

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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In re	:		Chapter 11
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MOLYCORP, INC, <i>et al.</i> , ¹	:		Case No. 15- <u>11357</u> (____)
	:		
Debtors.	:		(Joint Administration Pending)
	:		
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**DECLARATION OF MICHAEL F. DOOLAN
IN SUPPORT OF FIRST-DAY PLEADINGS**

1. I am the Executive Vice President and Chief Financial Officer of Molycorp, Inc. Molycorp, Inc. is organized under the laws of the State of Delaware and is the direct or indirect parent of the other debtors in the above-captioned chapter 11 cases (collectively, the "Debtors"). I have held this position with Molycorp, Inc. since June 2012. In addition to my title at Molycorp, Inc., I hold officer or director-level positions with most of the other Debtors. Prior to acquiring this position, I served as Executive Vice President and Chief Financial Officer of Neo Material Technologies Inc. from 2005 until 2012.² As a result of my tenure with the Debtors and in my capacity as Executive Vice President and Chief Financial

¹ The Debtors are the following 21 entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Molycorp, Inc. (1797); Industrial Minerals, LLC; Magnequench, Inc. (1833); Magnequench International, Inc. (7801); Magnequench Limited; Molycorp Advanced Water Technologies, LLC (1628); MCP Calco ULC; MCP Canada Holdings ULC; MCP Canada Limited Partnership; MCP Exchangeco Inc.; Molycorp Chemicals & Oxides, Inc. (8647); Molycorp Luxembourg Holdings S.à r.l.; Molycorp Metals & Alloys, Inc. (9242); Molycorp Minerals Canada ULC; Molycorp Minerals, LLC (4170); Molycorp Rare Metals Holdings, Inc. (4615); Molycorp Rare Metals (Utah), Inc. (7445); Neo International Corp.; PP IV Mountain Pass, Inc. (1205); PP IV Mountain Pass II, Inc. (5361); RCF IV Speedwagon Inc. (0845). Molycorp's United States headquarters is located at 5619 DTC Parkway, Suite 1000, Greenwood Village, Colorado 80111.

² In 2012, Molycorp, Inc. acquired Neo Materials Technologies Inc. (now known as Molycorp Minerals Canada ULC), a Canadian producer of magnetic powders and rare earths and other metals.

Officer of Molycorp, Inc., I am generally familiar with the Debtors' day-to-day operations, business affairs, books and records, as well as the Debtors' recent restructuring efforts.

2. On the date hereof (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), as well as certain motions and other pleadings (the "First Day Pleadings") with this Court.

3. As described in further detail below, the Debtors have filed these chapter 11 cases in order to implement a financial restructuring of their businesses that permits additional investment into Molycorp, de-levers the Molycorp balance sheet and provides Molycorp with a sustainable debt and interest burden upon emergence from chapter 11.

4. The relief sought in the First Day Pleadings is consistent with the Debtors' restructuring goals. The First Day Pleadings are intended to enable the Debtors to operate effectively and efficiently within these chapter 11 cases, as well as minimize adverse consequences that might otherwise result from the commencement of such cases. I believe that the First Day Pleadings seek relief aimed at maintaining the loyalty of the Debtors' customers, the confidence of the Debtors' various stakeholders, including their suppliers and the morale of the Debtors' employees. Gaining and retaining the support of these key constituencies is critical to the Debtors' efforts to maximize the value available to the Debtors' secured and unsecured creditors and to successfully reorganize. I have reviewed each of the First Day Pleadings (including the exhibits and other attachments to such pleadings), and it is my belief that the relief sought therein is necessary to maximize and preserve the value of the Debtors' chapter 11 estates and best serve the interests of the Debtors' estates and creditors.

5. I submit this declaration (the "Declaration") in support of the First Day Pleadings and to provide information to parties in interest regarding these chapter 11 cases. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtors' management or the Debtors' professionals; (c) my review of relevant documents; and (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial conditions. If called upon to testify, I could and would testify to the facts set forth in this Declaration.

6. Part I of this Declaration provides an overview of Molycorp's business. Part II provides a description of Molycorp's corporate and capital structures. Part III provides a discussion of the events that compelled the commencement of these chapter 11 cases. Part IV affirms and incorporates the facts that support the relief requested in the First Day Pleadings.

Part I

Overview of Molycorp's Business

A. General Overview of the Debtors

7. Molycorp, Inc. is a Delaware corporation and is the direct or indirect parent of the Debtors and each of the Debtors' non-debtor affiliates (collectively, "Molycorp"). Molycorp is a leading global rare earths and rare metals producer with a workforce of approximately 2,530 employees at locations on three continents. Molycorp operates a vertically integrated, global supply chain that combines a world-class rare earths resource with manufacturing facilities that can produce a wide variety of custom engineered, advanced rare earth and rare metal materials. The products produced by Molycorp are critical inputs in many existing and emerging applications, including hybrid and electric vehicles, wind power turbines,

mobile devices, fiber optics, lasers, hard disk drives, guidance and control systems, global positioning systems and advanced water treatment technology.

8. Molycorp's Mountain Pass Rare Earth Facility ("Mountain Pass"), located in San Bernardino County, California, has been the foundation of Molycorp's vertical integration strategy. It is home to one of the world's largest and richest deposits of rare earths. Molycorp acquired Mountain Pass in 2008, at which time the mining operations were in care and maintenance and the processing operations were in limited production, based on existing feedstocks.

9. Mountain Pass is the only producing rare earths mine in the United States. At full capacity, Mountain Pass can provide advanced, energy efficient and environmentally responsible operations that can both supply rare earth feedstock to Molycorp's downstream processing facilities as well as produce high-value products for customers around the world.

10. In 2012, Molycorp, Inc. acquired Neo Material Technologies Inc. ("Neo Materials") to permit Molycorp to execute on its vertical integration strategy and permit it to become a leading global producer, processor and developer of rare earths and rare metal materials. At the time of the acquisition, Neo Materials was headquartered in Toronto, Canada. Through this acquisition Molycorp linked two unique companies – the world-class and high-quality rare earth resource of Molycorp through its Mountain Pass facility with Neo Materials' proven leadership in the development, processing and distribution of technically advanced rare earth products. This combination permits the products extracted at Mountain Pass to be utilized by other Molycorp entities.

11. As a result of this and other transactions, Molycorp now owns several prominent rare earth processing facilities around the world. Molycorp is a leading global

producer, processor and developer of neodymium-iron-boron and rare earth-based engineered materials. These products are essential in many of the end-markets for high-technology applications that Molycorp serves. Molycorp also manufactures a line of mixed rare earth oxides and reclaims, refines and markets high value niche metals and their compounds. In addition to the Debtors, Molycorp's operations include non-debtor subsidiaries, joint ventures and majority owned manufacturing facilities outside of the United States, including in China, South Korea, Thailand, Estonia and Germany. Molycorp also conducts research and product development through laboratories in Singapore and the United Kingdom and has operations in other countries as well.

12. Molycorp has corporate offices in the United States, Canada and China. I, along with the Chief Executive Officer, Geoffrey R. Bedford, and other senior management members are located in Molycorp's corporate offices in Toronto, Canada. Other senior management members are located at our U.S. corporate headquarters in Greenwood Village, Colorado, where various key operational functions are performed.

