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.	)	
_____	)	
	)	
HILLSBOROUGH HOLDINGS	)	
CORPORATION, ET AL.,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	ADVERSARY NO. 91-313
	)	
UNITED STATES OF AMERICA,	)	
	)	
Defendant.	)	

UNITED STATES' MOTION FOR ENTRY OF JUDGMENT

Hillsborough Holdings Corporation, et al (Plaintiffs) submitted to the United States (Defendant) an offer to settle all tax issues pending in this litigation. The Defendant accepted the offer and now moves the Court to enter a judgment consistent with the terms of the settlement. A copy of the Proposed Judgment is attached as Exhibit 1.

After confirmation of the Consensual Plan of Reorganization, the Court entered an Order on Joint Stipulation Between Debtors and United States Regarding the Objection of the United States to Confirmation of the Consensual Plan, which incorporated the Joint Stipulation Between Debtors and United States Regarding the Objection of the United States to Confirmation of the Consensual Plan. Ex. 2. Pursuant to that order, the Court retained jurisdiction to "determine the

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validity and amount of all pending tax claims and Adversary Proceeding No. 91-313." Ex. 2, Joint Stipulation, p. 5, para. 11.

For several years, since at least 2010, the parties have been working to reach a settlement of the issues in this case and the adversary proceeding, which over the years were resolved either by decision of this Court or by agreement between the parties. On June 9, 2010, the Court entered a Final Judgment (Doc. No. 400) which it vacated on June 22, 2010, in its Order Vacating Final Judgment (Order). Doc. No. 403. In that Order (Doc. 403) the Court directed 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 by agreement of the parties for all taxable years under this Court's jurisdiction." *Id*. p. 2. After the date of the Order, the Court held numerous status hearings at which the parties advised the Court of their progress to settle issues so that they could submit a proposed final judgment.

The parties have now reached a final settlement of the issues before the Court. By letter dated December 17, 2013, the Plaintiffs confirmed their offer 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." (Offer) Bowles Dec., Ex. A. That Offer was accepted on behalf of the Attorney General by letter of June 8, 2015. Bowles Dec., Ex. B. Included with that letter was 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. *Id*. Also included was a [Proposed] Judgment. *Id*. Those documents contained total tax liability amounts by year with interest computed to December 14, 2014, which reflect the settlement of all of the issues decided by the Court and resolved by agreement of the parties.

To determine those tax liability figures, before the Offer was accepted, there were communications between Mr. Richard Bowles of the Office of Review of the Tax Division, DOJ and employees of PricewaterhouseCoopers (PwC), the accounting firm retained to assist counsel for the Plaintiffs, for the purpose of computing the tax figures to be incorporated in a proposed final judgment for the Court. There was considerable discussion between Mr. Bowles and representatives of PwC during the pendency of the offer. Bowles Dec., para. 5. The government provided PwC tax computations on September 10, 2014, that reflected the government's understanding of the offer. PwC reviewed those computations, and based on discussions between PwC and Mr. Bowles, the government provided PwC revised tax computations on November 21, 2014, that changed three items at PwC's request. *Id*., para.6. The government provided PwC interest computations on December 9, 2014. *Id*., para. 7. PwC reviewed those computations and disputed two more items. There were discussions between PwC and Mr. Bowles, and by March 9, 2015, a resolution of those two remaining items was reached and it was agreed that PwC would not raise any additional objections for purposes of finalizing the tax computations. *Id*., para. 8.

The government then updated the tax and interest computations and provided them to PwC on March 17, 2015. Before April 10, 2015, PwC reviewed those computations and agreed that they accurately reflected these discussions. *Id*., para. 9. As discussed above, the resulting figures are those contained in the Stipulation for Entry of Judgment and Proposed Judgment which Mr. Bowles sent to PwC on March 17, 2015. Those are also the figures contained in the Proposed Judgment attached hereto. Ex. 1.

CONCLUSION

For the foregoing reasons, this Court should enter judgment to effectuate the settlement reached between the parties as directed by order of the Court, Doc. 403. A proposed form of judgment is attached for the Court's consideration. Ex. 1. The Defendant requests that the Court schedule a hearing on this motion.

