloitte, Haskins	Professional services relating to formation and structuring of Hillsborough related to transaction	485,056	242,528	242,528
KKR	Investment banking activities	16,625	8,313	8,313
KKR	Investment banking activities	5,658,988	2,829,494	2,829,494
Simpson, Thacher	Legal services	2,209,107	1,104,554	1,104,554
Corporate Printing Co.	Various printing and binding	44,144	22,072	22,072
Corporate Printing Co.	Various printing and binding	291,221	145,611	145,611
Foley & Larden	Florida law aspects of LBO	291,690	145,845	145,845
Georgeson & Co.	Services rendered as information agent for the offer to purchase shares	77,130	38,565	38,565
Simpson, Thacher	Legal services	137,424	68,712	68,712
Simpson, Thacher	Legal services	332,135	166,068	166,068
SEC	Registration fees	393,941	196,971	196,971
TOTAL		10,826,731	5,413,366	5,413,366

APPENDIX A-4

Walter Energy
Allocation of Capitalized Costs by Business Segment

Operating Units	Low Valuation from Shearson report dated 8/10/87 (in millions)		High Valuation from Shearson report dated 8/10/87 (in millions)		Mean Valuation from Shearson Report dated 8/10/87 (in millions)		Percentage of Total Valuation	Allocation of Success Based and Other LBO Costs	Percentage of Total Valuation	Allocation of Bankruptcy Costs	Allocation of All Capitalized Costs (Success Based, Other LBO, and Bankruptcy)
Jim Walter Homes & Financing	1,441	1,582	1,512		51.08%	8,025,954	58.16%	4,256,547	12,282,501		
Building Products	175	200	188	996,174	6.34%	996,174	7.21%	527,677	996,174		
Industrial Products	175	200	188	996,174	6.34%	996,174	20.20%	1,478,374	1,523,851		
Water & Wastewater	500	550	525	2,787,401	17.74%	2,787,401	14.43%	1,056,086	4,265,775		
Natural Resources	350	400	375	1,990,776	12.67%	1,990,776			3,046,862		
Paper	80	100	90	477,561	3.04%	477,561			477,561		
Jewelry	75	90	83	438,379	2.79%	438,379			438,379		
Total	2,796	3,122	2,958	15,712,518	100.00%	100.00%	7,318,584	23,031,202			

APPENDIX B-1

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NOTES:

1. Includes 1796 and includes all aircraft listed here and "winning" and "best-selling" airplanes under Section 122.
2. Includes 1796 and includes all aircraft listed here and "winning" and "best-selling" airplanes under Section 122.
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Case 15-02741-TOM Doc 3166-2 Filed 11/08/17 Entered 11/08/17 21:22:23 Desc
Exhibits 1 - 14 Page 24 of 99

- 1) Bankruptcy costs associated to reorganizing insolvent companies tend to reduce operating value.
- 2) Bankruptcy costs associated to reorganizing insolvent companies tend to increase operating value.
- 3) \$11,572 of the \$20,036,501,918 bankruptcy costs of Alcoa were incurred by the liquid firm, \$11,761.
- 4) \$1,409,605 of the \$2,925,925,590 bankruptcy costs of Alcoa were incurred by the liquid firm reorganizing \$2,925.
- 5) \$3,466,437 of the \$4,510,540,194 bankruptcy costs of Alcoa were incurred by the liquid firm reorganizing \$4,510.
- 6) \$2,899,797 of the \$4,510,540,194 bankruptcy costs of Alcoa were incurred by the liquid firm reorganizing \$4,510.
- 7) Assumed Welter used the bankruptcy proceeds reported with this stock at 30% Alcoa's total 12/31/2003.
- 8) Assumed Welter used the bankruptcy proceeds reported with this stock at 30% Alcoa's total 12/31/2003.
- 9) Assumed Welter used the Welter & Associates' assumption that the peak energy 12/31/2003 according to Welter Energy Company's history.
- 10) Assumed Welter used the Welter & Associates' assumption that the peak energy 12/31/2003 according to Welter Energy Company's history.

Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

APPENDIX B-2

Walter Energy, Inc.
Coal Royalty Issue
For the Tax Years 1985 through 1994

	1985	1986	1987	1988	1989	1990	1991-1994	Total
Coal Royalty Ordinary Income	18,706,600	13,029,741	12,884,744	10,932,594	13,217,617	6,385,951	-	75,157,247
Less: Percentage Depletion	(1,246,302)	(1,200,000)	(1,259,126)	(2,470,687)	(2,404,517)	(1,811,317)	-	(10,391,949)
Net Coal Royalty Ordinary Income	17,460,298	11,829,741	11,625,618	8,461,907	10,813,100	4,574,634	-	64,765,298
Maximum Marginal Ordinary Income Rate	46%	46%	44%	34%	34%	34%	34%	34%
Tax on Coal Royalty Income	8,031,737	5,441,681	5,110,819	2,877,048	3,676,454	1,555,376	-	26,683,115
Coal Royalty Capital Gain	18,706,600	13,029,741	12,884,744	10,932,594	13,217,617	6,385,951	-	75,157,247
Maximum Marginal Capital Gain Rate	28%	28%	34%	34%	34%	34%	34%	34%
Capital Gains Tax on Coal Royalty Income	5,237,848	3,648,327	4,380,813	3,717,082	4,493,990	2,171,223	-	23,649,284
Tax Differential (Ordinary - Capital Gain)	2,793,889	1,793,353	730,006	(840,034)	(817,536)	(615,848)	-	3,043,832
Attribute Adjustments:								
Add-On Minimum Tax	(1,517,079)	-	-	-	-	(36,226)	84,311	(1,468,984)
Subpart B Credits	-	-	-	-	(48,091)	-	-	(48,091)
Environmental Tax Credit Adjustments	-	-	-	-	(2,885)	(2,174)	-	(5,059)
Total Tax Impact	1,276,810	1,793,353	730,006	(840,034)	(868,512)	(654,248)	84,311	1,521,688

APPENDIX C

EXHIBIT “3”

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE:)
	) CASE NOS. 89-9715-8P1
HILLSBOROUGH HOLDINGS) through 89-9746-8P1
CORPORATION, ET AL.,) and NO. 90-11997-9P1
)
Debtors.)
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)
HILLSBOROUGH HOLDINGS)
CORPORATION, ET AL.,)
)
Plaintiffs,)
)
v.) ADVERSARY NO. 91-313
)
UNITED STATES OF AMERICA,)
)
Defendant.)

DECLARATION OF RICHARD BOWLES

I, Richard Bowles, hereby declare pursuant to Title 28, United States Code, Section 1746, as follows:

1. I am employed by the United States Department of Justice as a trial attorney. I am assigned to the Office of Review within the Department's Tax Division. The Office of Review independently considers settlement offers in large, complex civil tax cases in order to advise high-ranking Department officials as to appropriate action on these offers.
2. I was assigned to review the offer submitted by plaintiffs in the above-captioned case.
3. The government received a letter from plaintiffs' counsel dated December 17, 2013, confirming the terms of their settlement offer. A copy of that letter is attached to this declaration as Exhibit A.
4. Plaintiffs' settlement offer was accepted on behalf of the Attorney General by letter dated June 8, 2015. Enclosed with that letter were a stipulation for entry of judgment and a proposed judgment for plaintiffs' counsel to execute. A copy of that letter with its enclosures is attached to this declaration as Exhibit B.



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5. During my review of the plaintiffs' offer, I communicated frequently with representatives of PricewaterhouseCoopers (PwC), the accounting firm retained to assist counsel for plaintiffs in this matter.
6. On September 10, 2014, I provided to PwC tax computations that reflected my understanding of plaintiffs' offer. PwC reviewed those computations, and during discussions I had with PwC, PwC requested that three items be changed. I provided PwC revised tax computations on November 21, 2014, reflecting those changes.
7. On December 9, 2014, I provided PwC interest computations. Those interest computations were based on the tax computations I had provided on November 21, 2014.
8. After PwC's review of the tax and interest computations I had provided them, PwC disputed two more items. I discussed a proposed resolution of those two items with PwC. By March 9, 2015, PwC stated that the proposed resolution of those two items which we had discussed was acceptable. PwC also agreed not to raise additional objections to the computations.
9. As a result, my office prepared updated tax and interest computations reflecting the resolution of the two items referenced in Paragraph 8. On March 17, 2015, I provided these updated tax and interest computations to PwC. Before April 10, 2015, PwC reviewed those computations and agreed that they accurately reflected our discussions.
10. Repeatedly, after April 10, 2015, and as recently as June 4, 2015, during my conversations with PwC representatives, PwC confirmed that plaintiffs' offer was still a "live offer."
11. The figures contained in the stipulation for entry of judgment and proposed judgment, which are part of Exhibit B, came directly from the computations I provided to PwC on March 17, 2015.

June 23, 2015

s // Richard Bowles
Richard Bowles

EXHIBIT “4”



U.S. Department of Justice

Tax Division

Please reply to: Office of Review
P.O. Box 310
Washington, D.C. 20044

(202) 307-6500

CDC:DLE:AR:RHBowles
DJ 5-17M-10107
CMN 1991168138

June 8, 2015

VIA USPS AND E-MAIL

Mr. Stephen D. Gardner
Cooley LLP
1114 Avenue of the Americas
New York, NY 10036

Re: *Hillsborough Holdings Corp. v. United States*
Adversary Proceeding No. 91-313 (Bankr. M.D. Fla.)

Dear Mr. Gardner:

Your offer, as summarized in your letter dated December 17, 2013, has been accepted on behalf of the Attorney General.

We prefer that you make payment by an electronic funds transfer. Please contact the Tax FLU at (202) 307-6567 within the next 5 business days to make arrangements.

Enclosed are an original and one copy each of a stipulation for entry of judgment and a proposed judgment. Please sign the originals and return them to this office within 7 days of the date of this letter for filing. We will request the clerk to forward to the parties a copy of the



- 2 -

judgment when it is entered. Upon receipt of the total amount due under this settlement, we will file a satisfaction of judgment with the court.

Sincerely yours,

CAROLINE D. CIRAULO
Acting Assistant Attorney General

By:

A handwritten signature in black ink, appearing to be 'Ann Reid', written over a horizontal line.

ANN REID
Chief, Office of Review

Enclosures, as stated

cc: Kevin Brown, PricewaterhouseCoopers LLP (e-mail only)

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE:)	
	)	CASE NOS. 89-9715-8P1
HILLSBOROUGH HOLDINGS	)	through 89-9746-8P1
CORPORATION, ET AL.,	)	and NO. 90-11997-9P1
)	
Debtors.)	
<hr/>		
HILLSBOROUGH HOLDINGS)	
CORPORATION, ET AL.,)	
)	
Plaintiffs,)	
)	
v.	)	ADVERSARY NO. 91-313
)	
UNITED STATES OF AMERICA,)	
)	
Defendant.)	

**STIPULATION FOR ENTRY OF JUDGMENT ON PLAINTIFFS'
COMPLAINT FOR DETERMINATION OF TAX LIABILITY,
AND FOR DETERMINATION OF
THE VALIDITY, EXTENT, AND PRIORITY OF LIENS**

Upon agreement of the parties, the debtors, now known as Walter Energy, Inc., and the defendant, United States of America, after litigation and by virtue of a settlement of all matters in issue in this adversary proceeding, hereby stipulate to entry of judgment as follows:

On December 27, 1989, Hillsborough Holdings Corporation (HHC) and its affiliates filed Chapter 11 petitions in bankruptcy. In 1991, HHC commenced this adversary proceeding to determine its federal tax liabilities relating to tax years starting

12545895 9

with the tax year ended August 31, 1983. The debtor also seeks to reduce its tax liabilities for the post-petition tax years ended May 31, 1993, and May 31, 1994, through the carryback of a net operating loss generated in the post-petition tax year ended May 31, 1996.