B. History of Molycorp and the Debtors

13. Mountain Pass's origins trace back to 1950 when Molybdenum Corporation of America ("MCA") purchased mining claims in San Bernardino County, California. In 1977, Union Oil of California ("UNOCAL") purchased MCA, then a publically-traded entity known as Molycorp, Inc. Nearly three decades later, in 2005, Chevron Corporation acquired UNOCAL. In June 2008, privately held Molycorp Minerals, LLC ("Molycorp Minerals") (formerly known as Rare Earth Acquisitions LLC) was formed to acquire the mining and processing operations at Mountain Pass from Chevron Mining Inc., a subsidiary of Chevron Corporation. At that time, the Mountain Pass mining operations were in care and maintenance

and the processing operations were in limited production, based on existing feedstocks. On March 4, 2010, an initial public offering was held for Molycorp, Inc., allowing its common stock to be listed on The New York Stock Exchange (the "NYSE"). As described above, in 2012, Molycorp, Inc. acquired Neo Materials. As a result of this transaction, Molycorp presently is one of the most technologically advanced, vertically-integrated rare earth companies in the world.

C. Molycorp's Business Segments

14. Molycorp's business consists of four main segments: resources ("Resources"), magnetic materials and alloys ("MM&A"), chemicals & oxides ("C&O") and rare metals ("RM"). The Resources segment operates Mountain Pass in San Bernardino County, California. It is devoted to extracting rare earth minerals and producing rare earth concentrates, rare earth oxides and SorbX, a line of proprietary rare earth-based water treatment products. The products generated by Molycorp's Resources segment are used in oil refinery catalyst, automotive, water purification and hybrid and electric vehicle applications.

15. The MM&A segment, with a United States facility in Tolleson, Arizona, produces Neo Powders™, neodymium and samarium magnet alloys, and other specialty alloy products.³ The MM&A segment also has significant foreign operations in China and elsewhere. The end markets for the MM&A segment include computing, automotive, aerospace, healthcare, industrial motors, wind power generation, battery technologies, consumer electronics and home appliance markets.

³ Neo Powders™ are used in the production of high performance, bonded NdFeB permanent magnets, which are found in micro motors, precision motors, sensors and other applications requiring high levels of magnetic strength, flexibility, small size and reduced weight.

16. The C&O segment includes the production and marketing of rare earth oxides and other custom engineered materials. The rare earth oxides are produced at Molycorp's facility in Estonia; the C&O segment also has operations in other parts of the world. The C&O segment provides various applications to the automotive, computing, high-end optics, communication systems, energy efficiency lighting and other end markets.

17. Finally, the RM segment (with domestic facilities in Blanding, Utah and Quapaw, Oklahoma, and foreign operations in Estonia, Germany, China and South Korea) produces, reclaims, refines and markets high value niche metals, including gallium, indium, rhenium, tantalum and niobium, for use in wireless technologies, light-emitting diode, turbines, catalysts, steel additives, electronics and other applications.⁴ Molycorp sells these products directly to customers and through other third party marketing channels.

D. Molycorp and the Debtors' Employees

18. As noted above, Molycorp has a workforce of approximately 2,530 employees. As of the Petition Date, the Debtors had 632 full-time and part-time employees. Included among Molycorp employees' ranks are scientists, engineers, chemist technologists and other highly skilled workers. Of the Debtors' employees, around half are members of the United Steel Workers' union and are subject to a collective bargaining agreement. The Debtors' current contract with United Steelworkers of America was ratified in March 2015 and is a three-year agreement.⁵

⁴ The Quapaw, Oklahoma facility is owned by an entity that is 80% owned by a subsidiary of Molycorp, Inc. This entity is not a debtor in these chapter 11 cases.

⁵ Following the initial 3-year term, the collective bargaining agreement is year to year thereafter unless written notice is given by either party thereto.

E. Molycorp's Assets and Liabilities⁶

19. For the twelve months ending December 31, 2014, Molycorp generated approximately \$475.6 million in revenue. As of December 31, 2014, Molycorp reported negative cash flow from operations of \$222.2 million. In addition, as of March 31, 2015, Molycorp had approximately \$2.495 billion in assets and approximately \$1.786 billion in liabilities based upon the book value of these assets and liabilities. Molycorp had approximately \$74 million in cash as of the Petition Date worldwide, approximately \$21 million of which is located in North America and accessible to the Debtors.

Part II

Corporate and Capital Structure of Molycorp and the Debtors

A. Corporate Structure

20. Molycorp, Inc. is the ultimate parent company of the Debtors and over 20 non-Debtor affiliates. A chart depicting the corporate organizational structure of the Molycorp companies is attached hereto as Exhibit A. As of March 31, 2015, approximately 278 million shares of Molycorp, Inc.'s outstanding common stock were issued and outstanding.

B. Prepetition Capital Structure

21. Molycorp has in excess of \$1.7 billion in outstanding secured and unsecured debt obligations. As of the Petition Date, the Debtors' primary funded debt obligations consisted of: (a) two senior secured term loans and a sale-leaseback financing arrangement, all with affiliates of and funds managed by Oaktree Capital Management, L.P. (collectively, "Oaktree"); (b) one series of senior secured notes; and (c) three series of unsecured

⁶ The figures in this paragraph, other than the last sentence, is based upon information provided in Molycorp, Inc.'s most recent Form 10-Q or 10-K.

convertible notes. Molycorp also has other funded debt obligations within North America and around the world. The significant liabilities of the Debtors are described in more detail below.

Oaktree Secured Financings

22. Parent Credit Agreement. On September 11, 2014, Molycorp, Inc. entered into a Credit Agreement (the "Parent Credit Agreement") with OCM MLYCo CTB Ltd., an exempted company formed under the laws of the Cayman Islands ("OCM") and an affiliate of Oaktree, as administrative agent and first priority collateral agent. The Parent Credit Agreement provided for, among other things, a term loan facility in an amount of up to \$185.0 million, \$50.167 million of which was advanced at the initial funding, and \$134.833 million was subject to a delayed draw to be advanced upon the satisfaction of, among others, certain operational and financial conditions. As of the Petition Date, the Debtors have not satisfied the conditions required to draw on the remaining \$134.833 million of the Parent Credit Agreement, and the Debtors do not expect that they will satisfy these conditions within the timeframes required by the Parent Credit Agreement. As of the Petition Date, there is approximately \$52 million in aggregate principal amount of indebtedness (including \$1.92 million in payable in kind interest) outstanding under the Parent Credit Agreement.

23. Magnequench Credit Agreement. On September 11, 2014, Debtor Magnequench, Inc. ("Magnequench"), an indirect subsidiary of Molycorp, Inc., entered into a Credit Agreement (the "Magnequench Credit Agreement" and together with the Parent Credit Agreement, the "Oaktree Credit Agreements") with OCM, as administrative agent and first priority collateral agent. The Magnequench Credit Agreement provided for, among other things, a term loan facility in an amount of up to \$75 million, \$60 million of which was advanced at the

initial funding and \$15 million was subject to a future draw.⁷ As of the Petition Date, there is approximately \$62.3 million in aggregate principal amount of indebtedness (including \$2.30 million in payable in kind interest) outstanding under the Magnequench Credit Agreement.

24. The interest rates applicable to the loans under the Oaktree Credit Agreements are currently 7.00% per annum payable in cash and 5.00% per annum payable in kind, and will remain so until June 14, 2016. After June 14, 2016, the interest rate converts to 12.00% per annum payable in cash unless certain conditions are satisfied.⁸ By their terms, during the continuance of an event of default, the loans under the Oaktree Credit Agreements bear interest at an additional 2% per annum. The Oaktree Credit Agreements mature on September 11, 2019, with the potential for earlier springing maturity dates if the outstanding amounts under the Debtors' 3.25% Convertible Senior Notes of Molycorp, Inc. due 2016 (the "2016 Notes"), 6.00% Convertible Senior Notes of Molycorp, Inc. due 2017 (the "2017 Notes") or 5.5% Convertible Senior Notes of Molycorp, Inc. due 2018 (the "2018 Notes," and collectively with the 2016 Notes and the 2017 Notes, the "Convertible Notes") are not reduced below certain specified dollar thresholds at specified points in time beginning in 2016. The Oaktree Credit Agreements also provide that the Debtors shall not make any other voluntary prepayments of the loans prior to the fourth anniversary of the closing date and contain

⁷ The Debtors did not draw more than the \$60 million because they concluded that doing so risked violating covenants under certain of their other debt instruments.