A. LEE BENTLEY, III
Acting United States Attorney

By: s/ Robert L. Welsh
ROBERT L. WELSH
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CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that the foregoing United States' Motion for Entry of Judgment has this 24th day of June, 2015 been filed with the CM/ECF system. Copies will be emailed to the below listed attorneys and the CM/ECF system will automatically serve a copy to those attorneys registered with it:

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s/ Robert L. Welsh
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Washington, D.C. 20044

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.

Exhibit
2

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

Copies to:

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U.S. Trustee
4921 Memorial Highway, Suite 300
Tampa, FL 33634

Core Service Group

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FILED

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

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,

_____/

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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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.	)	
	)	
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.

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

12833752.1

Cooley LLP

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VIA EMAIL ROBERT.L.WELSH@USDOJ.GOV
AND FIRST-CLASS MAIL

December 17, 2013

Robert L. Welsh, Esq.
Trial Attorney, Tax Division
U.S. Department of Justice
P.O. Box 14198
Ben Franklin Station
Washington, DC 20044

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.

Exhibit
A

Cooley LLP

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.

Cooley LLP

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,

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	8,102,697	5,671,888	2,430,809	70% deductible, 30% capitalizable pursuant to the safe-harbor permitted in Rev. Proc. 2011-29 and futher explained in Large Business & International (LB&I) 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.
Wachtell, Lipton, 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 futher explained in Large Business & International (LB&I) 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.
Goodkind	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	586,873	586,873		"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 - Walter	46,534	46,534		"Ordinary" and "necessary" expense incurred. Cost is deductible under IRC section 162.
Shulte, 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 futher explained in Large Business & International (LB&I) 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.
Shulte, 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 futher explained in Large Business & International (LB&I) 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.
Kekst & 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 interet 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 interet 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 futher explained in Large Business & International (LB&I) 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	

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Case 15-00127-TOM Doc 136-3 Filed 11/03/15 Entered 11/03/15 08:56:59 Desc Exhibit Page 6 of 14

Hillsborough 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 Stichter & Reidel Kaye Scholer	Plan of Reorganization: No plans proposed, submitted or approved during 5-31-90 and 5-31-91	28,396		28,396	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 Stichter & Reidel Price Waterhouse Kaye Scholer Simpson Thacher Bradely & Arant	Mirror Liquidation: Required to complete the liquidation under IRC sec. 332 which had been commenced prior to filing of Petitions in Bankruptcy	288,238		288,238	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.	
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	MidState Homes 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.	
Bear 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(1) Example (18)
Ernst & Young	Review: Re: Analyzing markets and competition	11,486		11,486	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(1) 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(1) 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(1) Example (18)

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Hillsborough 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
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: analyze debt structure	13,638		13,638	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		813,996	265,956	548,040		
			Amount Deductible	Amount Capitalized		

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Hillsborough Holdings Corporation
Professional Fees While 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 Stichter Riedel Kaye Scholer Shackleford Farrior	Bankruptcy Administration: Monitoring of areas 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 Jones Day Stichter Riedel Kaye Scholer Simpson Thacher PriceWaterhouse Shackleford Farrior	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 Jones Day Stichter Riedel Kaye Scholer	Creditors' 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 Jones Day Stichter 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 Jones Day Stichter 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.	1,488,669		1,488,669	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 Jones Day	Veil Piercing Litigation: Monitoring of Veil- piercing/asbestos litigation	476,104	476,104		These expenses would have been deductible in the non-bankr. setting, *Lohrke* (1967), and thus should be deductible in bankr. setting as well: "[A]mounts 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 Jones Day	Claims Disputes: Monitoring of Various claims/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 bankr. 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

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Hillsborough Holdings Corporation
Professional Fees While 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 Stichter 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	Wedlo 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 Stichter 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 Stichter Riedel Kaye Scholer	Ordinary Course of Business: Monitoring of regular day to day activities relating to the Debtors' business operations.	178,795		178,795	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.	
Stichter 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		7,684,843	914,199	6,770,644		
			Amount Deductible	Amount Capitalized		

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**

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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	6.34%	996,174			996,174
Industrial Products	175	200	188	6.34%	996,174	7.21%	527,677	1,523,851
Water & Wastewater	500	550	525	17.74%	2,787,401	20.20%	1,478,374	4,265,775
Natural Resources	350	400	375	12.67%	1,990,776	14.43%	1,056,086	3,046,862
Paper	80	100	90	3.04%	477,661			477,661
Jewelry	75	90	83	2.79%	438,379			438,379
Total	2,796	3,122	2,959	100.00%	15,712,518	100.00%	7,318,684	23,031,202