Stipulations concerning issues presented in this adversary proceeding were entered on September 27, 1994 [doc. no. 99], December 20, 1999 [doc. no. 250], April 9, 2003 [doc. no. 302], and April 19, 2004 [doc. no. 309].

This court entered numerous opinions and orders as the issues presented were tried. *See In re Hillsborough Holdings Corp.*, 432 B.R. 318 (Bankr. M.D. Fla. 2010); *In re Hillsborough Holdings Corp.*, 295 B.R. 679 (Bankr. M.D. Fla. 2003); *In re Hillsborough Holdings Corp.*, 2000 WL 703330 (Bankr. M.D. Fla. Mar. 30, 2000); *In re Hillsborough Holdings Corp.*, Unpublished Order (Nov. 3, 1999); *In re Hillsborough Holdings Corp.*, 1999 WL 357921 (Bankr. M.D. Fla. Apr. 7, 1999); *In re Hillsborough Holdings Corp.*, Unpublished Opinion (Mar. 12, 1998); *In re Hillsborough Holdings Corp.*, 229 B.R. 214 (Bankr. M.D. Fla. 1997); *In re Hillsborough Holdings Corp.*, 179 B.R. 728 (Bankr. M.D. Fla. 1995); *In re Hillsborough Holdings Corp.*, Unpublished Order (Apr. 6, 1993); *In re Hillsborough Holdings Corp.*, 144 B.R. 920 (Bankr. M.D. Fla. 1992). At the conclusion of litigation the parties were ordered to submit a proposed money judgment [doc. no. 403].

On March 2, 1995, the debtor's Chapter 11 plan of reorganization was confirmed with an effective date of discharge of March 17, 1995 [doc. no. 17583]. The plan, as

amended by the Order of March 24, 1995 [doc. no. 18158], provides that the tax liabilities in this adversary proceeding will maintain their priority status in any subsequent case, including, but not limited to, a subsequent bankruptcy case. The parties have stipulated that amounts determined beyond six years from the date of assessment will be paid at such time as the allowed amount of the claims is determined. Accordingly, immediate payments of the amounts listed below is authorized and should be ordered.

Pursuant to settlement, the parties stipulate that the debtor's federal corporate income tax liabilities, which include interest and other additions net of payments to date, for the following tax periods are as follows, computed as of December 19, 2014 (further statutory additions accrue in accordance with law and prior stipulations and orders entered herein):

Tax Period Ended	Liability as of December 19, 2014
8/31/1983	-0-
8/31/1984	\$79,165,799.33
8/31/1985	\$36,571,037.41
8/31/1986	\$6,484,950.92
8/31/1987	\$37,191,939.69
5/31/1988	-0-
5/31/1989	-0-
5/31/1990	-0-

5/31/1991	\$6,994,989.85
5/31/1992	\$4,044,984.66
5/31/1993	\$11,655,887.45
5/31/1994	\$361,847.44
5/31/1995	-0-

Pursuant to the parties' stipulation, filed March 22, 1995, interest accrued from the confirmation date of March 2, 1995, and continues to accrue at a rate of 11 percent compounded quarterly on amounts due for the tax periods ended 8/31/1984, 8/31/1985, 8/31/1986, and 8/31/1987 until paid. Pursuant to the same stipulation, interest accrued from the due date of each tax return and continues to accrue at the floating rate provided in Section 6621 of the Internal Revenue Code (26 U.S.C.) on amounts due for the tax periods ended 5/31/1991, 5/31/1992, 5/31/1993, and 5/31/1994 until paid.

The parties stipulate that judgment may be entered in favor of the United States and against the debtor in the amounts and for the periods set forth herein. The parties request that the court retain jurisdiction to enforce this settlement and judgment. Each party is to bear its own fees and costs, including attorneys fees and expenses.

COUNSEL FOR UNITED STATES:

Robert L Welsh
United States Department of Justice
Post Office Box 14198
Ben Franklin Station

Washington, DC 20044
(202) 514-6068
Fax : (202) 514-9868
Email: robert.l.welsh@usdoj.gov

COUNSEL FOR DEBTORS:

Don M. Stichter
Florida Bar No. 078280
Stichter, Riedel, Blain & Prosser
110 East Madison Street, Suite 200
Tampa, FL 33602
813-229-0144
Fax : 813-229-1811
Email: dstichter.ecf@srbp.com

Stephen D. Gardner
Florida Bar No. 027712
Cooley Godward Kronish LLP
1114 Avenue of the Americas
New York, NY 10036
212-479-6130
Fax : 212-479-6275
Email: sgardner@cooley.com

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE:)	
	)	CASE NOS. 89-9715-8P1
HILLSBOROUGH HOLDINGS	)	through 89-9746-8P1
CORPORATION, ET AL.,	)	and NO. 90-11997-9P1
)	
Debtors.)	
<hr/>		
HILLSBOROUGH HOLDINGS)	
CORPORATION, ET AL.,)	
)	
Plaintiffs,)	
)	
v.	)	ADVERSARY NO. 91-313
)	
UNITED STATES OF AMERICA,)	
)	
Defendant.)	

PROPOSED JUDGMENT

Based on the stipulation entered between the parties to this adversary proceeding and for good cause shown, the Stipulation For Entry Of Judgment On Plaintiffs' Complaint For Determination Of Tax Liability, And For Determination Of The Validity, Extent, And Priority Of Liens is APPROVED. Judgment is entered as follows:

The debtor's federal corporate income tax liabilities, net of payments to date, for the following tax periods are as follows, computed as of December 19, 2014:

12600378 3

Tax Period Ended Liability as of December 19, 2014

8/31/1983	-0-
8/31/1984	\$79,165,799.33
8/31/1985	\$36,571,037.41
8/31/1986	\$6,484,950.92
8/31/1987	\$37,191,939.69
5/31/1988	-0-
5/31/1989	-0-
5/31/1990	-0-
5/31/1991	\$6,994,989.85
5/31/1992	\$4,044,984.66
5/31/1993	\$11,655,887.45
5/31/1994	\$361,847.44
5/31/1995	-0-

Interest shall accrue from December 19, 2014, at a rate of 11 percent compounded quarterly on amounts listed above as due for the tax periods ended 8/31/1984, 8/31/1985, 8/31/1986, and 8/31/1987 until fully paid.

Interest shall accrue from December 19, 2014, at the floating rate provided in Section 6621 of the Internal Revenue Code (26 U.S.C.) on amounts listed above as due for the tax periods ended 5/31/1991, 5/31/1992, 5/31/1993, and 5/31/1994 until fully paid.

The tax liabilities in this adversary proceeding will maintain their priority status in any subsequent case, including, but not limited to a subsequent bankruptcy case.

Payment of the amounts listed above is authorized and shall be made within 10 days of the date of entry of this judgment.

The court retains jurisdiction to enforce this settlement and judgment. Each party is to bear its own fees and costs, including attorneys fees and expenses.

DONE and ORDERED this _____.

K. RODNEY MAY
UNITED STATES BANKRUPTCY JUDGE

Approved as to form and substance:

COUNSEL FOR UNITED STATES:

Robert L. Welsh
United States Department of Justice
Post Office Box 14198
Ben Franklin Station
Washington, DC 20044
(202) 514-6068
Fax : (202) 514-9868
Email: robert.l.welsh@usdoj.gov

COUNSEL FOR DEBTORS:

Don M. Stichter
Florida Bar No. 078280
Stichter, Riedel, Blain & Prosser
110 East Madison Street, Suite 200
Tampa, FL 33602
813-229-0144
Fax : 813-229-1811
Email: dstichter.ecf@srbp.com

Stephen D. Gardner
Florida Bar No. 027712
Cooley Godward Kronish LLP
1114 Avenue of the Americas
New York, NY 10036
212-479-6130
Fax : 212-479-6275
Email: sgardner@cooley.com

EXHIBIT “5”

Fill in this information to identify the case:

Debtor 1 WALTER ENERGY INC ET AL

Debtor 2
(Spouse, if filing) _____

United States Bankruptcy Court for the: NORTHERN District of ALABAMA
(State)

Case number 15-02741-TOM11

Official Form 410 Proof of Claim

12/15

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. Do not send original documents; they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) that you received.

Part 1: Identify the Claim

1. Who is the current creditor?		<u>Department of the Treasury - Internal Revenue Service</u> Name of the current creditor (the person or entity to be paid for this claim) Other names the creditor used with the debtor _____	
2. Has this claim been acquired from someone else?		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. From whom? _____	
3. Where should notices and payments to the creditor be sent? Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)	Where should notices to the creditor be sent?		Where should payments to the creditor be sent? (if different)
	Internal Revenue Service Name		Internal Revenue Service Name
	P.O. Box 7346 Number Street		801 BROADWAY M/S MDP 146 Number Street
	Philadelphia PA 19101-7346 City State ZIP Code		NASHVILLE TN 37203 City State ZIP Code
	Contact phone <u>1-800-973-0424</u>		Contact phone <u>(615) 250-5272</u>
	Contact email _____		Contact email _____
Creditor Number: _____		Uniform claim identifier for electronic payments in chapter 13 (if you use one) _____	
4. Does this claim amend one already filed?		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Claim number on court claims registry (if known) _____ Filed on: _____ MM / DD / YYYY	
5. Do you know if anyone else has filed a proof of claim for this claim?		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Who made the earlier filing? _____	



Part 2: Give Information About the Claim as of the Date the Case Was Filed

6. Do you have any number you use to identify the debtor? ☐ No ☒ Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: See Attachment

7. How much is the claim? \$ 554,280.642.00 Does this amount include interest or other charges?
☐ No ☒ Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. What is the basis of the claim? Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.
Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).
Limit disclosing information that is entitled to privacy, such as health care information.

Taxes _____

9. Is all or part of the claim secured? ☐ No ☒ Yes. The claim is secured by a lien on property.
Nature of property:
☐ Real Estate. If the claim is secured by the debtor's principal residence, file a Mortgage Proof of Claim Attachment (Official Form 410-A) with this Proof of Claim.
☐ Motor Vehicle
☒ Other. Describe: Right of Setoff

Basis for perfection: See 410 Attachment
Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)

Value of Property: \$ _____
Amount of the claim that is secured: \$ _____
Amount of the claim that is unsecured: \$ _____ (The sum of the secured and unsecured amounts should match the amount in line 7.)

Amount necessary to cure any default as of the date of the petition: \$ _____

Annual Interest Rate (when case was filed) % _____
☐ Fixed
☐ Variable

10. Is this claim based on a lease? ☒ No ☐ Yes. Amount necessary to cure any default as of the date of the petition. \$ _____

11. Is this claim subject to a right of setoff? ☐ No ☒ Yes. Identify the property \$31,501,753 in overpayments; See Form 410 Attachment

12. Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?

☐ No

☒ Yes. Check all that apply:

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

☐ Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).

☐ Up to \$2,775* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7).

☐ Wages, salaries, or commissions (up to \$12,475*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4).

☒ Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8).

☐ Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5).

☐ Other. Specify subsection of 11 U.S.C. § 507(a)() that applies.

Amount entitled to priority

\$ _____

\$ _____

\$ _____

\$ 229,061,857.00

\$ _____

\$ _____

*Amounts are subject to adjustment on 4/01/16 and every 3 years after that for cases begun on or after the date of adjustment.

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

☒ I am the creditor.

☐ I am the creditor's attorney or authorized agent.

☐ I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.

☐ I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this Proof of Claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this Proof of Claim and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date 01/11/2016

MM/DD/YYYY

/s/ BOBBY RUTZKY

(Signature)

Print the name of the person who is completing and signing this claim:

Name BOBBY

First name

Middle name

RUTZKY

Last name

Title Bankruptcy Specialist

Company Internal Revenue Service

Identify the corporate servicer as the company if the authorized agent is a servicer.