⁸ The Oaktree Credit Agreements would not convert to 12.00% interest payable in cash under certain conditions. In particular, if the remaining 2016 Notes (defined below) are repaid in full with the proceeds of the sale of common equity of Molycorp, Inc. or are exchanged for common equity of Molycorp, Inc. (the "2016 Notes Equity Refinancing") then interest rates under the Oaktree Credit Agreements will remain as they are.

substantial early prepayment premiums that can be triggered if the Debtors choose to make prepayments and under other conditions set forth thereunder.⁹

25. Sale-Leaseback Financing. In connection with the Oaktree Credit Agreements, Molycorp Minerals entered into a purchase and sale agreement with OCM on September 11, 2014 (the "Oaktree Sale Agreement"). Pursuant to the terms of the Oaktree Sale Agreement, Molycorp Minerals sold certain equipment (the "Mountain Pass Equipment") located at Mountain Pass for gross proceeds of \$139,833,000. The Mountain Pass Equipment included various equipment integral to operations at the Mountain Pass facility, including components of a natural gas powered co-generation power plant, a chlor-alkali facility, crushing and milling operations, and a water treatment plant. Under the terms of the Oaktree Sale Agreement, the proceeds of the purchase price received by Molycorp Minerals were used for the development and improvement of the Mountain Pass Equipment and other assets of the Debtors at Mountain Pass, interest expense and other general corporate purposes.

26. Notwithstanding the sale, the Mountain Pass Equipment remained in place after the closing of the Oaktree Sale Agreement. Concurrently with the Oaktree Sale Agreement, Molycorp Minerals and OCM entered into an equipment lease agreement (the "Oaktree Lease" and together with the Oaktree Credit Agreements, the "Oaktree Secured Financings") which provided for Molycorp Minerals to lease back all of the Mountain Pass Equipment from OCM. The Oaktree Lease was structured as a triple net, full payment, financing lease with a five-year

⁹ The early prepayment premium amounts set forth in the Oaktree Credit Agreements are calculated as follows: (i) 43.8% of the principal amount so prepaid if paid prior to September 11, 2015, (ii) 33.7% of the principal amount so prepaid if paid on or after September 11, 2015 but prior to September 11, 2016, (iii) 23.0% of the principal amount so prepaid if paid on or after September 11, 2016 but prior to September 11, 2017, (iv) 11.5% of the principal amount so prepaid if paid on or after September 11, 2017 but prior to September 11, 2018 and (v) 3.0% of the principal amount so prepaid if paid on or after September 11, 2018.

term. The Oaktree Lease requires quarterly rent payments with a \$179.911 million balloon payment at the end of the lease term, and with a \$1 purchase option at the end of the lease term. However, if the 2016 Notes Equity Refinancing does not occur by June 15, 2016, payments under the Oaktree Lease are to be made under an alternative payment schedule that accelerates quarterly rent payments and has a balloon payment of approximately \$147 million at the end of the lease term. Upon the occurrence of a "lease event of default" under the Oaktree Lease, Oaktree may, among other things, repossess the Mountain Pass Equipment, seek specific performance or to recover damages for breach, seek to accelerate the obligations thereunder and seek to be paid unpaid rent and other unpaid amounts plus the stipulated loss value under the Oaktree Lease. The stipulated loss value is set forth in a schedule to the Oaktree Lease and is intended to function in a manner similar to the early prepayment premiums under the Oaktree Credit Agreements.¹⁰ Absent access to the Mountain Pass Equipment, the Mountain Pass facility could not operate, and finding and installing suitable substitutes for the Mountain Pass Equipment would take the Debtors months, if not years, in light of the highly-specialized nature of the equipment.

10% Senior Secured Notes

27. On May 25, 2012, Molycorp, Inc. issued \$650.0 million aggregate principal amount of the 10% senior secured notes (the "10% Senior Secured Notes") which mature on June 1, 2020. Wells Fargo Bank, National Association serves as indenture trustee for the 10% Senior Secured Notes. The 10% Senior Secured Notes bear interest at the rate of 10% per year payable on June 1 and December 1 of each year beginning on December 1, 2012.

¹⁰ The stipulated loss value amounts were calculated to provide Oaktree with early prepayment premiums in amounts consistent with those provided for under the Oaktree Credit Agreements, as described in footnote 9 above.

Molycorp, Inc. is permitted to redeem the 10% Senior Secured Notes if it pays a redemption price that includes a prepayment premium.

28. As of the Petition Date, there is approximately \$650 million in aggregate principal outstanding under the indenture governing the 10% Senior Secured Notes (the 10% Senior Secured Notes Indenture). In addition, as of the Petition Date, the Debtors have not made the June 1, 2015 interest payment in the amount of \$32.5 million.

Guarantors and Collateral Package for Secured Obligations

29. Six Molycorp entities have guaranteed or are borrowers under the 10% Senior Secured Notes Indenture. Each of these six entities is also a borrower/lessor or guarantor under the Oaktree Secured Financings (the "Shared Borrowers/Guarantors").¹¹ An additional 20 entities are borrowers or guarantors for the Oaktree Secured Financings (the "Oaktree-Only Borrowers/Guarantors"). All of the Debtors in these chapter 11 cases are Shared Borrowers/Guarantors or Oaktree-Only Borrowers/Guarantors. All of the Shared Borrowers/Guarantors are Debtors in these chapter 11 cases. However, only certain of the Oaktree-Only Borrowers/Guarantors are Debtors in these chapter 11 cases, as seven foreign Molycorp entities that are Oaktree-Only Borrowers/Guarantors have not commenced chapter 11 proceedings or other foreign insolvency proceedings.

30. The obligations under the Oaktree Secured Financings and the 10% Senior Secured Notes Indenture are secured by a *pari passu* lien on substantially all of the assets of Molycorp, Inc. and the other five Shared Borrowers/Guarantors, including a *pari passu* lien on corporate cash, the assets located at Mountain Pass, and 65% of the equity interests in other

¹¹ Molycorp, Inc. is the borrower under the Parent Credit Agreement and the 10% Senior Secured Notes Indenture. Molycorp, Inc. is a guarantor under the Magnequench Credit Agreement and the Oaktree Lease and, accordingly, is one of the "Shared Borrowers/Guarantors" when the Magnequench Credit Agreement and/or the Oaktree Lease are referenced in this Declaration.

Molycorp entities, among other things (the "Pari Passu Collateral").¹² The lien is held by Wells Fargo Bank, National Association, as collateral agent under the collateral agency agreement, which agreement provides that the Oaktree Secured Financings and the 10% Senior Secured Notes Indenture share on an equal and ratable basis in the value of the Pari Passu Collateral.¹³

31. The obligations of certain (but not all) of the Oaktree-Only Borrowers/Guarantors are secured by a first priority lien on some (but not all) of the equity interests owned by the Oaktree-Only Borrowers/Guarantors, including pledges of 100% or 65% of the equity of certain foreign subsidiaries (the "Oaktree Equity Pledges"). Further, the Magnequench Credit Agreement is secured by the Oaktree Equity Pledges and a first priority lien on substantially all of the assets of Magnequench, Inc. (collectively, with the Oaktree Equity Pledges, the "Oaktree Collateral").

