Nine Lawsuits Filed for Unpaid Work at Mines

DYLAN LOVAN, Associated Press

West Virginia billionaire Jim Justice made his fortune in coal and agriculture, and he is revered in his home state as the man who rescued the historic Greenbrier resort from bankruptcy.

Worth an estimated $1.7 billion, Justice is a prominent member of the tiny West Virginia community of Lewisburg, keeping a modest home and finding time to coach basketball at the local high school. He ranks No. 292 on a list of wealthiest Americans by Forbes magazine, which estimates that his personal wealth has grown by $500 million in the last year.

But his coal operations in Appalachia are struggling as business owners have filed at least nine lawsuits since late 2011 claiming they are not being paid for work at Justice mines. Still others say they are owed money but haven't yet sued.

"There is some angry, angry people," said Mark Miracle, the owner of Dynatech Electronics in Harlan, Ky. Miracle says he is owed about $150,000 for electrical mining supplies provided to three Justice mining companies more than a year ago. "They owe a lot of people a lot of money."

In an interview with The Associated Press, Justice acknowledged his companies have some debts but said they are emblematic of the coal industry's wider struggles.

"The coal business is terrible, it's just terrible and we're doing everything in our power to stay open and keep people working," Justice said. "We're one of the few (companies) that are even still working, trying to employ people and pay taxes."

Coal production in central Appalachia where Justice operates dozens of mines is expected to tumble from 235 million tons mined in 2008 to about 139 million tons by 2015, a decline of more than 40 percent, according to government numbers.

The hard times have led to sluggish business in Harlan and nearby counties, where Justice is being sued by electric, repair and maintenance companies that specialize in mine work.

An Associated Press review of court records found that since the beginning of 2012, there have been at least five lawsuits — one in federal court — that seek unpaid bills in the three Kentucky counties where Justice has mining operations. Two more actions in Tennessee federal court and two in Wise County, Va., filed since August of 2011 also sought unpaid bills or debts owed as part of a contract. Four of those nine legal claims, which in total exceed $1 million in alleged debts, have been settled for undisclosed amounts.

Aside from those debt claims, a handful of other pending lawsuits seek to settle disputes over Justice's acquisition of mining lands in Kentucky and elsewhere.

Miracle and other business owners in southeastern Kentucky said when they made efforts to collect what they were owed by contacting the Justice company's home office in Roanoke, Va., they were repeatedly delayed. Miracle, who sells specialized mining equipment and employs five people, said the debts prevented him from replenishing his inventory, harming future sales. He said his attorney is in the process of filing a lawsuit.

"When you do business with a billionaire, you think you are going to get paid," said Lee Kersey, owner of M&D Electrical Supply in Hazard. Kersey said Justice's companies owe him about $240,000 for work dating back to January 2012, but he has not filed a suit. Kersey, who has about eight employees, said he received a check for $28,000 in February.

Timothy Bates, a lawyer in Hindman, Ky., sued Justice subsidiary Kentucky Fuel Corporation last year for about $16,000. His client, who did some excavating work, received payment after the suit was filed.

Referring to the other lawsuits, Bates said: "There's definitely a pattern, I'll say that."

Justice said he isn't deeply involved in the day-to-day operations of his coal companies, and complaints about debts have reached him "on a limited basis." But he said he can "absolutely promise" that outstanding debts will be paid.

"Everybody should be really confident they're going to get paid," he said.

Justice offered a dire outlook on the future of coal, as demand in the U.S. slumps and cheap natural gas entices electric utilities.

"You're in a time when the world economies are really struggling, our economy is really struggling, utilities are converting to natural gas, and you may be witnessing the death of the coal industry," Justice said.

Justice joined his dad's business in the 1970s, and helped expand its reach into agriculture, golf courses and timber, according to Justice's personal biography. He took over the company after his father's death in 1993. The company's mining interests ventured into Kentucky in 2007 and Tennessee the next year. Justice said his 80 companies employ about 5,000 people.

Federal records say Justice controls nearly 120 coal mines, most of them in central Appalachia, though only 21 are listed as actively mining coal. Another 18 are temporarily idled.

In 2009, he sold the company's West Virginia coal operations to Russian steel firm Mechel for a reported $436 million and another $240 million in Mechel shares. That

same year Justice closed on a $20 million deal to buy the historic Greenbrier Resort, which has hosted U.S. presidents and royalty.

After the purchase of the Greenbrier, Justice was hailed as "a great humanitarian" who "wants to help everyone" by then-West Virginia Gov. Joe Manchin.

Paul Bryant, principal at Greenbrier East High School in Justice's hometown of Lewisburg, said the Greenbrier purchase saved the town of about 3,800 people. Justice is the head coach of the girls and boys basketball teams at the school.

"He saved 1,600 jobs and people's lives and their families and their futures," Bryant said. "I mean, if the Greenbrier Hotel would've gone under, I really kind of see this place as a ghost town."

The Greenbrier has had some legal troubles since Justice took over, with federal suits filed by Delta Airlines in 2011 and a landscaping company in 2010. Both plaintiffs claimed the resort didn't make good on contracts. Both suits have been resolved.

Justice "is absolutely a charitable, friendly person," said Paul Snyder, an Ashland, Ky., attorney who is representing two Kentucky men who claim Justice excluded them from a land deal. "But he's so much bigger than life, that in business he will act somewhat like (Donald) Trump, which is not good. He sees business as just a ... get-out-of-my-way situation."

The claim brought by Snyder is one of a handful that say Justice companies violated a contract over the acquisition of mine lands. Snyder's clients allege that Justice went around them to buy a huge coal mining company, Sequoia, after they brought the potential sale to his attention while looking for partners.

In another dispute over mining lands, a group of Kentucky landowners are seeking millions in federal court from a Justice subsidiary. They claim they've lost millions in royalties because the company was awarded mining rights but hasn't mined the land in two years.

Justice said settling debts isn't as easy as writing a check when his mines are trying to remain open and producing coal.

"The alternative would be, 'OK let's pay everybody what we owe them and shut everything down.' If you're a vendor selling widgets and you get paid but you don't sell any more widgets, that's not any good," he said.

Herbie Deskins, a former eastern Kentucky legislator from Pike County and attorney who is suing Justice on behalf of a drilling company, said business owners are in a bind because Justice mines are still operating when others are shutting down. He said his client, South East Drilling Supplies, would like to continue working for Justice but they want a $25,000 debt paid.

"People still want to do business with him because he's still in business," Deskins

said.

Mark Doss, a vice president at Doss Fuelco in Baxter, Ky., said in February the Justice companies had settled their debts with the fuel supplier, which didn't sue. He declined to say how much was owed.

"It only took two years," he said.

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