Address

801 BROADWAY M/S MDP 146

Number

Street

NASHVILLE

City

TN

State

37203

ZIP Code

Contact Phone (615) 250-5272

Email: _____

Proof of Claim for Internal Revenue Taxes

Department of the Treasury/Internal Revenue Service



Form 410
Attachment

In the Matter of: WALTER ENERGY INC ET AL
3000 RIVERCHASE GALLERIA SUITE 1700
BIRMINGHAM, AL 35244-2359

Case Number
15-02741-TOM11

Type of Bankruptcy Case
CHAPTER 11

Date of Petition
07/15/2015

PRIMARY CLAIM: The amounts shown below are based on a settlement of the debtors' FYE 1983-1995 income tax years, in Adversary No. 91-313, USBC MD FLA., which proceeding was transferred to this Court. See Case No. 15-00127, Doc Nos. 1, 1-1, 136-5, and 157.

The United States has the right of setoff or counterclaim(s) in the amount of \$31,501,753. The identification of any sums subject to setoff is based on available data and is not intended to waive any other right to setoff, against this claim, debts owed to this debtor by this or any other Federal agency that have not been identified. All rights of setoff are preserved and will be asserted to the extent lawful.

Unsecured Priority Claims under section 507(a)(8) of the Bankruptcy Code

Taxpayer ID Number	Kind of Tax	Tax Period	Date Tax Assessed	Tax Due	Interest to Petition Date
XX-XXX1596	CORP-INC	08/31/1983	08/27/1984	\$0.00	\$10,911,815.00
XX-XXX1596	CORP-INC	08/31/1984	11/03/1986	\$6,880,075.00	\$100,705,012.00
XX-XXX1596	CORP-INC	08/31/1985	09/29/1986	\$2,449,966.00	\$34,966,643.00
XX-XXX1596	CORP-INC	08/31/1986	07/06/1987	\$597,778.00	\$6,300,949.00
XX-XXX1596	CORP-INC	08/31/1987	09/26/1988	\$3,745,835.00	\$35,819,162.00
XX-XXX9953	CORP-INC	05/31/1990	03/25/1991	\$249,894.00	\$1,940,827.00
XX-XXX9953	CORP-INC	05/31/1991	03/30/1992	\$923,698.00	\$7,043,255.00
XX-XXX9953	CORP-INC	05/31/1992	04/19/1993	\$720,700.00	\$3,441,189.00
XX-XXX9953	CORP-INC	05/31/1993	03/21/1994	\$1,331,860.00	\$10,660,894.00
XX-XXX9953	CORP-INC	05/31/1994	05/08/1995	\$0.00	\$372,305.00
				\$16,899,806.00	\$212,162,051.00

Total Amount of Unsecured Priority Claims: **\$229,061,857.00**

Unsecured General Claims

Taxpayer ID Number	Kind of Tax	Tax Period	Date Tax Assessed	Tax Due	Interest to Petition Date
XX-XXX9953	CORP-INC	05/31/2000	04/23/2001	\$63,240,483.00	\$99,925,664.00
XX-XXX9953	CORP-INC	12/31/2000	12/24/2001	\$16,830,789.00	\$24,503,990.00
XX-XXX9953	CORP-INC	12/31/2001	11/04/2002	\$38,115,350.00	\$48,924,285.00
XX-XXX9953	CORP-INC	12/31/2002	11/10/2003	\$20,020,156.00	\$13,394,996.00
XX-XXX9953	CORP-INC	12/31/2005	10/02/2006	\$188,818.00	\$74,254.00
				\$138,395,596	\$186,823,189.00

Total Amount of Unsecured General Claims: **\$325,218,785.00**

Proof of Claim for Internal Revenue Taxes

Department of the Treasury/Internal Revenue Service



Form 410
Attachment

In the Matter of: WALTER ENERGY INC ET AL
3000 RIVERCHASE GALLERIA SUITE 1700
BIRMINGHAM, AL 35244-2359

Case Number
15-02741-TOM11

Type of Bankruptcy Case
CHAPTER 11

Date of Petition
07/15/2015

ALTERNATIVE CLAIM: This is an alternative proof of claim in the event that there is no binding settlement of the debtors' FYE 1983-1995 income tax years, in Adversary No. 91-313, USBC MD FLA., which proceeding was transferred to this Court. See Case No. 15-00127, Doc Nos. 1, 1-1, 136-5, and 157.

The United States has the right of setoff or counterclaim(s) in the amount of \$30,969,674. The identification of any sums subject to setoff is based on available data and is not intended to waive any other right to setoff, against this claim, debts owed to this debtor by this or any other Federal agency that have not been identified. All rights of setoff are preserved and will be asserted to the extent lawful.

Unsecured Priority Claims under section 507(a)(8) of the Bankruptcy Code

Taxpayer ID Number	Kind of Tax	Tax Period	Date Tax Assessed	Tax Due	Interest to Petition Date
XX-XXX1596	CORP-INC	08/31/1983	08/27/1984	\$636,834.00	\$21,971,624.00
XX-XXX1596	CORP-INC	08/31/1984	11/03/1986	\$11,122,451.00	\$162,878,276.00
XX-XXX1596	CORP-INC	08/31/1985	09/29/1986	\$9,454,471.00	\$113,379,306.00
XX-XXX1596	CORP-INC	08/31/1986	07/06/1987	\$4,687,514.00	\$53,609,953.00
XX-XXX1596	CORP-INC	08/31/1987	09/26/1988	\$6,618,079.00	\$63,310,192.00
XX-XXX9953	CORP-INC	05/31/1990	03/25/1991	\$334,670.00	\$2,605,945.00
XX-XXX9953	CORP-INC	05/31/1991	03/30/1992	\$6,125,514.00	\$38,268,286.00
XX-XXX9953	CORP-INC	05/31/1992	04/19/1993	\$1,464,977.00	\$6,994,952.00
XX-XXX9953	CORP-INC	05/31/1993	03/21/1994	\$2,530,191.00	\$17,301,067.00
XX-XXX9953	CORP-INC	05/31/1994	05/08/1995	\$2,514,265.00	\$9,487,009.00
				\$45,488,966.00	\$489,806,610.00

Total Amount of Unsecured Priority Claims: **\$535,295,576.00**

Unsecured General Claims

Taxpayer ID Number	Kind of Tax	Tax Period	Date Tax Assessed	Tax Due	Interest to Petition Date
XX-XXX9953	CORP-INC	05/31/2000	04/23/2001	\$63,240,482.00	\$99,925,664.00
XX-XXX9953	CORP-INC	12/31/2000	12/24/2001	\$16,830,789.00	\$24,503,990.00
XX-XXX9953	CORP-INC	12/31/2001	11/04/2002	\$38,115,350.00	\$48,924,285.00
XX-XXX9953	CORP-INC	12/31/2002	11/10/2003	\$20,020,156.00	\$13,394,996.00
XX-XXX9953	CORP-INC	12/31/2005	10/02/2006	\$188,818.00	\$74,254.00

Total Amount of Unsecured General Claims: **\$325,144,530.00**

EXHIBIT “6”

Department of State: Division of Corporations

Allowable Character

HOME

About Agency
Secretary's Letter
Newsroom
Frequent Questions
Related Links
Contact Us
Office Location

SERVICES

Pay Taxes
File UCC's
Delaware Laws Online
Name Reservation
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Status
Validate Certificate
Customer Service Survey

INFORMATION

Corporate Forms
Corporate Fees
UCC Forms and Fees
Taxes
Expedited Services
Service of Process
Registered Agents
Get Corporate Status
Submitting a Request
How to Form a New Business Entity
Certifications, Apostilles & Authentication of Documents

View Search Results

Entity Details

File Number:	2134222	Incorporation Date / Formation Date:	8/6/1987 (mm/dd/yyyy)
Entity Name:	NEW WEI, INC.		
Entity Kind:	Corporation	Entity Type:	General
Residency:	Domestic	State:	State:
Status:	AR Delinquent, Tax Due	Status Date:	3/2/2017

TAX INFORMATION

Last Annual Report Filed:	2015	Tax Due:	\$ 196880
Annual Tax Assessment:	\$ 200000	Total Authorized Shares:	220000000

REGISTERED AGENT INFORMATION

Name: THE CORPORATION TRUST COMPANY
Address: CORPORATION TRUST CENTER 1205 ORANGE ST
City: WILMINGTON **County:** New Castle
State: DE **Postal Code:** 19501
Phone: 302-658-7581

FILING HISTORY (Last 5 Filings)

Seq	Description	No. of pages	Filing Date (mm/dd/yyyy)	Filing Time	Effective Date (mm/dd/yyyy)
1	Amendment Name WALTER ENERGY, INC.	2	6/27/2016	4:36 PM	6/27/2016
2	Stock Designation	7	4/24/2009	7:33 PM	4/24/2009
3	Restated; Stock WALTER INDUSTRIES, INC.	3	4/23/2009	12:22 PM	4/23/2009
4	Restated; Domestic	2	4/23/2004	9:36 AM	4/23/2004
5	Restated; Domestic	3	10/14/1999	4:30 PM	10/14/1999

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EXHIBIT “7”



Department of the Treasury
Internal Revenue Service
Small Business Self-Employed
400 W Bay Street, Stop 4041
Jacksonville, FL 32202

WALTER ENERGY INC (formerly WALTER
INDUSTRIES INC AND SUBSIDIARIES)
3000 RIVERCHASE GALLERIA, SUITE 1700
BIRMINGHAM, AL 35244-2359

Date: DEC 12 2016

Taxpayer ID number:

9953

Form:

1120

Person to contact:

Ms. Blue

Contact telephone number:

904-661-3228

Contact fax number:

877-477-9194

Employee ID number:

02-28362

Last day to file petition with US tax court:

MAR 13 2017

Certified Mail

Tax Year Ended:

Deficiency:

Increase in tax

SEE ATTACHED PAGE

Dear TAXPAYER(S):

Why we are sending you this letter

We determined that you owe additional tax or other amounts, or both, for the tax year or years identified above. This letter is your **Notice Of Deficiency**, as required by law. The enclosed Form 4549-A, *Income Tax Discrepancy Adjustments* or Form 5278, *Statement - Income Tax Changes*, shows how we figured the deficiency.

If you wish to challenge this determination

If you want to challenge this determination in court before making any payment, you have 90 days from the date of this letter (150 days if this letter is addressed to you outside of the United States) to file a petition with the United States Tax Court to reconsider the deficiency.

Information you will need

If you have recently sought bankruptcy relief by filing a petition in bankruptcy court, see enclosed Notice 1421, *How Bankruptcy Affects Your Right to File a Petition in Tax Court in Response to a Notice of Deficiency*.



Letter 531 (Rev. 10-2015)
Catalog Number 40223L

You can get a copy of the rules for filing a petition and a petition form by writing to the following address:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

- The Tax Court has a simplified procedure for small tax cases when the dispute for each tax year is \$50,000 or less.
- If you use this simplified procedure, you cannot challenge the Tax Court's decision. You can get information on the simplified procedure for small cases from the Tax Court by writing to the court at the address above or from the court's internet site at www.ustaxcourt.gov.
- If you file a petition for multiple tax years and the dispute for any one or more of the tax years exceeds \$50,000, this simplified procedure is not available to you.

The law regarding married couples

The law requires separate notices for husbands and wives. Both must sign and file the petition or each must file a separate, signed petition if this letter is addressed to both husband and wife, and both want to petition the Tax Court.

If only one spouse is in bankruptcy at the time this letter was issued or files a bankruptcy petition after the date of this letter, the bankruptcy automatic stay does not prohibit the spouse who is not in bankruptcy from filing a petition with Tax Court. The bankruptcy automatic stay of the spouse seeking bankruptcy relief does not extend the time for filing a petition in Tax Court for the spouse who is not in bankruptcy.