2018 Notes

32. On January 30, 2013, Molycorp, Inc. issued \$150 million in aggregate principal amount of unsecured 2018 Notes. On March 1, 2013, the underwriters exercised their options to purchase an additional \$22.5 million in aggregate principal amount of 2018 Notes. The 2018 Notes pay interest at a rate of 5.50% semi-annually in arrears on February 1 and August 1 of each year, commencing on August 1, 2013. The 2018 Notes will mature on February 1, 2018, unless earlier repurchased, redeemed or converted in accordance with their terms prior to that date. The 2018 Notes are convertible at any time into shares of Molycorp,

¹² Only 65% of the equity of these entities was pledged as Pari Passu Collateral: Industrial Minerals, LLC; Molycorp Luxembourg Holdings S.à r.l.; MCP Exchangeco Inc.; MCP Calco ULC; and Molycorp Silmet AS.

¹³ However, the maximum principal amount of debt under the Oaktree Secured Financings secured by the collateral that also secures the 10% Senior Secured Notes shall not exceed \$300 million in the aggregate at any time or such higher amount permitted by the 10% Senior Secured Notes Indenture.

Inc.'s common stock, cash, or a combination thereof at Molycorp, Inc.'s election. As of the Petition Date, there is approximately \$148.9 million in outstanding 2018 Notes.

2017 Notes

33. On August 22, 2012, Molycorp, Inc. issued \$360 million in aggregate principal amount of unsecured 2017 Notes. On August 28, 2012, the underwriters exercised their options to purchase an additional \$54 million in aggregate principal amount of 2017 Notes. The 2017 Notes pay interest at a rate of 6.00% semi-annually in arrears on March 1 and September 1 of each year, commencing on March 1, 2013. The 2017 Notes will mature on September 1, 2017, unless earlier repurchased, redeemed or converted in accordance with their terms prior to that date. As of the Petition Date, there is approximately \$383 million in outstanding 2017 Notes.

2016 Notes

34. On June 15, 2011, Molycorp, Inc. issued \$230 million in aggregate principal amount of unsecured 2016 Notes. The 2016 Notes pay interest at a rate of 3.25% semi-annually in arrears on June 15 and December 15 each year, commencing on December 15, 2011. The 2016 Notes will mature on June 15, 2016, unless earlier repurchased, redeemed or converted in accordance with their terms prior to that date. As of the Petition Date, there is approximately \$206.5 million in outstanding 2016 Notes.

2017 Neo Debentures

35. As a result of the acquisition of Neo Material Technologies Inc. on June 11, 2012, Molycorp, Inc. assumed \$230 million principal amount of subordinated unsecured convertible debentures of Neo Material Technologies Inc. (the "2017 Neo Debentures"). Molycorp, Inc.'s obligations under the indenture governing the 2017 Neo Debentures are subordinate and subject to the prior payment in full of all Molycorp, Inc.'s existing and future

indebtedness (unless the documentation of such other indebtedness indicates otherwise).

The 2017 Neo Debentures pay interest at a rate of 5.00% per annum and mature on December 31, 2017. As of the Petition Date, Molycorp, Inc. owes approximately \$1.75 million in aggregate principal outstanding under the 2017 Neo Debentures.

Capital Leases

36. In 2013 and 2014, Molycorp Minerals entered into nine lease agreements with Komatsu Equipment. Each lease had a term of 48 months and provided for the use of certain mining equipment at Mountain Pass. At the inception of the leases, the aggregate amount of future minimum lease payments for all capital lease agreements with Komatsu Equipment was approximately \$8.3 million.

Unsecured Trade Debt

37. In the ordinary course of operating their global rare earth and rare metal production and manufacturing facilities, the Debtors have historically purchased raw materials and other goods and services from hundreds, if not thousands, of vendors. Certain of those raw materials, goods and services are essential to the Debtors' operations, including (a) chemical reagents and consumable supplies that are used at Mountain Pass and (b) waste and wastewater hauling from the Debtors' operations at Mountain Pass. As of the Petition Date, the Debtors estimate that they owe tens of millions for raw materials and other unsecured obligations for goods and services.

Firm Transportation Service Agreement

38. On September 30, 2010, Molycorp Minerals and Kern River Gas Transportation Company ("Kern River") entered into the Firm Transportation Service Agreement (the "TSA") under which Kern River agreed to construct and operate facilities necessary to provide natural gas transportation services to Mountain Pass. Under the terms of the TSA,

Molycorp Minerals agreed to pay Kern River for the cost attributable to the design, permitting and construction of the delivery facilities through a transportation service charge of approximately \$407,000 per month for ten years. The term of the TSA commenced on June 1, 2012, the date on which Kern River deemed the TSA facilities ready to provide service. At the inception of the TSA, the aggregate future minimum lease payments were approximately \$51.5 million, of which approximately \$34.6 million remain outstanding. The Debtors deposited approximately \$20.6 million in escrow on Kern River's behalf to secure remaining obligations owed to it by the Debtors.

Part III

Events Leading to the Commencement of These Cases

39. Since its purchase of Mountain Pass in 2008, Molycorp has allocated substantial resources and strategy to rebuilding and improving new technologies and processes to create a unique rare earth production facility that utilizes advanced technologies to both increase performance and optimize operational economics. This new approach coincides with a growing demand by governments, customers and other stakeholders for rare earths that are produced efficiently, cost-effectively and with less environmental impact. As a central component of this approach, Molycorp has been devoted to the ramp-up and expansion of Mountain Pass.

40. In recent years, Molycorp has been cash flow negative as it made significant capital expenditures to modernize and expand its production capabilities at Mountain Pass. Mountain Pass production levels have been and continue to be less than hoped and delays have been and continue to be experienced. These production delays are the result of several factors related to the start-up of complex, multi-stage mining and chemical manufacturing facilities, including the following: certain defective engineering work that required additional engineering, procurement and construction to correct; delays in the delivery of critical parts and

equipment; production bottlenecks during start-up and optimization; and issues with the chlor-alkali plant and its production of hydrochloric acid (a necessary component for Molycorp's chemical processing of rare earths), combined with constraints in the commercial availability of hydrochloric acid. Since the fourth quarter of 2014, engineers at the Mountain Pass facility have identified process changes to allow the chlor-alkali plant to efficiently produce hydrochloric acid on-site; however, this remains a work in process.

41. Pricing of rare earths has been highly volatile. Between 2008 and 2011, prices for rare earths increased significantly—in some cases to 20 or 30 times their prior price. Since then, however, the pricing environment of rare earth materials has weakened significantly. This weakening is potentially attributable to various factors. Worldwide supply of rare earth materials has increased, including due to the resumption of operations at Mountain Pass. Part of this increase in supply is due to illegal mining operations in China, which produce rare earth materials without regulatory oversight. In addition, the Chinese government has recently removed its export tariffs, making China's domestically-produced rare earth materials more competitive in the marketplace.

42. As Molycorp was experiencing these stressors during early and mid-2014, it became apparent that it would need additional financing sources to provide it with the time and money necessary to fully ramp-up and optimize Mountain Pass. Accordingly, Molycorp entered into the Oaktree Secured Financings in September 2014, pursuant to which it received an immediate \$250 million in gross proceeds. In addition, the Oaktree Secured Financings provided for an additional \$150 million in gross proceeds if certain operational and financial hurdles were achieved.

43. Molycorp, Inc.'s share price peaked at nearly \$80 per share in 2011, corresponding with the most recent price spike for rare earth materials. While Molycorp, Inc.'s share price declined thereafter, it remained at or above \$20 per share through much of 2012. Beginning in mid-2012, the price for Molycorp, Inc.'s shares declined substantially through the end of 2014. On December 30, 2014, Molycorp, Inc. received a written notice from NYSE Regulation, Inc. that it was not in compliance with the continued listing standards set forth by the NYSE due to the average closing price of the Molycorp, Inc.'s common stock being less than \$1.00 per share over a period of 30 consecutive trading days.