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Walter Energy
Deductibility of Costs by Year - LBO Costs
Detailed Analysis

Operating Units	Percentage - LBO-Related Costs	5/31/1987 - Total LBO-Related Costs	5/31/1987 - Deduction of Success Based Fees	5/31/1988 - Total LBO-Related Costs	(1) 5/31/1988 - Deduction of Success Based Fees & Section 162 Expenses	(4) 5/31/1988 - Write off of Debt Costs	(2) 5/31/1988 - Write off of costs associated with Discontinued Segments	(3) 5/31/1989 - Write off of costs associated with Discontinued Segments	(4) 5/31/1989 - Write off of Debt Costs	(5) 5/31/1990 - Write off of costs associated with Discontinued Segments	(4) 5/31/1990 - Write off of Debt Costs	(4) 5/31/1991 - Write off of Debt Costs	(4) 5/31/1992 - Write off of Debt Costs	(4) 5/31/1993 - Write off of Debt Costs	(4) 5/31/1994 - Write off of Debt Costs	(4) 5/31/1995 - Write off of Debt Costs	(6) 12/31/2003 - Write off of costs associated with Discountinued Segments	(7) 12/31/2006 - Write off of costs associated with Discontinued Segments	(8) 12/31/2009 - Write off of costs associated with Discontinued Segments	Total Costs Remaining Capitalized at 12/31/2011
Jim Walter Homes & Financing	51.08%	204,059	(142,842)	14,806,432	(6,841,696)	(27,135)			(27,135)		(27,135)	(27,135)	(27,135)	(27,135)	(27,135)	(27,135)			(3,904,436)	3,904,436
Building Products	6.34%	25,328	(17,729)	1,837,760	(849,185)	(3,368)	(484,615)		(3,368)		(3,368)	(3,368)	(3,368)	(3,368)	(3,368)	(3,368)				484,615
Industrial Products	6.34%	25,328	(17,729)	1,837,760	(849,185)	(3,368)			(3,368)		(3,368)	(3,368)	(3,368)	(3,368)	(3,368)	(3,368)	(484,615)			484,615
Water & Wastewater	17.74%	70,870	(49,609)	5,142,249	(2,376,110)	(9,424)			(9,424)		(9,424)	(9,424)	(9,424)	(9,424)	(9,424)	(9,424)		(1,356,004)		1,356,005
Natural Resources	12.67%	50,615	(35,431)	3,672,621	(1,697,030)	(6,731)			(6,731)		(6,731)	(6,731)	(6,731)	(6,731)	(6,731)	(6,731)				1,936,931
Paper	3.04%	12,144	(8,501)	881,197	(407,180)	(1,615)		(232,371)	(1,615)		(1,615)	(1,615)	(1,615)	(1,615)	(1,615)	(1,615)				232,370
Jewelry	2.79%	11,146	(7,802)	808,730	(373,695)	(1,482)			(1,482)	(213,261)	(1,482)	(1,482)	(1,482)	(1,482)	(1,482)	(1,482)				213,261
Total	100.00%	399,490	(279,643)	28,986,750	(13,394,079)	(53,123)	(484,615)	(232,371)	(53,123)	(213,261)	(53,123)	(53,123)	(53,123)	(53,123)	(53,123)	(53,123)	(484,615)	(1,356,004)	(3,904,436)	8,612,232

NOTES:
1) Includes 70% deduction for success based fees and "ordinary" and "necessary" expenses under Section 162
2) Walter exited the Building Products business segment in April 1988.
3) Walter exited the Paper business segment in early 1989.
4) Assumed that the LBO-related debt costs of $456,742 were written off ratably between 1988 and 1995 when Walter emerged from bankruptcy.
5) Walter exited the Jewelry business segment in late 1989.
6) Assumed Walter exited the Industrial Products segment with their sale of JW Aluminum in the year ending 12/31/2003.
7) Assumed Walter exited the Water & Wastewater segment in the year ending 12/31/2006 according to Walter Energy Corporate History.
8) Assumed Walter exited the Walter Homes & Financing segment in the year ending 12/31/2009 according to Walter Energy Corporate History.