How to file your petition form

Send the completed petition form, a copy of this letter, and copies of all statements and/or schedules you received with this letter to the Tax Court at the address above. If more than one tax year is shown above, you may file one petition form showing all of the years you are challenging.

You may represent yourself before the Tax Court, or you may be represented by anyone admitted to practice before the Tax Court.

The limits on filing a petition

The time you have to file a petition in the Tax Court is set by law.

1. The petition is considered timely filed if the postmark date falls within the prescribed 90 or 150 day period and the envelope containing the petition is properly addressed with the correct postage.
2. The Tax Court cannot consider your case if your Tax Court petition is filed late. IRS cannot grant an extension or allow a suspension of the prescribed deadline, even for reasonable cause. Thus, contacting the Internal Revenue Service (IRS) for more information, or receiving other correspondence from the IRS won't change the allowable period for filing a petition with the Tax Court.

If you agree with the Notice of Deficiency

If you decide not to file a petition with the Tax Court, please sign the enclosed Form 4089-B, *Notice of Deficiency - Waiver*, and return it to us at the IRS address on the top of the first page of this letter. This will permit us to assess the deficiency quickly and can help limit the accumulation of interest.

If we don't hear from you

If you decide not to sign and return Form 4089-B, and you do not file a petition with the Tax Court within the time limit, the law requires us to assess and bill you for the deficiency after 90 days from the date of this letter (150 days if this letter is addressed to you outside the United States).

Letter 531 (Rev. 10-2015)
Catalog Number 40223L

Note: If you are a C-corporation, Section 6621(c) of the Internal Revenue Code requires that we charge an interest rate two percent higher than the normal rate on corporate underpayments in excess of \$100,000.

Information about the IRS Taxpayer Advocate Office

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. You may be eligible for help from the Taxpayer Advocate Service (TAS) if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should. TAS is your voice at the IRS. TAS helps taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation (this includes businesses as well as individuals). You can reach TAS by calling the TAS toll-free number at 1-877-777-4778 or by contacting the local Taxpayer Advocate office at:

400 West Bay Street
Room 535A MS TAS
Jacksonville, FL 32202

To learn more about TAS and your basic tax responsibilities, visit www.TaxpayerAdvocate.irs.gov.

How to contact us

You may write or call the contact person whose name, telephone number, and IRS address are shown in the heading of this letter if you need further assistance. If you write, please include your telephone number, the best times if we need to call you and a copy of this letter to help us identify your account.

If you prefer to call and the telephone number is outside your local calling area, there may be a long distance charge to you.

Keep the original letter for your records.

Sincerely,

John A. Koskinen

Commissioner

By

 Sharon E. Jones, Acting

Technical Services Territory Manager

Enclosures:

[Form 4549-A or Form 5278]

Form 4089-B

Letter 531 (Rev. 10-2015)
Catalog Number 40223L

ATTACHMENT TO THE LETTER

**Walter Energy Inc.
(formerly Walter Industries Inc. Subsidiaries)**

DEFICIENCY									
TAX YEARS									
	5/31/2000	12/31/2000	12/31/2001	6/25/2002	12/31/2004	12/31/2005	12/31/2006		
INCREASE IN TAX	\$ 48,983,052	\$ 16,867,561	\$ 68,115,350	\$ 21,865,521	\$ 18,521	\$ 287,991	\$ 5,255,682	\$	
ADDITIONS TO THE									
TAX - IRC SECTION									
Failure to file Penalty									
IRC Section 6651(a)(1)									
Failure to Pay Penalty									
IRC Section 6651(a)(2)									
Estimated Tax Penalty									
IRC Section 6654									

Form **4089**
(Rev. January 1983)

Department of the Treasury — Internal Revenue Service

Notice of Deficiency-WaiverSymbols
Technical Services

Name, SSN or EIN, and address of Taxpayer(s)

Walter Energy, Inc. (formerly Walter Industries, Inc. and Subsidiaries)
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244-2359

29953

Kind of Tax
Income☒ Copy to Authorized Representative

Tax Year Ended	Deficiency	
	Increase in Tax	Penalties
5/31/2000	\$48,983,052	
12/31/2000	\$16,867,561	
12/31/2001	\$68,115,350	
12/31/2002	\$21,865,521	
12/31/2004	\$ 18,521	
12/31/2005	\$ 287,991	
12/31/2006	\$ 5,255,682	

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your
Signature

(Date signed)

Spouse's Signature,
If A Joint Return
Was Filed

(Date signed)

Taxpayer's
Representative
Sign Here

(Date signed)

Corporate
Name:Corporate
Officers
Sign Here

(Signature)

(Title)

(Date signed)



(Signature)

(Title)

(Date signed)

Note:

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

Who Must Sign

If this waiver is for any year(s) for which you filed a

joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

If you agree, please sign one copy and return it; keep the other copy for your records.

Form **4089**
(Rev. January 1983)

Department of the Treasury — Internal Revenue Service

Notice of Deficiency-Waiver

Symbols
Technical Services

Name, SSN or EIN, and address of Taxpayer(s)

Walter Energy, Inc. (formerly Walter Industries, Inc. and Subsidiaries)
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244-2359

9953

Kind of Tax
Income

☒ Copy to Authorized Representative

Tax Year Ended	Deficiency	
	Increase in Tax	Penalties
5/31/2000	\$48,983,052	
12/31/2000	\$16,867,561	
12/31/2001	\$68,115,350	
12/31/2002	\$21,865,521	
12/31/2004	\$ 18,521	
12/31/2005	\$ 287,991	
12/31/2006	\$ 5,255,682	

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your
Signature

(Date signed)

Spouse's Signature,
If A Joint Return
Was Filed

(Date signed)

Taxpayer's
Representative
Sign Here

(Date signed)

Corporate
Name:

Corporate
Officers
Sign Here

(Signature)

(Title)

(Date signed)

(Signature)

(Title)

(Date signed)

Note:

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

Who Must Sign

If this waiver is for any year(s) for which you filed a

If you agree, please sign one copy and return it; keep the other copy for your records.

Cal. No. 22650Y

www.irs.gov

Form **4089** (Rev. 1-1983)

Name and Address of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUBSIDIARIES) 3000 RIVERCHASE GALLERIA, SUITE 1700 BIRMINGHAM, AL 35244-2359		Taxpayer Identification Number 9953	Return Form No.:	
Person with whom examination changes were discussed.		Name and Title: MICHAEL R HURLEY VP - TAX		
		Period End 5/2000	Period End 12/2000	Period End 12/2001
1. Adjustments to Income				
a. Per RAR - Form 4549-B's		244,594,977	49,886,135	70,124,401
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		244,594,977	49,886,135	70,124,401
3. Taxable Income Per Return or as Previously Adjusted		1,318,344	16,119,848	76,339,212
4. Corrected Taxable Income		245,913,321	66,005,983	146,463,613
Tax Method				
Filing Status				
5. Tax		86,069,662	23,102,094	51,262,265
6. Additional Taxes / Alternative Minimum Tax		N/A	0	0
7. Corrected Tax Liability		86,069,662	23,102,094	51,262,265
8. Less				
a. Foreign Tax Credit		3,342,996	4,566,232	185,577
Credits b. Other Subpart B Credits		1,627,361	1,247,967	1,824,177
c. General Business Credit		0	0	45,587
d. Minimum Tax/Bond Credits		12,875,288	0	0
9. Balance (Line 7 less Lines 8a through 8d)		68,224,017	17,287,895	49,205,924
10. Plus				
a. Credit Recapture & Other Taxes		0	0	0
Other b. Alternative Minimum Tax (Before 2000)		0	N/A	N/A
Taxes c. Environmental Tax		N/A	N/A	N/A
d.				
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)		68,224,017	17,287,895	49,205,924
12. Total Tax Shown on Return or as Previously Adjusted		4,978,683	420,334	11,090,574
13. Adjustments to: a.				
b. CAM 481(b)		14,262,282	0	0
c.				
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)		48,983,052	16,867,561	38,115,350
15. Adjustments to Prepayment Credits - Increase (Decrease)				
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		48,983,052	16,867,561	38,115,350

Name of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUB)	Taxpayer Identification Number 9953	Return Form No.: 1120
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	Period End 5/2000	Period End 12/2000	Period End 12/2001
17. Penalties/ Code Sections			
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	0	0	0
Underpayment attributable to negligence: (1981-1987) <i>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.</i>	0	0	0
Underpayment attributable to fraud: (1981-1987) <i>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.</i>	0	0	0
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0	0	0
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	48,983,052	16,867,561	38,115,350
b. Penalties (Line 18) - computed to	0	0	0
c. Interest (IRC § 6601) - computed to	0	0	0
d. TMT Interest - computed to (on TMT underpayment)	0	0	0
e. Amount due or refund - (sum of Lines a, b, c and d)	48,983,052	16,867,561	68,115,350

Other Information:

* These adjustments have been agreed and the applicable deficiency/overassessment) has been processed

THIS REPORT SUPERCEDES THE REPORT DATED 2/10/2006

Examiner's Signature: Name	Employee ID:	Office: Technical Services Jacksonville	Date: 12/9/2016
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The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

Form 4549-B
(Rev. July 1980)Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

Name and Address of Taxpayer

Walter Energy Inc (formerly Walter Industries, Inc and Subsidiaries)
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244-2359Social Security or Employer Identification
Number

9953

Adjustments to Income	Year: 2000-05	Year: 2000-12	Year: 2000-12
#01-01 * Dividend Income from Foreign Corporations	398,737	(432,079)	
#01-02 * Deemed foreign Tax Credit			
#01-03 * FSC Commissions			(385,384)
#01-04 * Pensions, Profit-sharing expense	3,972,33	(2,794,127)	(819,284)
#01-05 NOL C/O from 9905	42,311,446		
#01-07 * Net Current Rollover Adjustments	(752,220)	5,668,775	55,629
#01-09 * US Pipe & Foundry Depr	(986,542)	(219,192)	
#01-10 * Nonconventional Fuel Credit			
#01-11 * Other Costs			(4,003,976)
#304-01 Discounts>Returns & Allowances	147,139,729	21,999,317	44,234,062
#405-01 Discounts-Bad Debts	6,274,978	4,658,030	11,834,266
#405-02 Interest Income-Amortization of Discounts-New	(4,881,642)	(3,465,421)	(7,010,040)
#405-03 Interest Income-Amortization of Discounts-Foreclosures	(781,900)	(589,593)	(1,364,672)
#405-04 * Change in Accounting-Cash-Accrual		9,504,412	(588,956)
#405-05 Interest Income Sales of Foreclosed Houses	3,641,310	2,518,744	6,339,141
#405-06 Interest Income Sales of New Houses	48,416,320	11,434,787	22,833,615
Calc 02 * Contribution Deduction	(226,623)	226,623	
Calc 08 * Foreign Dividend Gross up	69,051	1,375,859	
Total Adjustments This Page	244,694,977	49,888,135	70,124,401