44. While the Oaktree Secured Financings gave Molycorp significant additional liquidity to complete its ramp-up, Molycorp management realized near the end of 2014 that it was becoming increasingly likely that Molycorp might need a more fulsome restructuring of its liabilities. In late 2014 and in early 2015, Molycorp became increasingly concerned about its ability to meet certain operational and financial hurdles under the Oaktree Secured Financings that would permit it to access the additional \$150 million that was undrawn under these facilities. For these reasons, in late 2014 and early 2015, Molycorp retained restructuring advisors to advise it and began to explore various financing and deleveraging alternatives to permanently address liquidity issues and achieve a sustainable capital structure. Molycorp management, in connection with its advisors, worked to develop a revised business plan and to evaluate the debt capacity of the business under that plan.

45. Molycorp and its professionals engaged a number of stakeholders in February 2015 and thereafter to discuss both in-court and out-of-court restructuring alternatives. Various stakeholder advisors executed nondisclosure agreements and received access to Molycorp's financial and operational information throughout the spring of 2015. Mountain Pass

site visits and meetings with management were arranged for a number of stakeholders and their advisors. This diligence process provided the necessary groundwork for stakeholders to enter into negotiations with Molycorp regarding the terms of a potential restructuring. The discussions that resulted from this diligence largely involved in-court restructuring alternatives and implicitly valued Molycorp for less than its outstanding liabilities. No potential investor was identified that would make a new money investment (equity or debt) in Molycorp on an out-of-court basis under the existing capital structure. After negotiations with various parties, the Debtors began to focus their efforts on the terms of a restructuring proposal made by a group of holders of its 10% Senior Secured Notes (the "Supporting 10% Noteholders") that seemed most likely to result in a successful, value-maximizing restructuring, while continuing a dialogue with all relevant stakeholder groups.

46. On June 1, 2015, Molycorp, Inc. announced its decision to take advantage of a 30-day grace period with respect to the \$32.5 million semi-annual interest payment due June 1, 2015 on the 10% Senior Secured Notes, as provided for in the 10% Senior Secured Notes Indenture. Additionally, on June 15, 2015, Molycorp, Inc. announced its decision to take advantage of a 30-day grace period with respect to the \$3.36 million semi-annual interest payment due June 15, 2015 on the 2016 Notes, as provided for in the indenture governing the 2016 Notes. The Debtors used those grace periods to continue to evaluate their options related to their debt restructuring, negotiate with their various creditor constituents and, ultimately, enter into the Restructuring Support Agreement (as defined below).

Part IV

The DIP Credit Facility and Restructuring Support Agreement

47. After determining that an in-court restructuring process was likely to be necessary, the Debtors, with the assistance of Miller Buckfire and Jones Day, explored various

options with respect to postpetition financing. After considering available options, including a proposal from Oaktree, the Debtors have determined that the debtor in possession financing proposal of the Supporting 10% Noteholders provides the Debtors with the best opportunity to continue operations, complete these chapter 11 cases in a timely manner and maximize the value of their estates. This proposal provides the Debtors with necessary funding during these cases as well as, subject to conditions and the reasonable approval of the DIP Lenders (defined below), financing at the exit of these cases, and thus constitutes a viable bridge to a restructured Molycorp. In that regard, the Debtors have obtained the agreement of holders of more than 74% (in amount) of their 10% Senior Secured Notes for the structure of a chapter 11 plan through the Restructuring Support Agreement (defined below), the terms of which are described below.

A. Postpetition Financing

48. Concurrently with the filing of these chapter 11 cases, the Debtors filed a motion (the "DIP Motion") seeking, among other things, authorization to obtain proposed postpetition financing consisting of a superpriority, secured debtor in possession facility (the "DIP Facility") of up to \$225 million in gross proceeds provided by certain holders of the 10% Senior Secured Notes (the "DIP Lenders"). Participation in the DIP Facility will be offered to all eligible holders of 10% Senior Secured Notes on a *pro rata* basis pursuant to solicitation procedures that are described in the DIP Motion. The DIP Facility is structured to permit draws upon it within chapter 11 after the interim and final DIP Facility hearings, with the remainder of the availability under the facility (to the extent not drawn during the chapter 11 cases) converting to an exit facility upon the Debtors' emergence from chapter 11, subject to the approval of the board of reorganized Molycorp. It is contemplated that the Debtors will draw \$130 million in gross proceeds during their chapter 11 cases, with the remaining \$72.5 million in gross proceeds

available as an exit facility. The DIP Facility is not contemplated to be paid in cash at exit from chapter 11, but instead will be satisfied with the reinstated 10% Senior Secured Notes.

49. Subject to the Final Order, borrowings under the DIP Facility will be guaranteed by all of the Debtors, as well as two non-debtor foreign entities, and claims under the DIP Facility shall be superpriority administrative expense claims against the Debtors.¹⁴ In addition, upon entry of the Final Order, the DIP Facility will be secured by a security interest in (a) the Debtors' unencumbered assets, which shall rank senior to all other interests in such assets; (b) collateral pledged solely to Oaktree under the Oaktree Secured Financings, which shall rank junior to Oaktree; and (c) Pari Passu Collateral, which liens shall be pari passu to the interests of Oaktree in such collateral and shall be senior to and will prime the interests of the holders of 10% Senior Secured Notes.¹⁵

50. In order to ensure that the DIP Facility is fully subscribed, the DIP Facility is being backstopped on a *pro rata* basis by a group of the Debtors' Supporting 10% Noteholders (the "Backstop Parties") for consideration of 2.0% of the face amount of the DIP Facility paid in cash, reinstated 10% Senior Secured Notes, or equity issued by reorganized Molycorp, Inc. at emergence from chapter 11, at the election of a majority of the Backstop Parties.

51. The DIP Facility is intended to (a) provide the Debtors with working capital necessary to operate during the course of these chapter 11 cases (b) enable the Debtors to fund the administration of these chapter 11 cases and (c) enable the Debtors to consummate the restructuring pursuant to the Restructuring Support Agreement. In addition, the DIP Lenders

¹⁴ Certain of the superpriority administrative expense claims will take effect upon entry of the interim order approving the DIP Facility, as described in more detail in the DIP Motion.

¹⁵ Certain of the above-described liens will attach, or have priority over other liens, upon entry of the interim order approving the DIP Facility, as described in more detail in the DIP Motion.

have provided a commitment to provide an exit facility to the Debtors upon their emergence from these chapter 11 cases, subject to the approval of the board of reorganized Molycorp. The DIP Credit Agreement also contains various milestones, including that, within 60 days of the Petition Date, the Company shall complete and obtain their newly-appointed CRO's endorsement of a business review process (the "Business Review").

52. As a condition of the DIP Facility, the Debtors must remain in compliance with the DIP Budget. I am familiar with the DIP Budget and I, along with AlixPartners, LLP and other members of the Debtors' senior management, assisted in its development. The DIP Budget was developed based upon a comprehensive review of the Molycorp entities' operations and seeks to take into account the operational changes necessitated by, and the additional costs associated with, the Debtors' chapter 11 filings. While various pricing and other assumptions that are beyond the control of management necessarily form the basis for the DIP Budget, I believe that the revenue and expense projections are likely to be achieved by the Debtors and that the Debtors are likely to be in compliance with the DIP Budget (within the permitted variances) for the duration of these chapter 11 cases.

B. The Restructuring Support Agreement

53. As described above, shortly before the Petition Date, after months of negotiations, the Debtors and the Supporting 10% Noteholders entered into a restructuring support agreement (the "Restructuring Support Agreement") that sets forth the structure for a confirmable plan of reorganization that provides for a comprehensive deleveraging of Molycorp's balance sheet.

