

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

In re:

WALTER ENERGY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 15-____(____)

Joint Administration Requested

**THE DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS
(A) AUTHORIZING (I) PAYMENT OF CERTAIN PREPETITION CLAIMS OF
SHIPPERS, STORAGE PROVIDERS AND SERVICE PROVIDERS AND (II)
FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS
AND TRANSFERS AND (B) GRANTING RELATED RELIEF**

Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor,” and, collectively, the “Debtors” and, together with its non-Debtor subsidiaries, the “Company”) hereby move this Court for entry of an interim order substantially in the form attached hereto as Exhibit A (the “Interim Order”) and a final order substantially in the form attached hereto as Exhibit B (the “Final Order”), pursuant to sections 105, 363, 506(b) and 507(a)(2) of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) and rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (a) authorizing but not requiring the Debtors to pay, in their sole discretion, the prepetition labor, shipping and delivery charges owed to Shippers, Storage Providers and Service Providers (each as defined below) that the Debtors determine, in their sole

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



discretion, to be necessary or appropriate to obtain the release of goods, raw materials, parts, components, materials, equipment or other items (collectively, the “Products”) held by any such Shipper, Storage Provider or Service Provider; (b) authorizing the Debtors’ banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay the foregoing; and (c) granting related relief. In support of this motion (the “Motion”), the Debtors rely upon the *Declaration of William G. Harvey in Support of Chapter 11 Petitions and Various First Day Applications and Motions* (the “First Day Declaration”)² and respectfully state as follows:

JURISDICTION

1. This Court has jurisdiction to hear the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. The statutory and legal predicates for the relief requested herein are sections 105, 363 and 506(b) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004.

BACKGROUND

3. On the date hereof (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, thereby commencing the instant cases (the “Chapter 11 Cases”). The Debtors continue to manage and operate their businesses as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

4. No trustee, examiner or official committee has been appointed in the Chapter 11 Cases.

Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors’ corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.

² The First Day Declaration is being filed contemporaneously with this Motion and is incorporated herein by reference. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the First Day Declaration.

5. Information regarding the Debtors' businesses, their capital and debt structure and the events leading to the filing of the Chapter 11 Cases is contained in the First Day Declaration.

THE DEBTORS' FREIGHT, STORAGE AND SERVICE PROVIDERS

6. By this Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors, in their sole discretion, to (i) pay prepetition claims in the aggregate amount of up to \$12.5 million as follows: certain Shippers (as defined below) in the amount of approximately \$5.2 million, certain Storage Providers (as defined below) in the amount of approximately \$1.7 million, and certain Service Providers (as defined below) in the amount of approximately \$5.6 million; and (ii) authorize and direct financial institutions to honor and process related checks and transfers and (b) granting related relief. Specifically, the Debtors seek authority, (a) upon entry of the Interim Order, to pay up to an aggregate amount of \$8.7 million (the "Interim Claims Cap") on account of the Lien Claims (as defined below) and (b) upon entry of the Final Order, to pay up to the aggregate amount of \$12.5 million (the "Final Claim Cap") and, together with the Interim Claims Cap, the "Claims Cap") on account of such Claims.

7. The Debtors have reviewed the relief sought in this Motion with counsel to the Steering Committee, and such relief, including all payments and transfers authorized herein, shall be subject to and made in accordance with, the terms of the *Interim Order (A) Authorizing Postpetition Use of Cash Collateral, (B) Granting Adequate Protection to Prepetition Secured Parties, (C) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(b) and (D) Granting Related Relief* (the "Interim Cash Collateral Order") and related final order.

8. In the operation of their businesses, the Debtors use and make payments to common carriers, shippers, barge, trucking and rail transport companies, freight and port terminal operators, entities that own and operate pipelines and other third-party service providers

(collectively, the “Shippers”) that transport, ship and otherwise facilitate the movement of the Debtors’ products, including metallurgical coal, steam coal and coal bed methane gas. The Debtors also use and make payments to bailees, coal yards, storage facilities and storage providers (collectively, the “Storage Providers”) that store the Debtors’ product at certain stages of the Debtors’ supply and delivery process. Finally, the Debtors use and make payments to mechanics, contractors and other service providers (collectively, the “Service Providers” and, together with the Shippers and Storage Providers, the “Lien Claimants”) that repair, maintain and service essential machinery and equipment used in the Company’s businesses.

(a) Shippers and Storage Providers

9. Coal producers like the Debtors are typically responsible for transporting their coal from their mines to an export coal-loading facility. Exported coal is usually sold at the loading port, with the buyer responsible for further transportation from the port to the buyer’s location. Because the Debtors are responsible for the costs of inventory up to the point of sale, transportation costs constitute a significant portion of the cost of goods sold and managing such costs proves essential to maximize coal revenue.

10. The Debtors rely heavily on certain Shippers and Storage Providers to transport and store the Debtors’ products for delivery to their customers. Metallurgical coal produced by the No. 4 and No. 7 mines in Alabama is stored at the mines until it is loaded for transport by trucking companies or the CSX railroad to the Port of Mobile. Transport to the Port of Mobile proceeds in one of two ways: (a) from mine to rail to port; or (b) from mine to truck to barge to port. Once the coal reaches the Port of Mobile, it is stored in the coal yard until it is loaded for shipment to the Debtors’ customers.