Form 4549-A (Rev. March 2013)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)	Page <u>4</u> of <u>9</u>	
Name and Address of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUBSIDIARIES) 3000 RIVERCHASE GALLERIA SUITE 1700 BIRMINGHAM, AL 35244-2359		Taxpayer Identification Number <div style="background-color: black; color: black;">[REDACTED]</div> 9953	Return Form No.: 1120
		Person with whom examination changes were discussed.	Name and Title: MICHAEL R HURLEY VP - TAX
	Period End 12/2002	Period End 12/2004	Period End 12/2005
1. Adjustments to Income			
a. Per RAR - Form 4549-B's	49,962,104	11,033,561	21,602,392
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
p.			
2. Total Adjustments	49,862,104	11,033,561	21,602,392
3. Taxable Income Per Return or as Previously Adjusted	21,478,412	(126,275,534)	(106,291,975)
4. Corrected Taxable Income	71,440,516	(115,241,973)	(84,689,583)
Tax Method			
Filing Status			
5. Tax	25,004,181	0	0
6. Additional Taxes / Alternative Minimum Tax	0	277,647	1,450,714
7. Corrected Tax Liability	25,004,181	277,647	
8. Less			
a. Foreign Tax Credit	0	0	0
Credits b. Other Subpart B Credits	1,607,097	0	0
c. General Business Credit	0	0	0
d. Minimum Tax Credit/Bond Credits	0	0	0
9. Balance (Line 7 less Lines 8a through 8d)	23,397,084	277,647	1,450,714
10. Plus			
a. Credit Recapture & Other Taxes			0
Other b. Alternative Minimum Tax (Before 2000)			N/A
Taxes c. Environmental Tax			N/A
d.			N/A
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)	23,397,084	277,647	1,450,714
12. Total Tax Shown on Return or as Previously Adjusted	1,531,563	259,126	1,162,723
13. Adjustments to:			
a.			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)	21,865,521	18,521	287,991
15. Adjustments to Prepayment Credits - Increase (Decrease)	0	0	0
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding Interest and penalties)	21,865,521	18,521	287,991

Name of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUB)	Taxpayer Identification Number 9953	Return Form No. 1120
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17. Penalties/ Code Sections	Period End 12/2002	Period End 12/2004	Period End 12/2006
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	0	0	0
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0	0	0
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0	0	0
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0	0	0
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	21,865,521	18,521	287,991
b. Penalties (Line 18) - computed to	0	0	0
c. Interest (IRC § 6601) - computed to	0	0	0
d. TMT Interest - computed to (on TMT underpayment)	0	0	0
e. Amount due or refund - (sum of Lines a, b, c and d)	21,865,521	18,521	287,991

Other Information:

* These adjustments have been agreed and the applicable deficiency has been assessed and is included in Total Tax as Previously Adjusted.

Examiner's Signature: Name	Employee ID:	Office: Technical Services Jacksonville	Date: 12/9/2016
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The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

Form 4549-B (Rev. July 1980)		Department of the Treasury - Internal Revenue Service Income Tax Examination Changes		
Name and Address of Taxpayer		Social Security or Employer Identification Number		
Walter Energy Inc (formerly Walter Industries, Inc and Subsidiaries) 3000 Riverchase Galleria, Suite 1700 Birmingham, AL 35244-2359		9953		
Adjustments to Income		Year: 12/2002	Year: 12/2004	Year: 12/2005
401a	Discounts - Returns & Allowances - New	42,490,872	10,226,693	8,264,908
515	Discounts - Bad Debts - Foreclosed Homes	11,207,224		
410	Discounts - Other Income - Foreclosed Homes		2,151,356	1,959,667
405-02	Interest Income-Amortization of Discounts-New	(19,309,254)	(18,522,468)	(15,347,820)
405-03	Interest Income-Amortization of Discounts-Foreclosed Homes	(5,055,958)	(2,916,920)	(2,309,548)
405-05	Interest Income-Sales of Foreclosed Homes	5,706,593	3,247,704	2,427,324
405-06	Interest Income-Sales of New Homes	24,607,401	16,992,510	13,894,786
405-07	Interest Income-Amortization of Discounts-New	(1,557,415)	(8,323,285)	(8,298,395)
405-08	Interest Income-Amortization of Discounts-Foreclosed Homes	(750,860)	(1,929,530)	(1,756,126)
526-01	* Correction - Incr ISO Expenses	0	0	(941,736)
526-02	* Net Current Cycle Rollover Adjustments	(7,376,398)	(14,294,700)	(2,888,970)
IE-01	* IE-01 Dividend CFC	0		0
526-03	Mueller Water (MWP) 9/30/2005			3,075,000
526-03	Mueller Water (MWP) 10/03/2005			12,489,741
529-01	NOL Deduction Decrease (Increase)		24,402,201	11,033,561
604-07	Credit for Prior Year Minimum Tax			
	Rounding	(1)		
Total Adjustments This Page		49,962,104	11,033,561	21,602,392

Form 4549-A (Rev. March 2013)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)	Page <u>7</u> of <u>9</u>	
Name and Address of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUBSIDIARIES) 3000 RIVERCHASE GALLERIA 16TH FLOOR BIRMINGHAM, AL 35244-2359	Taxpayer Identification Number <div style="background-color: black; color: black;">[REDACTED]</div> 9953	Return Form No.: 1120	
	Person with whom examination changes were discussed.	Name and Title: MICHAEL R HURLEY VP - TAX	
	Period End 12/2006	Period End	Period End
1. Adjustments to Income			
a. Per RAR - Form 4549-B	27,383,084		
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
p.			
2. Total Adjustments	27,383,084		
3. Taxable Income Per Return or as Previously Adjusted	177,734,639		
4. Corrected Taxable Income	205,117,723		
Tax Method			
Filing Status			
5. Tax	71,791,203		
6. Additional Taxes / Alternative Minimum Tax	0		
7. Corrected Tax Liability	71,791,203		
8. Less			
a. Foreign Tax Credit	0		
Credits b. Other Subpart B Credit	0		
c. General Business Credit	4,715,325		
d. Minimum Tax Credit/Bond Credits	1,728,361		
9. Balance (Line 7 less Lines 8a through 8d)	65,347,517		
10. Plus			
a. Credit Recapture & Other Taxes	0		
Other b. Alternative Minimum Tax (Before 2000)	N/A		
Taxes c. Environmental Tax	N/A		
d. Other Taxes	N/A		
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)	65,347,517		
12. Total Tax Shown on Return or as Previously Adjusted	60,091,835		
13. Adjustments to:			
a.			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)	5,255,682		
15. Adjustments to Prepayment Credits - Increase (Decrease)	0		
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)	5,255,682		

Name of Taxpayer WALTER ENERGY INC (formerly WALTER INDUSTRIES INC AND SUB)	Taxpayer Identification Number 9953	Return Form No.:
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17. Penalties/ Code Sections	Period End 12/31/2006	Period End	Period End
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	0		
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0		
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0		
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0		
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	5,255,682		
b. Penalties (Line 18) - computed to	0		
c. Interest (IRC § 6601) - computed to	0		
d. TMT Interest - computed to (on TMT underpayment)	0		
e. Amount due or refund - (sum of Lines a, b, c and d)	5,255,682		

Other Information:

* These adjustments have been agreed and the applicable deficiency has been assessed and is included in Total Tax as Previously Adjusted.

On 9/10/2010, you filed a 1120X or informal claim for refund in the amount of \$5,232,742 for 2006. As a result of our examination, the claims have been allowed in part, as shown in this report.

This report involves restricted interest. In such cases, some of all of the interest is computed from a date other than the due date of the return. Interest to be computed.

This report supersedes the previous date 6-26-2012.

Examiner's Signature: Name	Employee ID:	Office: Technical Services Jacksonville	Date: 12/9/2016
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The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

Form 4549-B
(Rev. July 1980)Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

Name and Address of Taxpayer

Walter Energy Inc (formerly Walter Industries, Inc and Subsidiaries)
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244-2359

Social Security or Employer Identification Number

9953

Adjustments to Income	Year: 12/2006	Year:	Year:
01-401-01 Income - (1120X - Part A)	1,696,049		
01-408-01 Capital Loss (1120X - Part D)			
01-526-01 Other Deductions - Professional Fees			
01-526-02 Other Deductions - Mueller	(2,389,724)		
01-526-03 Other Deductions - (1120X - Part B)	(2,480,935)		
01-527-01 Section 199 - (1120X - Part C)	(2,381,356)		
01-529-01 Net Operating Loss Carryover	31-556-993		
401a Discount (New Homes) - Returns and Allowances	12,938,776		
13-401-01 Returns & Allowances - Account #420007			
405-02 Interest on Discount (New homes-2001 cycle)	(11,714,706)		
405-03 Interest on Discount (Repo homes-2001 cycle)	(1,836,294)		
405-05 Economic Accrual vs S/L (Repo homes-2001 cycle)	1,792,704		
405-06 Economic Accrual vs S/L (New homes-2001 cycle)	11,413,850		
405-07 Interest on Discount (New homes-2005 cycle)	_(6,403,918)		
405-08 Interest on Discount (Repo homes-2005 cycle)	(1,497,771)		
405-09 Interest on Discount (New homes-2008 cycle)	(976,307)		
405-10 Interest on Discount (Repo homes-2008 cycle)	(105,890)		
405-11 Appeals Settlement Allowance			
410-01 Discount (Repo Homes) - Other Income	2,040,787		
15-522-01 Depletion - Engineer's Report	(384,381)		
16-526-32 Other Deductions - IDC Cost (Informal claim)	(3,884,793)		
Total Adjustments This Page	27,383,084		

Cal. No. 23120P

Form 4549-B (Rev. 7-1980)

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Issue # 01-05 - Net Operating Loss Carry Over from 9905 (5/2000)

It is determined, as shown below, that corporation's net operating loss available for loss carry over to the taxable year ended May 31, 2000 should be reduced to \$2,339,468.00,

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
5/31/2000	\$ 44,650,914.00	\$ 2,339,468.00	\$ 42,311,446.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of 42,311,446.00 for the taxable year ended May 31, 2000.

Issue #304-01 – Discounts>Returns & Allowances (5/2000, 2000 and 2001)

It is determined that the corporation is not entitled to reduce gross earnings by discounting notes -returns and allowances in the amounts of \$147,139,729.00, \$21,999,317.00 and \$44,234,062.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$147,139,729.00, \$21,999,317.00 and \$44,234,062.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Issue #405-01 – Discounts-Bad Debts (5/2000, 2000 and 2001)

It is determined that the corporation's discounts-bad debts are overstated in the amounts \$6,274,978.00, \$4,658,030.00 and \$11,834,266.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively, as shown below.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
5/31/2000	\$ 10,394,360.00	\$ 4,119,382.00	\$ 6,274,978.00
12/31/2000	\$ 5,773,428.00	\$ 1,115,398.00	\$ 4,658,030.00
12/31/2001	\$ 12,217,527.00	\$ 383,261.00	\$ 11,834,266.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$6,274,978.00, \$4,658,030.00 and \$11,834,266.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Issue #405-02 – Interest Income-Amortization of Discounts-New (5/2000, 2000 and 2001)

It is determined that the corporation is entitled to interest income on amortization of discounts- new in the amounts of \$4,881,642.00, \$3,465,421.00 and \$7,010,040.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
5/31/2000	\$ 4,881,642.00	\$ 0.00	(\$4,881,642.00)
12/31/2000	\$ 3,465,421.00	\$ 0.00	(\$3,465,421.00)
12/31/2001	\$ 7,010,040.00	\$ 0.00	(\$7,010,040.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts of \$4,881,642.00, \$3,465,421.00 and \$7,010,040.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Issue #405-03 – Interest Income-Amortization of Discounts-Foreclosures (5/2000, 2000 and 2001)

It is determined that the corporation is entitled to interest income on amortization of discounts- foreclosures in the amounts of \$781,900.00, \$589,593.00 and \$1,364,672.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
5/31/2000	\$ 781,900.00	\$ 0.00	(\$781,900.00)
12/31/2000	\$ 589,593.00	\$ 0.00	(\$589,593.00)
12/31/2001	\$ 1,364,672.00	\$ 0.00	(\$1,364,672.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts of \$781,900.00, \$589,593.00 and \$1,364,672.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Issue #405-05 – Interest Income-Sales of Foreclosed Houses (5/2000, 2000 and 2001)