54. The Restructuring Support Agreement contemplates that the holders of the 10% Senior Secured Notes will return the 10% Senior Secured Notes to Molycorp in exchange for their *pro rata* share of 100% of the common stock issued by reorganized Molycorp, Inc.,

subject to dilution on account of, among other things, the Rights Offering (as defined below). The Oaktree Credit Agreements and related collateral documents will be unimpaired and reinstated in accordance with section 1124 of the Bankruptcy Code and the Oaktree Lease will be assumed pursuant to section 365 of the Bankruptcy Code, thereby avoiding a sizeable makewhole premium that might otherwise potentially be due under the Oaktree Secured Financings. The Restructuring Support Agreement contemplates that, as part of the plan of reorganization, the holders of the 2018 Notes, the 2017 Notes and the 2016 Notes (collectively, the "Convertible Unsecured Notes") will be classified together and receive the right to participate in a rights offering (the "Rights Offering") to acquire shares of reorganized Molycorp, Inc.'s common stock (subject to dilution). The Rights Offering will close, however, only if the combined class of Convertible Unsecured Notes votes to accept the Debtors' proposed plan of reorganization in accordance with section 1126 of the Bankruptcy Code. The proceeds raised from the Rights Offering will be used to reduce the size of the exit facility and, if the exit facility is reduced to zero, to pay down the DIP Lenders' claims associated with the DIP Facility. Holders of the 2017 Neo Debentures will not receive any distribution under the Debtors proposed plan of reorganization on account of their claims outstanding under the 2017 Neo Debentures. Existing equity interests will be canceled.

55. The Restructuring Support Agreement also requires the Debtors to engage Mile 26 Capital, LLC ("Mile 26") to provide a CRO to Molycorp, Inc., and Mile 26 has designated Randy Weisenburger to serve in that role. The Supporting 10% Noteholders insisted, and it was a critical component of their agreement to enter into the DIP Facility, that the Debtors agree to the appointment of the CRO to assist in, among other things, improving the efficiency of the Debtors' business operations as part of the Business Review. The responsibilities of the CRO

include, among others, (a) serving as a senior executive of the Debtors reporting to the board of directors of Molycorp, Inc., (b) controlling the Debtors' cash functions, including capital expenditures and draws from a DIP Facility account in accordance with the DIP Budget, (c) controlling certain aspects of any section 363 sale, certain of which remain subject to the ultimate approval of Molycorp's board of directors, and (d) providing input and consultation to Debtor management with respect to the Business Review.

56. The Debtors believe that commencement of these chapter 11 cases will provide Molycorp with its best opportunity to appropriately address its long-term liquidity and balance sheet concerns. The Debtors further believe that confirmation of a chapter 11 plan in the form contemplated under the Restructuring Support Agreement is the best option available to Molycorp, the Debtors and their estates and creditors.

Part V

Facts Relevant to the First Day Pleadings

57. Concurrently with the filing of these chapter 11 cases, the Debtors filed the First Day Pleadings requesting various forms of relief. Generally, the First Day Pleadings have been designed to meet the Debtors' goals of: (a) continuing their operations in chapter 11 with as little disruption and loss of productivity as possible; (b) maintaining the confidence and support of their customers, employees, vendors, suppliers and service providers during the Debtors' reorganization process; and (c) establishing procedures for the smooth and efficient administration of these chapter 11 cases.

58. I have reviewed each of the First Day Pleadings filed contemporaneously herewith. It is my belief that the relief sought in each of the First Day Pleadings is tailored to meet the goals described above and, ultimately, will enhance the Debtors' ability to achieve a successful reorganization.

59. It is my further belief that, with respect to those First-Day Pleadings requesting the authority to pay discrete prepetition claims or continue selected prepetition programs (e.g., those First-Day Pleadings seeking relief related to, among other things, the Debtors' obligations to their vendors, employees, customers, lienholders, taxing authorities and insurers), the relief requested is essential to the Debtors' reorganization and necessary to avoid immediate and irreparable harm to the Debtors and their employees, customers and affected vendors. The Debtors believe that payment of those selected prepetition claims identified in the First Day Pleadings will forestall such irreparable harm, thus maximizing the value of the Debtors to the benefit of all stakeholders.

60. The Debtors have an immediate need to continue the orderly operation of their business by securing goods and paying employees in the normal course of business. The Debtors' continued operations will enable the Debtors to preserve the going concern value of their estates and re-establish any lost vendor and customer confidence. Further, the Debtors believe that such relief will enable them to stabilize their operations and avoid a chaotic post-filing period.

A. Administrative Motions

61. The Debtors will present two purely "administrative" motions, which (a) seek to have the Debtors' bankruptcy cases jointly administered and (b) seek approval to retain Prime Clerk, LLC as claims and noticing agent.

B. Notice of Commencement and Certain Notice Procedures

62. The Debtors' consolidated creditor matrix includes thousands of parties that may receive certain notices during these cases. Because of the scope of the Debtors' operations, I believe that the costs of providing traditional notice (i.e., mailing printed copies of

pleadings via first class mail) will be unnecessarily burdensome and costly to the Debtors' estates. To alleviate that burden and to conserve the limited resources available in these chapter 11 cases, the Debtors will file a motion seeking entry of an order establishing certain procedures (the "Notice Procedures") regarding notice to and service of documents on parties entitled to receive notice in these bankruptcy cases. In addition, the Debtors will further request authority for Prime Clerk, LLC to serve a notice of commencement of these chapter 11 cases and the initial meeting of creditors under section 341(a) of the Bankruptcy Code (the "341 Meeting").

C. Extension of Time to File Schedules, Statements and Rule 2015.3 Reports and Waiver of Requirement to File Equity Holder List

63. Due to the (a) size and complexity of the Debtors' businesses and financial affairs, (b) decentralized nature of the information and (c) critical matters that the Debtors' management and professionals were required to address prior to commencement of these chapter 11 cases, the Debtors will present a motion for entry of an order granting them an extended deadline of 60 days from the Petition Date to gather the information necessary to complete and file the required: (i) schedules of assets and liabilities, (ii) schedules of executory contracts and unexpired leases and (iii) statements of financial affairs. In addition, the Debtors will request an extension of time until 60 days after the Petition Date to file their initial reports of financial information in respect of entities in which their chapter 11 estates hold a controlling or substantial interest, as set forth in Bankruptcy Rule 2015.3. Finally, because Molycorp, Inc. was a publicly-traded entity whose shareholders were widely dispersed, the Debtors will also request a waiver of the requirement that Molycorp, Inc. file a list of equity security holders within fourteen days of the Petition Date, as set forth in Bankruptcy Rule 1007(a)(3) and will request a modification to the form of notice that equity security holders receive of the commencement of these chapter 11 cases.

D. Employees

64. The continued and uninterrupted support of the employees is essential to the Debtors' success. The employees perform a variety of critical functions in the Debtors' global rare earths and rare metals production and supply chain. The skills and experience of the employees, their relationships with key parties to the Debtors' business, such as customers and vendors, and their knowledge of the Debtors' products, infrastructure and business are essential to the preservation of the value of the Debtors' estates and, thus, the ability of the Debtors to emerge from chapter 11 as part of a restructured Molycorp. Interruptions in payment of prepetition employee-related obligations will impose hardship on the employees and is certain to jeopardize their continued performance during this critical time.

65. To minimize the personal hardship that employees will suffer if prepetition employee-related obligations are not paid when due, and to maintain the employees' morale during this critical time, it is important that the Debtors be permitted to pay and/or perform, as applicable, employee-related obligations, including the following: (a) employee wages, salaries, overtime pay, contractual compensation, vacation and holiday pay, certain bonuses and other accrued compensation; (b) prepetition business expenses, including travel, lodging, moving and relocation expenses, expenses of employees located overseas and other reimbursable business expenses; (c) prepetition contributions to, and benefits under, employees' benefit plans; (d) prepetition payroll deductions and withholdings with respect to employees; and (e) all costs and expenses incident to the foregoing payments and contributions (including payroll-related taxes and administrative and processing costs).