11. The Debtors’ coking operations at Walter Coke, Inc. (“Walter Coke”) utilize third-party barge operators, trucking and railroad companies to transport both (a) the coke and coke

by-products produced by Walter Coke to its customers and (b) certain amounts of coal purchased by Walter Coke for use in its coke ovens.

12. Similarly, the Debtors' West Virginia mines use third-party trucking companies to transport the metallurgical coal to two river docks, where it is stored pending shipment by barge to the Debtors' customers (including both outside customers and Walter Coke). In connection with the Debtors' coal bed methane gas production, methane gas extracted from the Debtors' mine at Walter Black Warrior Basin ("WBWB") is injected directly into the transmission pipeline owned and operated by a third party for transmittal to the purchaser of the gas.

13. The services provided by the Shippers and Storage Providers are essential to the day-to-day operation of the Debtors' businesses. In 2014, the Debtors produced 7.6 million metric tons of metallurgical coal in the United States. The Debtors produce coal at a high volume on a daily basis and rely on the Shippers and Storage Providers to transport and store the coal efficiently and continuously to meet customer demand. Accordingly, at any given time, there are numerous shipments from the Debtors' mines en route to the ports used by the Debtors, where the Debtors' coal is stored in the ports' coal yards until it is loaded onto vessels for international shipment.

14. Any disruption to the Debtors' supply network would have an immediate negative impact on the Debtors' businesses. Fast and efficient transportation is necessary for the Debtors' successful operations, not only to avoid a back-up of excess inventory, but also to maximize the revenue from the coal shipments. For example, metallurgical coal produced at the Debtors' underground mines has a small particle size, which degrades over time as it absorbs moisture content from exposure to weather elements. The Debtors' coal contracts with their customers include penalties for moisture content above certain agreed-upon thresholds. Accordingly, any delay caused by a disruption in the Debtors' supply network would not only cause an excess coal

build-up at the Debtors' mining sites, but would also reduce the value of the coal already produced.

15. If the freight and storage charges are not paid, the Shippers and Storage Providers may refuse to perform additional services for the Debtors. In many cases, the Debtors' Shippers and Storage Providers are "sole source" providers and cannot be replaced. For example, CSX, the Debtors' main rail carrier in Alabama, is the sole North American Class 1 rail company with operational lines convenient to the Debtors' operations. The Debtors also are dependent on the operators of the key dock, port and rail terminals, which in nearly all instances are the only practicable, cost-effective means of transporting the Debtors' coal to their customers. If the Debtors were unable to locate replacements for these key Shippers and Storage Providers, the Debtors would very quickly deplete inventories at the ports and be unable to fulfill customer requirements. Given the highly competitive market in which the Debtors operate, missing customer requirements could cause customers to seek alternative sources of supply, causing irreparable harm to the Debtors' businesses. Even if the Debtors were able to replace certain Shippers and Storage Providers – and in certain instances replacements are likely not available – the Debtors would incur significant additional expenses for replacement service providers, which would vastly exceed the prepetition amounts sought to be paid in this Motion. Accordingly, the Debtors seek to pay the prepetition amounts owed to the Shippers and Storage Providers with respect to the Debtors' goods in transit.

16. At any point in time, the Shippers and Storage Providers are likely be in possession of certain of the Debtors' goods and have claims for transportation and services related thereto. It is essential to the Debtors' continued viability and the success of their businesses that they maintain the reliable and efficient flow of products to their customers. Moreover, the Shippers and Storage Providers could, in certain instances, argue that they are

entitled to possessory or similar liens for the storage, transport and preservation of the Debtors' goods in their possession as of the Petition Date and might refuse to deliver or release such goods before their claims have been satisfied and their liens discharged.

17. International buyers of metallurgical coal are concentrated in a small customer base. It is essential to the Debtors' reorganization efforts that they maintain their customer base to avoid harm and expense to the Debtors' estates. Accordingly, any disruption in their shipping and storage arrangements from the mines to their customers as a result of nonpayment of freight and storage charges could cause substantial harm to the Debtors' estates.

(b) Service Providers

18. The Debtors also seek to pay prepetition amounts owed to the Service Providers, many of whom may be able to assert trade or mechanics' liens over the Debtors' machinery, equipment and essential parts related thereto. To ensure safe and orderly working conditions at their mines, the Debtors must continuously repair or replace machine parts and make on-the-spot repairs to mining machinery. The Debtors also rebuild certain key machinery and equipment at specified intervals to extend the useful life of the highly specialized and expensive mining equipment. Any disruption in the flow of parts or services would immediately affect the Debtors' ability to safely mine coal and to deliver product to customers timely. Many of the Debtors' customer contracts impose financial penalties on the Debtors if the Debtors fail to deliver coal or products on time. Interruptions incurred from breakdowns could slow or stop the Debtors' mining operations, which would cause immediate and substantial economic harm to the Debtors and erode their valuable customer base.