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

It is determined that the corporation is not entitled to use straight line method of reporting interest income on sales of foreclosed homes in the amounts of \$3,641,310.00, \$2,518,744.00 and \$5,339,141.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
5/31/2000	\$ 125,328.00	\$ 3,766,638.00	\$ 3,641,310.00
12/31/2000	\$ 124,379.00	\$ 2,643,123.00	\$ 2,518,744.00
12/31/2001	\$ 277,467.00	\$ 5,616,608.00	\$ 5,339,141.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$3,641,310.00, \$2,518,744.00 and \$5,339,141.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Issue #405-06 – Interest Income-Sales of Foreclosed Houses (5/2000, 2000 and 2001)

It is determined that the corporation's interest income for sales of new homes is understated in the amounts of \$48,416,320.00, \$11,434,787.00 and \$22,833,615.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$48,416,320.00, \$11,434,787.00 and \$22,833,615.00 for the taxable years ended May 31, 2000, December 31, 2000 and December 31, 2001, respectively.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Issue #401a – Discounts>Returns & Allowances – New (2002, 2004 and 2005)

It is determined that the corporation is not entitled to reduce gross earnings by discounting -returns and allowances - new in the amounts of \$42,490,490,872.00, \$10,226,693.00 and \$8,264,908.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 39,526,759.00	\$(2,964,113.00)	\$ 42,490,872.00
12/31/2004	\$ 8,955,807.00	\$(1,270,886.00)	\$ 10,226,693.00
12/31/2005	\$ 8,175,046.00	\$ (89,862.00)	\$ 8,264,908.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$42,490,490,872.00, \$10,226,693.00 and \$8,264,908.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #515 – Discounts - Bad Debts – Foreclosed Homes (2002)

It is determined that the corporation's discounts-bad debts – foreclosed homes are overstated in the amount of \$11,207,224.00 for the taxable year ended December 31, 2002, as shown below.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$7,611,080.00	\$(3,596,144.00)	\$11,207,224.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$11,207,224.00 for the taxable year ended December 31, 2002,

Issue #410 – Discounts – Other Income – Foreclosed Homes (2004 and 2005)

It is determined that the corporation is not entitled to claim a current period deduction on discounts – other income - foreclosed homes amounts of \$2,151,356.00 and \$1,959,667.00 for the taxable years ended December 31, 2004 and 2005, respectively, as shown below.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2004	\$ (9,192,234.00)	\$(7,040,878.00)	\$2,151,356.00
12/31/2005	\$ (3,247,986.00)	\$(1,288,319.00)	\$1,959,667.00

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$2,151,356.00 and \$1,959,667.00 for the taxable years ended December 31, 2004 and 2005, respectively.

Issue #405-02 – Interest Income-Amortization of Discounts-New (2002, 2004 and 2005)

It is determined that the corporation is not required to report the amortization of the discounts on installment notes received with the sale of self-financed new homes as interest income in the amounts of \$19,309,254.00, \$18,522,898.00 and \$15,347,820.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 19,309,254.00	\$ 0.00	(\$19,309,254.00)
12/31/2004	\$ 18,522,898.00	\$ 0.00	(\$18,522,898.00)
12/31/2005	\$ 15,347,820.00	\$ 0.00	(\$15,347,820.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts of \$19,309,254.00, \$18,522,898.00 and \$15,347,820.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #405-03 – Interest Income-Amortization of Discounts-Foreclosed Homes (2002, 2004 and 2005)

It is determined that the corporation is not required to report the amortization of the 'discounts' on notes received in connection with the sales of self-financed homes as interest income in the amounts of \$5,055,958.00, \$2,916.00 and \$2,309,548.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 5,055,958.00	\$ 0.00	(\$5,055,958.00)
12/31/2004	\$ 2,916,920.00	\$ 0.00	(\$2,916,920.00)
12/31/2005	\$ 2,309,548.00	\$ 0.00	(\$2,309,548.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts \$5,055,958.00, \$2,916.00 and \$2,309,548.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Issue #405-05 – Interest Income-Sales of Foreclosed Houses (2002, 2004 and 2005)

It is determined that the corporation is not entitled to use straight line method of reporting interest income-sales of foreclosed homes in the amounts of \$5,706,593.00, \$3,247,704.00 and \$2,427,324.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 14,679,587.00	\$ 20,386,180.00	\$ 5,706,593.00
12/31/2004	\$ 10,391,520.00	\$ 13,639,224.00	\$ 3,247,704.00
12/31/2005	\$ 9,063,855.00	\$ 11,491,179.00	\$ 2,427,324.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$5,706,593.00, \$3,247,704.00 and \$2,427,324.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #405-06 – Interest Income-Sales of New Homes (2002, 2004 and 2005)

It is determined that the corporation is not entitled to use straight line method of reporting interest income for sales of new homes in the amounts of \$24,607,401.00, \$16,992,510.00 and \$13,894,786.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 62,400,684.00	\$ 87,008,085.00	\$ 24,607,401.00
12/31/2004	\$ 48,119,350.00	\$ 65,111,860.00	\$ 16,992,510.00
12/31/2005	\$ 42,261,465.00	\$ 56,156,251.00	\$ 13,894,786.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$24,607,401.00, \$16,992,510.00 and \$13,894,786.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #405-07 – Interest Income-Amortization of Discounts-New (2002, 2004 and 2005)

It is determined that the corporation is not required to report the amortization of the discounts on installment notes received with the sale of self-financed new homes as interest income in the amounts of \$1,557,415.00, \$8,323,285.00 and \$8,298,395.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 1,557,415.00	\$0.00	(\$1,557,415.00)
12/31/2004	\$ 8,323,285.00	\$0.00	(\$8,323,285.00)
12/31/2005	\$ 8,298,395.00	\$0.00	(\$8,298,395.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts of \$1,557,415.00, \$8,323,285.00 and \$8,298,395.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #405-08 – Interest Income-Amortization of Discounts-Foreclosed Homes (2002, 2004 and 2005)

It is determined that the corporation is not required to report the amortization of the 'discounts' on notes received in connection with the sales of self-financed homes as interest income in the amounts of \$750.96000, \$1,929,539.00 and \$1,756,126.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2002	\$ 750,960.00	\$0.00	(\$750,960.00)
12/31/2004	\$ 1,929,530.00	\$0.00	(\$1,929,530.00)
12/31/2005	\$ 1,756,126.00	\$0.00	(\$1,756,126.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amounts of 750,960.00, \$1,929,530.00 and \$1,756,126.00 for the taxable years ended December 31, 2002, 2004 and 2005, respectively.

Issue #526-03 – Mueller Walter (MWP) 9/30/2005

It is determined that transactions fees expensed in the amount of \$3,075,000.00 for fiscal year ended September 30, 2005 is not allowed for the taxable years ended December 31, 2005.

Accordingly, this adjustment increases the corporation's ordinary income in the amount of 3,075.00, for the taxable years ended December 31, 2005.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

Issue #526-03 – Mueller Walter (MWP) 10/03/2005

It is determined that transactions fees expensed in the amount of \$12,489,741.00 for fiscal year ended October 30, 2005 is not allowed for the taxable years ended December 31, 2005.

Accordingly, this adjustment increases the corporation's ordinary income in the amount of 12,489,741.00, for the taxable years ended December 31, 2005

Issue #529-01 – Net Operating Loss Deduction (2004 and 2005)

It is determined that as a result of the adjustments to the taxable years ended December 31, 2003 and 2004, the corporation's net operating loss deduction is overstated in the amounts \$24,402,201.00 and \$11,033,561.00 for the taxable years ended December 31, 2004 and 2005, as shown below.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2004	\$ 158,972,456.00	\$134,570,255.00	\$ 24,402,201.00
12/31/2005	\$ 180,206,563.00	\$169,173,002.00	\$ 11,033,561.00

Accordingly, this adjustment increases the corporation's ordinary income in the amounts of \$24,402,201.00 and \$11,033,561.00 for the taxable years ended December 31, 2004 and 2005, respectively.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Issue #01-401-01 – Income – (1120X – Part A)

It is determined that income items, in the amount of \$1,696,049.00, included on Form 1120X for the taxable year ended December 31, 2006 are allowed in full.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 0.00	\$ 1,696,049.00	\$ 1,696,049.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$1,696,049.00 for the taxable year ended December 31, 2006,

Issue #01-526-02 – Other deductions – Muller

It is determined that true-up expenses for Mueller Water products, in the amount of \$2,389,724.00, for the taxable year ended December 31, 2006 are allowed in full.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 0.00	\$ 2,389,724.00	(\$2,389,724.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$2,389,724.00 for the taxable year ended December 31, 2006,

Issue #01-526-03 – Other deductions – (1120X – Part B)

It is determined that expenses items, included on Form 1120X, in the amount of \$2,480,935.00, included for the taxable year ended December 31, 2006 are allowed in full.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 0.00	\$ 2,480,935.00	(\$2,480,935.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$2,480,935.00 for the taxable year ended December 31, 2006

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Issue #01-527-01 – Section 199 – (1120X – Part C)

It is determined that Section 199 expense items are understated in the amount of \$2,381,35.00, for the taxable year ended December 31, 2006.

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	3,962,491.00	\$ 6,343,847.00	(\$2,381,356.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$2,381,356.00 for the taxable year ended December 31, 2006

Issue #01-529-01 – Net Operating Loss Carryover

It is determined that as a result of the adjustments to the taxable years ended December 31, 2002 thru 2005, the corporation's net operating loss deduction is overstated in the amount and \$31,556,993.00 for the taxable year ended December 31, 2006, as shown below..

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	55,999,050.00	\$ 24,442,057.00	\$ 31,556,993.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of and \$31,556,993.00 for the taxable years ended December 31, 2006.

Issue #401 – Discounts – (New Homes) – Returns and Allowances

It is determined that the corporation is not entitled to reduce gross earnings by discounting installment notes - returns and allowances – new homes in the amount of \$12,938,776.00 for the taxable year ended December 31, 2006, as shown below.

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	0.00	\$ 12,938,776.00	\$ 12,938,776.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$12,938,776.00 for the taxable year ended December 31, 2006,

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Issue #405-02 – Interest on Discount (new homes-2001 cycle)

It is determined that the corporation is not required to report the amortization of the discounts on installment notes received with the sale of self-financed new homes as interest income in the amount of \$11,714,706.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 11,714,706.00	\$ 0.00	(\$11,714,706.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$1,714,706.00 for the taxable year ended December 31, 2006.

Issue #405-03 – Interest on Discounts-repo homes-2001 cycle)

It is determined that the corporation is not required to report the amortization of the "discounts" on notes received in connection with the sales of self-financed homes as interest income in the amounts of \$1,836,294.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 1,836,294.00	\$ 0.00	(\$1,836,294.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount \$1,836,294.00, for the taxable year ended December 31, 2006.

Issue #405-05 – Economic Accrual vs Straight Line (repo homes-2001 cycle)

It is determined that the corporation is not entitled to use straight line method of reporting interest income-sales of repo homes in the amount of \$1,792,704.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 8,095,940.00	\$ 9,888,644.00	\$ 1,792,704.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$1,792,704.00, for the taxable years ended December 31, 2006.

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Issue #405-06 – Economic Accrual vs Straight Line (new homes-2001 cycle)

It is determined that the corporation is not entitled to use straight line method of reporting interest income-sales of new homes in the amount of \$11,413,850.00 for the taxable year ended December 31, 2006

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	37,822,792.00	\$ 49,236,642.00	\$ 11,413,850.00

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$ 11,413,850.00 for the taxable year ended December 31, 2006.

Issue #405-07 – Interest on Discounts (new homes-2005 cycle)

It is determined that the corporation is not required to report the interest of the discounts on installment notes received with the sale of self-financed new homes in the amount of and \$6,403,918.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	6,406,918.00	\$ 0.00	(\$6,406,918.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$6,406,918.00 for the taxable year ended December 31, 2006.

