

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

In re:**NEW WEI, INC., *et al.*,¹****Debtors****HILLSBOROUGH HOLDINGS CORP.****Plaintiff(s)****vs.****THE UNITED STATES OF AMERICA****Defendant(s)****Chapter 7****Case No. 15-02741-TOM 7****Jointly Administered****Adversary Proceeding No. 15-00127-TOM**

**TRUSTEE'S STATUS REPORT ON ADVERSARY PROCEEDING AND REGARDING
UNITED STATES OF AMERICA'S MOTION (Doc. No. 3166) TO ENFORCE
SETTLEMENT, ENTER JUDGMENT AND LIFT STAY**

Andre' M. Toffel, Chapter 7 Trustee (the "Trustee") for New WEI, Inc., formerly known as Walter Energy, Inc., and its affiliated debtors in the above-captioned chapter 7 cases (each a "Debtor" and, collectively, the "Debtors"), hereby files this Status Report, respectfully stating as follows:

The Trustee files this Status Report in advance of the status conference scheduled for April 2, 2018 on the above-referenced motion and adversary proceeding. The Court held a preliminary

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: New WEI, Inc. (f/k/a Walter Energy, Inc.) (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); New WEI 7, Inc. (f/k/a J.W. Walter, Inc.) (0648); Jefferson Warrior Railroad Company, Inc. (3200); New WEI 2, LLC (f/k/a Jim Walter Homes, LLC) (4589); New WEI 13, Inc. (f/k/a Jim Walter Resources, Inc.) (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); New WEI 19, LLC (f/k/a Walter Black Warrior Basin LLC) (5973); New WEI 18, Inc. (f/k/a Walter Coke, Inc.) (9791); New WEI 22, LLC (f/k/a Walter Energy Holdings, LLC) (1596); New WEI 20, LLC (f/k/a Walter Exploration & Production LLC) (5786); New WEI 1, Inc. (f/k/a Walter Home Improvement, Inc.) (1633); New WEI 6 Company (f/k/a Walter Land Company) (7709); New WEI 16, Inc. (f/k/a Walter Minerals, Inc.) (9714); and New WEI 21, LLC (f/k/a Walter Natural Gas, LLC) (1198).



hearing on this motion on November 13, 2017 and at that time scheduled a status conference for January 29, 2018, which was subsequently continued to April 2, 2018.

This Status Report concerns the ongoing efforts of the Trustee, claimant United States of America (the “United States”), and creditors and interested parties Mueller Water Products, Inc. (“Mueller”) and Ditech Holding Corporation (“Ditech”), to address the Debtors’ federal income tax liability for all years open years leading up to the Debtors’ 2015 chapter 11 bankruptcy petitions. These tax years span from 1983 through 2015. Certain of these tax years are subject to a pending adversary proceeding before this court (years 1983-1995), another set of tax years is the subject of pending proofs of claim filed by the United States against the Debtors (1983-1995; 2000-2005), and other tax years are the subject of the United States’ underlying motion (Doc. No. 3166) seeking, among other things, stay relief to exercise set off rights with respect to certain overpayments / rights to refund of the Debtors with respect to certain tax years.

The Trustee, through its professionals (and through and in coordination with professionals representing Mueller and Ditech), have had ongoing discussions and exchanges of information with the United States over the last five months concerning the federal income tax liability of the Debtors for all tax years at issue. The goal of the parties is to determine whether it is possible to agree to an overall and comprehensive consensual resolution of the Debtors’ net federal income tax liability. That process is continuing. Currently, the parties are awaiting certain calculations from the Internal Revenue Service with respect to tax years 1997 through 2008. Once that information is received – and the parties are hopeful it will be received during the week of April 2, if not sooner – further analysis and discussions can proceed.

The Debtors, Mueller and Ditech believe that once certain taxpayer refunds (applicable primarily to years 1997, and 2006 through 2015) are applied against asserted income tax liabilities

owing for other years, that the total net tax liabilities of the Debtors, if any, will be substantially less than those asserted by the United States in its earlier filed proofs of claim.

The parties request that the Court schedule another status conference in approximately sixty (60) days at which time the parties can make a further report on their progress.

Dated this the 29th day of March, 2018.

/s/ Stephen B. Porterfield
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Thomas B. Humphries

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CERTIFICATE OF SERVICE

I hereby certify that on this the 29th day of March, 2018, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to all persons and entities that have filed a request for service of filing in this case, pursuant to Bankruptcy Rule 2002.

/s/ Stephen B. Porterfield
OF COUNSEL