66. The Debtors are also seeking authority on a second-day basis, after notice and a hearing, to (a) continue their severance and bonus programs with respect to non-insider

employees and (b) pay in cash the value of unpaid and accrued vacation time under the Debtors' vacation policy upon termination of an employee on a postpetition basis, all as more fully described in the employee motion. The payment and continuation of certain severance benefits and bonus programs and accrued vacation time upon termination of an employee is critical to maintaining employee morale at a critical juncture for the Debtors.

E. Essential Suppliers

67. The Debtors, in the ordinary course of their businesses, utilize certain suppliers who (a) supply goods or services critical to the continued operation of the Debtors' businesses and (b) do not have long-term contractual obligations requiring them to supply such goods or services (collectively, the "Essential Suppliers"). The Essential Suppliers provide the Debtors with (a) chemical reagents and defoaming reagents that are essential for the operation of the Mountain Pass facility, (b) essential consumable supplies, including, among other items, filters, liners, pumps, valves and gaskets utilized in the Debtors' extraction and separation operations at Mountain Pass, (c) waste removal and water hauling services necessary for collecting and transporting waste and wastewater from the facilities at Mountain Pass to off-site locations and (d) the services of certain vendors that have specific expertise, skills and experience to repair equipment and machinery at the Mountain Pass facility and apply treatments to the Debtors' materials other facilities of the Debtors.

68. The Debtors intend to enforce their contractual agreements with their suppliers where appropriate and will seek to require them to continue to ship to the Debtors notwithstanding the commencement of these chapter 11 cases. Many of the essential suppliers to the Debtors are not party to long-term contractual arrangements with the Debtors. Accordingly, the Debtors have determined that obtaining authority to pay a certain, limited number of Essential Suppliers in an aggregate amount not to exceed \$4.6 million and upon the conditions

set forth in the relevant motion, is critical to prevent disruptions to their operations. In addition, the Debtors intend to require postpetition commitments from Essential Suppliers in exchange for, and as a condition to, payment of the claims held by the Essential Suppliers.

F. Lienholders

69. In connection with day-to-day operation of their business, the Debtors rely heavily on commercial common carriers, customs brokers and warehousemen (collectively, the "Distribution Network Vendor Claimants") to ship, transport, store, move through customs and deliver goods through established distribution networks. Additionally, in the ordinary course of business, the Debtors employ the services of parties that perform construction or repair services as part of the modernization and expansion of the Mountain Pass facility and other facilities (the "Mechanics Lien Claimants" and together with the Distribution Network Vendor Claimants, the "Lien Claimants").

70. It is essential to the Debtors' reorganization that they insure that the flow of products throughout the Debtors' distribution network (including products being delivered from the Debtors to their customers) and the performance of construction or repair services at the Debtors' facilities remains constant, timely and efficient. Should the Debtors' flow of goods or receipt of such services be interrupted, the Debtors or their foreign affiliates could suffer disruptions of their businesses and could fail to make timely customer deliveries, with a corresponding loss of customer confidence. Molycorp cannot afford any material disruptions of their business operations or present anything less than a "business as usual" appearance to its customers.

71. As a result of the foregoing, the Debtors will seek entry of an order authorizing them to pay the undisputed amounts owed by the Debtors on account of outstanding

claims held by certain Lien Claimants in an aggregate amount not to exceed \$3.6 million and to discharge the liens that such Lien Claimants may have on the Debtors' property. Since statutory liens are generally senior liens under applicable state law, and because the amounts owed to the Lien Claimants who have lien rights likely are far less than the value of the property securing their claims, such parties are likely fully secured creditors. As such, the payment of their prepetition claims will give them no more than that to which they will likely be entitled to receive in the Debtors' bankruptcy cases.

G. Customer Programs

72. The Debtors, in the ordinary course of their businesses, engage in certain sales practices that are designed to maximize their profitability. Certain of these programs are designed to inspire confidence in customers that intend to purchase and use the Debtors' custom engineered rare earth products. Other programs are designed to attract new customers and to enhance loyalty and sales among the Debtors' customer base.

73. The Debtors provide rebates to certain customers on applicable purchases. The Debtors' rebate program (the "Rebate Program") is not uniform across business segments and customers; in fact, most of the Debtors' customers do not receive rebates under the Rebate Program. Rebates are negotiated with certain customers in specific circumstances as part of the ordinary course business negotiation with those customers and commonly are contractually agreed-upon. The Rebate Program allows the Debtors to preserve the goodwill of certain of their customers and can permit them to offer discounts to attract new customers. As of the Petition Date, the Debtors estimate that no more than around \$1.15 million in rebate obligations had accrued but had not been paid. As such, the Debtors seek authorization, to satisfy, honor and fulfill all obligations relating to the Rebate Program that do not exceed \$1.3 million.

74. Also, in the ordinary course of their businesses, the Debtors provide indemnities to certain of their customers, both through provision in certain sales agreements and through stand alone indemnity agreements (collectively, the "Indemnity Agreements"). The Indemnity Agreements take several forms, but all provide for indemnities issued by the Debtors in favor of customers. These agreements are designed to provide protection to customers in the event that the customer is sued by a third party alleging that the sale or use by the customer of the Debtors' products violates the third party's patent or other intellectual property rights. Continuing the Indemnity Agreements, and having the ability to honor obligations thereunder in the ordinary course, is essential to maintain customer loyalty and trust, and will help attract new customers.

75. As of the Petition Date, no parties to Indemnity Agreements were asserting claims against the Debtors, and the Debtors were unaware of any threatened claims. As such, the Debtors believe that there may in fact be no prepetition amounts owed under Indemnity Agreements, but seek authority, but not direction, to pay any future claims that relate to prepetition sales of products.

H. Prepetition Taxes

76. The Debtors, in the ordinary course of their businesses, incur various tax liabilities, including, among other amounts, sales and use taxes, secured property taxes, business license fees, and certain other taxes or fees (collectively, the "Prepetition Taxes") owed to certain taxing authorities (the "Taxing Authorities"). Prior to the Petition Date, the Debtors generally paid their tax obligations as they became due. In a few instances, prior to the filing of these chapter 11 cases, the Debtors prepaid certain of their tax liabilities.

77. The Debtors seek entry of an order allowing them to pay the Prepetition Taxes to the Taxing Authorities, including all Prepetition Taxes subsequently determined upon audit to be owed for periods prior to the Petition Date. The Debtors have ample business justification to pay the Prepetition Taxes because it is my understanding that: (a) many, if not all, of the Prepetition Taxes would be priority claims under the Bankruptcy Code that likely would be paid in full under a chapter 11 plan; (b) certain of the Prepetition Taxes may not constitute property of the Debtors' chapter 11 estates; (c) the Debtors are required to pay the Prepetition Taxes to maintain their good standing in the jurisdiction in which they do business; (d) failure to pay certain of the Prepetition Taxes could give rise to liens on certain of the Debtors' real and personal property; and (e) the Debtors' directors and officers may face personal liability if certain of the Prepetition Taxes are not paid. Therefore, to prevent immediate and irreparable harm that would result from such disruptions and distractions, the Debtors seek authority to pay these claims on a first day basis.

I. Cash Management

78. In the ordinary course of business, the Debtors operate a cash management system (the "Cash Management System") involving 42 domestic and foreign bank accounts (collectively, the "Bank Accounts"). The Cash Management System provides a well-established mechanism for the collection, management and disbursement of funds used in the Debtors' business.

79. In light of the substantial size and complexity of the Debtors' international operations, significant disruptions to the Debtors' business would be highly likely if the cash management procedures must be quickly altered. As such, it is essential that the Debtors be permitted to maintain their Cash Management System in its current format.