Issue #405-08 – Interest on Discounts (repo homes-2005 cycle)

It is determined that the corporation is not required to report the interest of the 'discounts' on notes received with the sales of self-financed repo homes in the amount of \$1,497,771.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>		<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	1,497,771.00	\$ 0.00	(\$1,497,771.00)

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$1,497,771.00 for the taxable year ended December 31, 2006.

Issue #405-09 – Interest on Discounts (new homes-2008 cycle)

It is determined that the corporation is not required to report the interest of the 'discounts' on notes received with the sales of self-financed new homes in the amount of \$976,307.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>		<u>Per Return</u>		<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	976,307.00	\$	0.00	(\$976,307.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$976,307.00 for the taxable year ended December 31, 2006

Issue #405-10 – Interest on Discounts (repo homes-2008 cycle)

It is determined that the corporation is not required to report the interest of the 'discounts' on notes received with the sales of self-financed repo homes in the amount of \$105,890.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>		<u>Per Return</u>		<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$	105,890.00	\$	0.00	(\$105,890.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$105,890.00 for the taxable year ended December 31, 2006

Issue #410-01 – Discounts (Repo Homes – Other Income)

It is determined that the corporation is not entitled to claim a current period deduction on discounts—repo homes – other income in the amounts of \$2,040,787.00 for the taxable year ended December 31, 2006.

Accordingly, this adjustment increases the corporation's ordinary income in the amount of \$2,040,787.00 for the taxable year ended December 31, 2006

Walter Energy, Inc.
(Formerly Walter Industries Inc. and Subsidiaries)

STATUTORY NOTICE EXPLANATION OF ITEMS

2006

Issue #16-522-01 – Depletion – Engineer's Report

It is determined that the corporation's depletion is understated in the amount of \$384,381.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2006	\$ 41,635,034.00	\$ 42,019,415.00	(\$384,381.00)

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$384,381.00 for the taxable year ended December 31, 2006

Issue #16-526-32 – Other Deductions – IDC Cost (Informal claim)

It is determined that the corporation is entitled a deduction for unclaimed intangible drilling cost in the amount of \$3,884,793.00 for the taxable year ended December 31, 2006.

<u>Tax Year</u>	<u>Per Return</u>	<u>Per Exam</u>	<u>Adjustment</u>
12/31/2005	\$0.00	\$ 3,884,793.00	\$ 3,884,793.00

Accordingly, this adjustment decreases the corporation's ordinary income in the amount of \$3,884,793.00 for the taxable year ended December 31, 2006.

EXHIBIT “8”

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 08-09-2017

PRINT DATE 08-09-2017

TAXPAYER IDENTIFICATION NUMBER: 9953

WALTER ENERGY INC
% ACCOUNTS PAYABLE
3000 RIVERCHASE GALLERIA STE 1700
HOOVER AL 35244-2378-255

BODC-LM BODCLC-1

FORM NUMBER: 1120

TAX PERIOD: MAY 1997

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 356,584.00-
ACCRUED INTEREST: 0.00 AS OF 08-14-2017
ACCRUED PENALTY: 0.00 AS OF 08-14-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 356,584.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,291,017,986.00
TOTAL INCOME: 731,490,805.00
TOTAL DEDUCTIONS: 731,490,805.00
NET TAXABLE INCOME: 235,142,223.00-
MINIMUM TAX AMOUNT: 3,210,027.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 3,355,000.00-
TAX PER RETURN: 3,210,027.00
NAICS-CD:006749

02-17-1998 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
05-11-1998 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED 07311-094-43901-8	05-11-1998	3210,027.00
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	09-16-1996	630,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	11-15-1996	985,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	02-14-1997	585,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	05-15-1997	820,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	08-15-1997	335,000.00-
460	EXTENSION OF TIME TO FILE EXT. DATE 02-15-1998	11-17-1997	
766	REFUNDABLE CREDIT	08-15-1997	55,186.00-
299	PRIOR TAX ABATED 07354-701-91064-0	11-20-2000	156,425.00-
290	ADDITIONAL TAX ASSESSED	11-20-2000	0.00

*****CONTINUED ON NEXT PAGE*****



PAGE NO-0002

IRS EMPLOYEE 5075986813

07354-701-91064-0 20004508		
560 ASSESSMENT STATUTE EXPIR	01-26-2001	
DATE EXTEND TO 06-30-2001		
560 ASSESSMENT STATUTE EXPIR	04-27-2001	
DATE EXTEND TO 12-31-2001		
560 ASSESSMENT STATUTE EXPIR	12-17-2001	
DATE EXTEND TO 12-31-2002		
300 ADDITIONAL TAX ASSESSED BY EXAMINATION	03-04-2002	0.00
29347-443-10007-2 20020808		
560 ASSESSMENT STATUTE EXPIR	07-29-2002	
DATE EXTEND TO 06-30-2003		
960 RECEIVED POA/TIA	08-20-2002	
308 ADDITIONAL TAX ASSESSED BY EXAMINATION	11-10-2003	32,709.00
29347-693-70001-3 20034408		
301 PRIOR TAX ABATED BY EXAMINATION	11-10-2003	32,709.00-
29347-693-70001-3		
960 RECEIVED POA/TIA	08-05-2008	
961 REMOVED POA/TIA	01-31-2017	
960 RECEIVED POA/TIA	07-11-2017	

EXHIBIT “9”

Name and Address of Taxpayer
WALTER ENERGY INC AND SUBSIDIARIES
(formerly Walter Industries Inc)
3000 RIVERCHASE GALLERIA STE 1700
BIRMINGHAM, AL 35244Taxpayer Identification Number
9953Return Form No.:
1120Person with whom
examination
changes were
discussed.Name and Title:
Michael Hurley
VP - Tax

1. Adjustments to Income		Period End 12-31-2006	Period End 12-31-2007	Period End 12-31-2008
a. Per RAR - Form 4549-B's		27,383,084	(1,436,583)	12,563,015
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		27,383,084	(1,436,583)	12,563,015
3. Taxable Income Per Return or as Previously Adjusted		177,734,639	128,566,645	(315,767,983)
4. Corrected Taxable Income		205,117,723	127,130,062	(303,204,968)
Tax Method				
Filing Status				
5. Tax		71,791,203	44,495,522	0
6. Additional Taxes / Alternative Minimum Tax		0	0	0
7. Corrected Tax Liability		71,791,203	44,495,522	0
8. Less	a. Foreign Tax Credit	0	0	0
Credits	b. Other Subpart B Credits	0	0	0
	c. General Business Credit	4,715,325	9,100,188	0
	d. Minimum Tax Credit/Bond Credits	1,728,361	0	0
9. Balance (Line 7 less Lines 8a through 8d)		65,347,517	35,395,334	0
10. Plus	a. Credit Recapture & Other Taxes	0	0	0
Other	b. Alternative Minimum Tax (Before 2000)	N/A	N/A	N/A
Taxes	c. Environmental Tax	N/A	N/A	N/A
	d. Other Taxes	N/A	N/A	N/A
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)		65,347,517	35,395,334	0
12. Total Tax Shown on Return or as Previously Adjusted		60,091,835	44,418,326	0
13. Adjustments to:				
a.		0	0	0
b.		0	0	0
c.		0	0	0
d.		0	0	0
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)		5,255,682	(9,022,992)	0
15. Adjustments to Prepayment Credits - Increase (Decrease)		0	0	0
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		5,255,682	(9,022,992)	0


 GOVERNMENT
EXHIBIT
9

Name of Taxpayer

WALTER ENERGY INC AND SUBSIDIARIES

Taxpayer Identification Number

9953

Return Form No.:

1120

17. Penalties/ Code Sections	Period End 12-31-2006	Period End 12-31-2007	Period End 12-31-2008
a.	0	0	0
b.	0	0	0
c.	0	0	0
d.	0	0	0
e.	0	0	0
f.	0	0	0
g.	0	0	0
h.	0	0	0
i.	0	0	0
j.	0	0	0
k.	0	0	0
l.	0	0	0
m.	0	0	0
n.			
18. Total Penalties	0	0	0
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0	0	0
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0	0	0
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0	0	0
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	5,255,682	(9,022,992)	0
b. Penalties (Line 18) - computed to	0	0	0
c. Interest (IRC § 6601) - computed to	0	0	0
d. TMT Interest - computed to (on TMT underpayment)	0	0	0
e. Amount due or refund - (sum of Lines a, b, c and d)	5,255,682	(9,022,992)	0

Other Information:

On the dates of 09/10/2010, 10/28/2010 and 11/05/2010 with respect to the separate tax years of 2006, 2007 and 2008, you filed claim forms 1120X or an informal claim for refunds in the amounts of \$5,232,742 for the 2006 tax year, \$9,483,555 for the 2007 tax year and \$-0- for the 2008 tax year. Due to the net operating loss in the 2008 tax year, your claim resulted in no tax affect to the 2008 tax year, but affected the 2007 tax year due to the carryback of tax credits from the 2008 tax year.

As a result of our examination, the claims have been allowed in part, as shown in this report.

This report involves restricted interest. In such cases, some or all of the interest is computed from a date other than the due date of the return.

Interest to be computed.

This report supersedes the previous report dated 6-26-2012.

Examiner's Signature:

Name

Benjamin McDonald, CPA

Employee ID:

1000772835

Office:

Tampa, FL

Date:

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

EXHIBIT “10”

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 09-25-2017

PRINT DATE 09-25-2017

FORM NUMBER: 1120

TAX PERIOD: DEC 2009

TAXPAYER IDENTIFICATION NUMBER: [REDACTED] 9953

NEW WEI INC

% ACCOUNTS PAYABLE

3000 RIVERCHASE GALLERIA STE 1700

HOOVER

AL 35244-2378-255

BODC-LM BODCLC-1

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 271,653.00-
ACCRUED INTEREST: 0.00 AS OF 10-09-2017
ACCRUED PENALTY: 0.00 AS OF 10-09-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 271,653.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,055,538,328.00
TOTAL INCOME: 419,606,047.00
TOTAL DEDUCTIONS: 698,737,729.00
NET TAXABLE INCOME: 0.00
MINIMUM TAX AMOUNT: 1,736,446.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 2,129,775.00-
TAX PER RETURN: 1,736,446.00
NAICS-CD:551112

09-09-2010 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
10-18-2010 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED 93311-252-40249-0	10-18-2010	1736,446.00
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	04-15-2009	1200,000.00-
960	RECEIVED POA/TIA	06-15-2009	
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	09-15-2009	900,000.00-
716	OVERPAID CREDIT FROM PRIOR TAX PERIOD	04-15-2009	29,775.00-
460	EXTENSION OF TIME TO FILE EXT. DATE 09-15-2010	05-03-2010	
766	REFUNDABLE CREDIT	03-15-2010	13,367.00-
836	OVERPAYMENT CREDIT ELECT TRANSFERRED TO NEXT	04-15-2010	406,696.00
560	ASSESSMENT STATUTE EXPIR DATE EXTEND TO 09-14-2014	03-30-2012	
560	ASSESSMENT STATUTE EXPIR	08-28-2013	

*****CONTINUED ON NEXT PAGE*****



PAGE NO-0002

IRS EMPLOYEE 5075986813

DATE EXTEND TO 06-30-2015		
560 ASSESSMENT STATUTE EXPIR	05-12-2014	
DATE EXTEND TO 09-30-2016		
290 ADDITIONAL TAX ASSESSED	02-15-2016	0.00
83354-422-15179-6 20160408		
301 PRIOR TAX ABATED BY EXAMINATION	04-18-2016	271,653.00-
29347-488-30039-6		
961 REMOVED POA/TIA	04-27-2017	
960 RECEIVED POA/TIA	08-04-2017	
960 RECEIVED POA/TIA	08-31-2017	

EXHIBIT “11”