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Walter Energy
Deductibility of Costs by Year - Bankruptcy Costs
Detailed Analysis

Operating Units	Percentage - Bankruptcy-Related Costs	(1),(2) 5/31/1990 - Total Bankruptcy Costs	(1) 5/31/1990 - Deductible Bankruptcy Costs	(1),(3) 5/31/1991 - Total Bankruptcy Costs	(1) 5/31/1991 - Deductible Bankruptcy Costs	(1),(4) 5/31/1992 - Total Bankruptcy Costs	(1) 5/31/1992 - Deductible Bankruptcy Costs	(1),(5) 5/31/1993 - Total Bankruptcy Costs	(1) 5/31/1993 - Deductible Bankruptcy Costs	(1),(6) 5/31/1994 - Total Bankruptcy Costs	(1) 5/31/1994 - Deductible Bankruptcy Costs	(7) 12/31/2003 - Write off of costs associated with Discontinued Segments	(8) 12/31/2006 - Write off of costs associated with Discontinued Segments	(9) 12/31/2009 - Write off of costs associated with Discontinued Segments	Total Costs Remaining Capitalized at 12/31/2011
Jim Walter Homes & Financing	58.16%	197,991	(144,904)	275,429	(9,776)	819,712	(115,481)	2,016,196	(195,463)	1,633,596	(220,754)			(4,256,547)	-
Industrial Products	7.21%	24,545	(17,964)	34,145	(1,212)	101,618	(14,316)	249,945	(24,231)	202,514	(27,366)	(527,677)			-
Water & Wastewater	20.20%	68,766	(50,328)	95,662	(3,395)	284,701	(40,109)	700,261	(67,888)	567,377	(76,672)		(1,478,374)		-
Natural Resources	14.43%	49,123	(35,952)	68,336	(2,425)	203,378	(28,652)	500,236	(48,496)	405,309	(54,771)				1,056,086
Total	100.00%	340,424	(249,148)	473,572	(16,808)	1,409,409	(198,558)	3,466,637	(336,078)	2,808,797	(379,563)	(527,677)	(1,478,374)	(4,256,547)	1,056,086

1) Bankruptcy costs allocated to remaining business segments according to relative segment value.
2) $340,424 of the 5/31/90-5/31/91 bankruptcy costs at issue were incurred in the fiscal year ending 5/30/90.
3) $473,572 of the 5/31/90-5/31/91 bankruptcy costs at issue were incurred in the fiscal year ending 5/31/91.
4) $1,409,409 of the 5/31/92-5/31/94 bankruptcy costs at issue were incurred in the fiscal year ending 5/31/92.
5) $3,466, 637 of the 5/31/92-5/31/94 bankruptcy costs at issue were incurred in the fiscal year ending 5/31/93.
6) $2,808,797 of the 5/31/92-5/31/94 bankruptcy costs at issue were incurred in the fiscal year ending 5/31/94.
7) Assumed Walter exited the Industrial Products segment with their sale of JW Aluminum in the year ending 12/31/2003.
8) Assumed Walter exited the Water & Wastewater segment in the year ending 12/31/2006 according to Walter Energy Corporate History.
9) Assumed Walter exited the Walter Homes & Financing segment in the year ending 12/31/2009 according to Walter Energy Corporate History.

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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%	
Tax on Coal Royalty Income	8,031,737	5,441,681	5,110,819	2,877,048	3,676,454	1,555,376	-	26,693,115
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%	
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	(1,468,994)
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

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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.

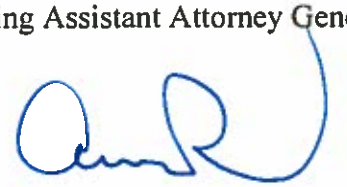
Enclosed are an original and one copy each of a stipulation for entry of judgment and a proposed judgment. Please sign the originals and return them to this office within 7 days of the date of this letter for filing. We will request the clerk to forward to the parties a copy of the

Exhibit
B

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. CIRAOLO
Acting Assistant Attorney General

By: 

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.	)	
	)	
	)	
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

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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.

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_____

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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.	)	
	)	
	)	
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:

_____
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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.	)	
_____	)	
	)	
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:

Exhibit
1

12833599.1

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
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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.

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