80. Given the Debtors' corporate and financial structure and the number of affiliated entities participating in the Cash Management System, it would be difficult and unduly burdensome for the Debtors to establish an entirely new system of bank accounts and a new cash management and disbursement system for each of the 21 legal entities that comprise the Debtors. The Debtors, therefore, seek authority for the continued use of the Cash Management System and Bank Accounts. The Debtors further seek authority to implement ordinary course changes to their Cash Management System and to open and close bank accounts, including a bank account being opened in connection with the DIP Facility. The Debtors also request authority for the banks to charge and the Debtors to pay or honor service and other fees, costs, charges and expenses to which the banks may be entitled under the terms of and in accordance with their contractual arrangements with the Debtors.

81. The Debtors believe that the use of the domestic accounts substantially complies with section 345(b) of the Bankruptcy Code. In addition, the Debtors utilize foreign bank accounts to hold limited amounts of cash in safe, stable banking institutions. The Debtors also invest funds in stable investments in accordance with their investment policy. The Debtors seek an interim waiver of section 345(b) to permit them to continue to deposit funds in their domestic and foreign bank accounts and permit them to invest funds in accordance with their investment policy.

82. The Debtors and certain non-Debtor affiliates engaged in inter-Debtor and intercompany transactions with each other in the ordinary course of business, as more fully described in the motion. Certain of these transactions related to the sale of goods from one Molycorp entity to another at arms' length pricing. Others of these transactions involved the transfer of funds from one Debtor to another through intercompany loans. The continuation of

such ordinary course transactions will permit the Debtors to conduct business as usual, to continue to implement their vertical integration strategy and avoid any disruption to the detriment of the Debtors and their non-Debtor affiliates. The Debtors request that, pursuant to section 503(b)(1) of the Bankruptcy Code, the Court accord administrative expense status to all intercompany claims against a Debtor by another Debtor or a non-Debtor affiliate arising after the Petition Date as a result of inter-Debtor and intercompany transactions. The Debtors further seek authorization to preserve and exercise intercompany setoff rights that arise through the operation of their Cash Management System.

J. Utilities

83. The Debtors utilize various utility services provided by numerous utility companies (collectively, the "Utility Companies"). Because the Utility Companies provide essential services to the Debtors and their retail operations, any significant interruption in utility services would be highly problematic. In fact, the temporary or permanent discontinuation of utilities services at any of the Debtors' locations could irreparably disrupt business operations, and, as a result, fundamentally undermine the Debtors' restructuring efforts. The Debtors will propose procedures to protect the rights of Utility Companies by providing such Utility Companies with a deposit in an amount equal to approximately two weeks of the Debtors' estimated aggregate utility expenses. The Debtors submit that the deposit, in conjunction with the Debtors' ability to pay for future utility services in the ordinary course of business and their existing security deposits constitutes sufficient adequate assurance of future payment to the Utility Companies to satisfy the requirements of section 366 of the Bankruptcy Code.

K. Insurance and Workers' Compensation

84. In the ordinary course of their business, the Debtors maintain numerous insurance policies that provide coverage for, among other things, workers' compensation, general liability, automobile liability, property damage, pollution liability, cargo damage, directors and officers liability, employment practices liability, commercial crime and fiduciary liability. The Debtors' insurance policies are essential to preserve the value of the Debtors' businesses, and are, in some cases, required by various laws, regulations or contracts that govern the Debtors' businesses. It is critical that the insurance policies be maintained and renewed on an ongoing and uninterrupted basis.

85. In addition to the above, the Debtors previously maintained an Owner Controlled Insurance Program (the "OCIP") that provided coverage at Mountain Pass for, among other things, general liability, builder's risk, workers' compensation and employer's liability. Prior to the Petition Date, the terms of the policies under the OCIP had expired and such policies are no longer active. Claims that arose during the policy period, however, presently remain pending under the OCIP. To secure the Debtors' deductible and other obligations under the OCIP, the Debtors' insurers required them to post collateral in the form of letters of credit and cash collateral. The amount of the OCIP-related claims is expected to be substantially less than the OCIP collateral supporting the Debtors' obligations to pay the OCIP-related claims. The OCIP claims, therefore, ultimately will be paid in full, and thus the Debtors propose to simply pay them in the ordinary course of business to prevent disruption. If the Debtors do not pay the OCIP Claims directly, however, they may lose control of how the OCIP Claims are handled, potentially leading to increased settlement costs, fees and other additional charges.

86. The Debtors also are self-insured for workers compensation or maintain workers' compensation insurance for claims for injury to employees related to their employment by the Debtors. Because the Debtors are required by law to maintain workers' compensation coverage and pay workers' compensation claims, with negative consequences if the Debtors fail to comply with those laws, the Debtors are also seeking authorization to allow them to continue the workers' compensation programs, including payment of workers' compensation claims. In connection therewith, the Debtors will request that the order authorize them to pay all prepetition premiums, fees and expenses arising under, or related to, the workers' compensation programs.

L. Procedures for Trading in Equity Securities and Claims

87. The Debtors have experienced losses from the operation of their business. As a result, the Debtors estimate that their federal income tax net operating losses ("NOLs") are approximately \$540 million as of December 31, 2014, and they expect to have incurred substantial additional NOLs since then through the Petition Date, which amounts could be even higher when the Debtors emerge from chapter 11. These NOLs are valuable tax attributes, and to preserve the NOLs the Debtors will seek to (a) establish notice and objection procedures regarding certain transfers of beneficial interests in equity securities in Molycorp, Inc. and (b) establish a record date for notice and potential sell-down procedures for trading in claims against the Debtors. The relief sought will enable the Debtors to closely monitor certain transfers of equity securities, and thereby preserve the Debtors' ability to seek the necessary relief at the appropriate time if it appears that such transfers may jeopardize the Debtors' use of their NOLs. In addition, establishing a record date with respect to trading in claims against the Debtors will ensure that claimholders receive sufficient notice that any claims purchased after such date may ultimately be subject to certain sell-down procedures in the event an order

approving such procedures is sought by the Debtors and entered by the Court in order to preserve the Debtors' ability to use their NOLs.

M. Confirming Administrative Expense
Priority Status of Postpetition Purchases

88. The Debtors, in the ordinary course of their businesses, are provided with goods and services that are integral to their ongoing business operations. As of the Petition Date, the Debtors had outstanding prepetition purchase orders (collectively, the "Outstanding Orders") with many suppliers of goods and services. Moreover, the Debtors will order goods and request services postpetition for which there is no existing purchase order as of the Petition Date.

89. As a result of the commencement of these chapter 11 cases, the Debtors' suppliers may perceive a risk that they will be treated as prepetition general unsecured creditors for the cost of any shipments made or services provided after the Petition Date pursuant to the Outstanding Order. In addition to suppliers with Outstanding Orders, other suppliers of the Debtors may not understand the impact of the Debtors' bankruptcy filing on them. Such suppliers may be hesitant to make shipments to the Debtors due to their uncertainty over the status of these chapter 11 cases. This uncertainty could impact the Debtors' ability to obtain the goods and services that they need on the best available terms and pricing.

90. Accordingly, the Debtors seek entry of an order confirming that the Debtors' undisputed obligations to the suppliers under the Outstanding Orders or under new postpetition purchase orders for (a) the shipments of goods delivered to and accepted by the Debtors on and after the Petition Date and (b) the provision of services to the Debtors on and after the Petition Date at the Debtors' request will be entitled to administrative expense priority status.

CONCLUSION

91. For all the reasons described herein and in the First Day Pleadings, I respectfully request that the Court grant the relief requested in each of the First Day Pleadings.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: June 25, 2015



Michael F. Deolan

EXHIBIT A



Molycorp, Inc. (Del)
 - Borrower for Unsecured Convertible Notes, 10% Secured Notes and Oaktree Parent Credit Agmt
 - Guarantor for Oaktree Sale-Leaseback and Oaktree Mag Credit Agmt

ORGANIZATIONAL CHART OF MOLYCORP, INC.