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 09-25-2017

PRINT DATE 09-25-2017

FORM NUMBER: 1120

TAX PERIOD: DEC 2010

TAXPAYER IDENTIFICATION NUMBER: [REDACTED] 9953

NEW WEI INC
% ACCOUNTS PAYABLE
3000 RIVERCHASE GALLERIA STE 1700
HOOVER AL 35244-2378-255

BODC-LM BODCLC-1

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 25,726,647.00-
ACCRUED INTEREST: 0.00 AS OF 10-09-2017
ACCRUED PENALTY: 0.00 AS OF 10-09-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 25,726,647.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,571,793,178.00
TOTAL INCOME: 740,137,075.00
TOTAL DEDUCTIONS: 654,404,406.00
NET TAXABLE INCOME: 0.00
MINIMUM TAX AMOUNT: 27,612,154.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 58,806,696.00-
TAX PER RETURN: 57,618,588.00
NAICS-CD:551112

09-12-2011 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
10-17-2011 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED 93311-255-40337-1	10-17-2011	57618,588.00
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	04-15-2010	550,000.00-
960	RECEIVED POA/TIA	06-07-2010	
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	09-15-2010	26100,000.00-
716	OVERPAID CREDIT FROM PRIOR TAX PERIOD	04-15-2010	406,696.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	12-15-2010	31750,000.00-
460	EXTENSION OF TIME TO FILE EXT. DATE 09-15-2011	03-14-2011	
766	REFUNDABLE CREDIT	03-15-2011	57,959.00-
836	OVERPAYMENT CREDIT ELECT TRANSFERRED TO NEXT	04-15-2011	1246,067.00
560	ASSESSMENT STATUTE EXPIR DATE EXTEND TO 06-30-2015	08-28-2013	

*****CONTINUED ON NEXT PAGE*****



PAGE NO-0002

IRS EMPLOYEE 5075986813

560 ASSESSMENT STATUTE EXPIR
301 PRIOR TAX ABATED BY EXAMINATION
29347-488-30040-6
961 REMOVED POA/TIA
960 RECEIVED POA/TIA
960 RECEIVED POA/TIA

05-12-2014
04-18-2016 25726,647.00-
04-27-2017
08-04-2017
08-31-2017

EXHIBIT “12”

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 09-25-2017

PRINT DATE 09-25-2017

FORM NUMBER: 1120

TAX PERIOD: DEC 2011

TAXPAYER IDENTIFICATION NUMBER: [REDACTED] 9953

NEW WEI INC

% ACCOUNTS PAYABLE

3000 RIVERCHASE GALLERIA STE 1700

HOOVER

AL 35244-2378-255

BODC-LM BODCLC-1

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 46,410,391.00-
ACCRUED INTEREST: 0.00 AS OF 10-09-2017
ACCRUED PENALTY: 0.00 AS OF 10-09-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 46,410,391.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,695,880,888.00
TOTAL INCOME: 664,322,727.00
TOTAL DEDUCTIONS: 473,071,270.00
NET TAXABLE INCOME: 0.00
MINIMUM TAX AMOUNT: 0.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 61,034,458.00-
TAX PER RETURN: 55,095,695.00
NAICS-CD:551112

06-28-2012 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
09-17-2012 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED 93311-180-40505-2	09-17-2012	55095,695.00
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	04-18-2011	13300,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	06-30-2011	28760,000.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	09-15-2011	17550,000.00-
716	OVERPAID CREDIT FROM PRIOR TAX PERIOD	04-15-2011	1246,067.00-
670	SUBSEQUENT PAYMENT	08-03-2011	35.00-
460	EXTENSION OF TIME TO FILE EXT. DATE 09-15-2012	04-02-2012	
766	REFUNDABLE CREDIT	03-15-2012	75,574.00-
836	OVERPAYMENT CREDIT ELECT TRANSFERRED TO NEXT	04-15-2012	5835,981.00
290	ADDITIONAL TAX ASSESSED 99354-466-15039-3 20131108	04-01-2013	0.00

*****CONTINUED ON NEXT PAGE*****



PAGE NO-0002

IRS EMPLOYEE 5075986813

560 ASSESSMENT STATUTE EXPIR	05-12-2014	
976 DUPLICATE RETURN	07-20-2015	0.00
83977-609-05149-5		
976 DUPLICATE RETURN	07-20-2015	0.00
29977-625-03860-5		
309 PRIOR TAX ABATED BY EXAMINATION	04-18-2016	45737,930.00-
29347-488-30041-6		
301 PRIOR TAX ABATED BY EXAMINATION	04-18-2016	672,461.00-
29347-488-30041-6		
960 RECEIVED POA/TIA	08-04-2017	
960 RECEIVED POA/TIA	08-31-2017	

EXHIBIT “13”

12/31/2012

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 09-26-2017

PRINT DATE 09-26-2017

FORM NUMBER: 1120

TAX PERIOD: DEC 2012

TAXPAYER IDENTIFICATION NUMBER: [REDACTED] 9953

NEW WEI INC

% ACCOUNTS PAYABLE

3000 RIVERCHASE GALLERIA STE 1700

HOOVER

AL 35244-2378-255

BODC-LM BODCLC-1

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 25,194,160.00-
ACCRUED INTEREST: 0.00 AS OF 10-09-2017
ACCRUED PENALTY: 0.00 AS OF 10-09-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 25,194,160.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,579,936,689.00
TOTAL INCOME: 400,692,247.00
TOTAL DEDUCTIONS: 338,817,832.00
NET TAXABLE INCOME: 0.00
MINIMUM TAX AMOUNT: 3,906,392.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 27,764,337.00-
TAX PER RETURN: 25,562,437.00
NAICS-CD:551112

09-08-2013 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
10-21-2013 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED 93311-251-40210-3	10-21-2013	25562,437.00
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	07-31-2012	18500,000.00-
716	OVERPAID CREDIT FROM PRIOR TAX PERIOD	04-15-2012	5835,981.00-
660	ESTIMATED TAX/FEDERAL TAX DEPOSIT	09-14-2012	3250,000.00-
460	EXTENSION OF TIME TO FILE EXT. DATE 09-15-2013	04-01-2013	
170	ESTIMATED TAX PENALTY 20134008	10-21-2013	27,199.00
766	REFUNDABLE CREDIT	03-15-2013	62,615.00-
170	ESTIMATED TAX PENALTY 20140408	02-10-2014	1,565.00
290	ADDITIONAL TAX ASSESSED	02-10-2014	0.00

*****CONTINUED ON NEXT PAGE*****



12/31/2012

PAGE NO-0002

IRS EMPLOYEE 5075986813

29354-416-15177-4	20140408		
976 DUPLICATE RETURN		07-14-2015	0.00
93311-195-40245-5			
976 DUPLICATE RETURN		07-14-2015	0.00
29977-625-03859-5			
309 PRIOR TAX ABATED BY EXAMINATION		04-18-2016	21831,044.00-
29347-488-30043-6			
301 PRIOR TAX ABATED BY EXAMINATION		04-18-2016	1305,721.00-
29347-488-30043-6			
960 RECEIVED POA/TIA		08-04-2017	
960 RECEIVED POA/TIA		08-31-2017	

EXHIBIT “14”

PAGE NO-0001

IRS EMPLOYEE 5075986813

DATE REQUESTED 09-22-2017

PRINT DATE 09-22-2017

FORM NUMBER: 1120

TAX PERIOD: DEC 2014

TAXPAYER IDENTIFICATION NUMBER: [REDACTED] 9953

NEW WEI INC

% ACCOUNTS PAYABLE

3000 RIVERCHASE GALLERIA STE 1700

HOOVER

AL 35244-2378-255

BODC-LM BODCLC-1

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 128,106.00-
ACCRUED INTEREST: 0.00 AS OF 10-02-2017
ACCRUED PENALTY: 0.00 AS OF 10-02-2017

ACCOUNT BALANCE
PLUS ACCRUALS: 128,106.00-

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

NET RECEIPTS: 1,209,454,779.00
TOTAL INCOME: 177,248,196.00
TOTAL DEDUCTIONS: 449,230,936.00
NET TAXABLE INCOME: 271,982,740.00-
MINIMUM TAX AMOUNT: 0.00
PERSONAL HOLDING TAX: 0.00

ES/7004 PAYMENTS CLAIMED: 0.00
TAX PER RETURN: 0.00
NAICS-CD:551112

07-14-2015 RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)
08-24-2015 PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION	DATE	MONEY AMOUNT (IF APPLICABLE)
150	RETURN FILED AND TAX ASSESSED	08-24-2015	0.00
	93311-195-40840-5		
460	EXTENSION OF TIME TO FILE	03-30-2015	
	EXT. DATE 09-15-2015		
700	OVERPAID CREDIT APPLIED	03-15-2014	64,816.00-
	1120 201312		
766	REFUNDABLE CREDIT	03-15-2015	63,290.00-
960	RECEIVED POA/TIA	08-04-2017	
960	RECEIVED POA/TIA	08-31-2017	



**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:	)	Chapter 7
)	
NEW WEI, INC., ET AL.,	)	Case No. 15-02741-TOM7
)	
Debtors.	)	Jointly Administered
)	
HILLSBOROUGH HOLDINGS CORP.,)	
)	
Plaintiff,)	
)	
v.	)	Adv. Proc. No. 15-00127-TOM
)	
UNITED STATES OF AMERICA,)	
)	
Defendant.)	

FINAL JUDGMENT

By agreement of Andre' M. Toffel, in his capacity as the Chapter 7 Trustee of the estates of New WEI, Inc., and on behalf of the debtor/plaintiff, New WEI, Inc. (formerly, Walter Energy, Inc. and Walter Industries, Inc.), as successor in interest to Hillsborough Holdings Corporation, and the claimant/defendant, United States of America, and for good cause shown, it is **ORDERED, ADJUDGED** and **DECREED** that:

1. As of December 19, 2014, the amount of the unpaid federal consolidated income tax liabilities of Hillsborough Holdings Corporation and its affiliates (the "HHC Group") for the following tax years is, as follows:

<u>Tax Year</u>	<u>Tax Liability as of December 19, 2014</u>
8/31/1983	\$ 0.00

<u>Tax Year</u>	<u>Tax Liability as of December 19, 2014</u>
8/31/1984	79,165,799.33
8/31/1985	36,571,037.41
8/31/1986	6,484,950.92
8/31/1987	37,191,939.69
5/31/1988	0.00
5/31/1989	0.00
5/31/1990	0.00
5/31/1991	6,994,989.85
5/31/1992	4,044,984.66
5/31/1993	11,665,887.45
5/31/1994	361,847.44
5/31/1995	<u>0.00</u>
Total	<u>\$ 182,481,436.75</u>

2. Interest shall accrue from December 19, 2014, at a rate of 11 percent compounded quarterly, on the amounts listed, above (reduced by any payments received on said amounts after December 19, 2014) for the tax years ended 8/31/1984, 8/31/1985, 8/31/1986, and 8/31/1987 until fully paid.

3. Interest shall accrue from December 19, 2014, at the floating rate provided in Section 6621 of the Internal Revenue Code (26 U.S.C.), on the amounts listed, above (reduced by any payments received on said amounts after December 19, 2014) for the tax years ended 5/31/1991, 5/31/1992, 5/31/1993, and 5/31/1994 until fully paid.

4. The tax liabilities in this adversary proceeding identified, above, will maintain their priority status in any subsequent case, including, but not limited to this bankruptcy case and any other subsequent bankruptcy case.

5. Payment of the amounts listed, above (reduced by any payments received on said amounts after December 19, 2014), plus interest thereon, is immediately due and owing upon entry of this judgment.

6. The Court retains jurisdiction to enforce the parties' settlement and this judgment.

7. Each party shall bear its own costs, including any attorneys' fees and expenses.

Dated: _____

TAMARA O. MITCHELL
United States Bankruptcy Judge