19. The Debtors' mining equipment is industry-specific and customized for the Debtors' mining operations. Only a limited number of qualified service providers exist near the Debtors' mines. While the Debtors do employ on-site mechanics and have taken steps in recent

years to repair as much of their equipment themselves as they can, the Debtors lack mechanics in sufficient number at each mine to repair and maintain all of the Debtors' highly specialized equipment. Thus, as is standard in the mining industry, the Debtors have service agreements with specialized and licensed Service Providers located near the Debtors' various mines to maintain and repair the Debtors' machinery and equipment.

20. Many of the Service Providers are also approved providers under several of the Debtors' regulatory permits and business licenses. The coal industry is heavily regulated and technicians who service the mines and mining equipment must satisfy strict regulatory requirements. The regulatory approval process for service providers takes significant time. As a result, the Debtors cannot readily replace Service Providers for most of their equipment and mining operations, given that any replacement Service Provider must also be approved under applicable regulatory regimes. Finally, the Debtors' collective bargaining agreements require that certain work must be performed by specific third-party providers, i.e., the Service Providers.

21. Certain Service Providers may not have been paid in full for prepetition services they provided to the Debtors because many of their contracts contemplate either payment upon completion of the work or payment in installments after certain milestones have been met. To the extent that the Debtors have not yet paid for repair, maintenance, construction, installation, rebuild or similar services, the Service Providers performing such services may be able, under applicable state law, to assert mechanics' liens against the property of the Debtors to secure payment of the prepetition amounts owed to such Service Providers.

22. Accordingly, the Debtors request authorization to pay the prepetition claims owed to the Lien Claimants (collectively, the "Lien Claims") to ensure the essential services provided by the Lien Claimants are available to the Debtors without interruption and preserve to the fullest

extent possible the Debtors' relationships with their customers and, in turn, the value of the Debtors' businesses for the benefit of their estates and their creditors.

BASIS FOR RELIEF REQUESTED

23. The Debtors will condition the payment of all such Lien Claims on the agreement of the individual Lien Claimant to continue supplying services to the Debtors on terms that are consistent with the historical trade terms between the parties (the "Customary Trade Terms"). However, the Debtors reserve the right to negotiate different trade terms with any service provider as a condition to payment of any such Claim, including an agreement not to file or otherwise assert any lien against the Debtors, to the extent the Debtors determine that such trade terms are (i) necessary to procure essential goods and/or services or (ii) otherwise in the best interests of the Debtors' estates.

24. The services provided by the Lien Claimants are vital to the Debtors' ongoing operations, specifically to their ability to provide supplies and equipment to their customers on a timely and uninterrupted basis. If the relief requested herein is not granted, such Lien Claimant may refuse to provide goods or services, causing immediate harm to the Debtors and their estates. For this reason, in the exercise of their sound business judgment, payment of the Lien Claims as set forth herein is necessary and appropriate under the circumstances.

25. The relief requested herein may be granted by the Court under the Court's general equitable powers as codified in section 105(a) of the Bankruptcy Code. This section empowers the Court to "issue any order, process, or judgment that is necessary to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a). A bankruptcy court's use of its equitable powers to "authorize the payment of prepetition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept." In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (citing Miltenberger v. Logansport, C. & S.W.R. Co., 106 U.S.

286 (1882)). Under section 105(a), a court “can permit pre-plan payment of a prepetition obligation when essential to the continued operation of the debtor.” In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992); see also In re Just for Feet, Inc., 242 B.R. 821, 826 (D. Del. 1999) (“To invoke the necessity of payment doctrine, a debtor must show that payment of the prepetition claims is critical to the debtor’s reorganization.”) (internal quotation omitted).

26. The “necessity of payment” rule further supports the relief requested in this Motion. See, e.g., Just for Feet, 242 B.R. at 826 (authorizing payment of prepetition claims of trade creditors that continue customary trade terms). The “necessity of payment” doctrine “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operation of the debtor.” Ionosphere Clubs, 98 B.R. at 176; see also In re Chateaugay Corp., 80 B.R. 279 (S.D.N.Y. 1987); In re Lehigh & New Eng. Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (payment of creditors’ claims authorized under “necessity of payment” doctrine); In re Penn Cent. Transp. Co., 467 F.2d 100, 102 n.1 (3d Cir. 1972) (holding that the necessity of payment doctrine permits “immediate payment of claims of creditors where those creditors will not supply services or materials essential to the conduct of the business until their pre-reorganization claims have been paid”); Just For Feet, 242 B.R. at 825 (authorizing payment of prepetition claims of trade creditors that continue customary trade terms and recognizing “the court’s power to authorize payment of prepetition claims when such payment is necessary for the debtor’s survival during chapter 11”); In re Columbia Gas Sys., Inc., 171 B.R. 189, 191–92 (Bankr. D. Del. 1994) (noting that the debtors “may pay prepetition claims that are essential to continued operation of business”); Ionosphere Clubs, 98 B.R. at 176 (necessity of payment rule applies to chapter 11 debtors). Accordingly, payment of prepetition claims under this doctrine, where, as here, they are necessary to the continued business performance of a debtor, is consistent with the

paramount goal of chapter 11, i.e., “facilitating the continued operation and rehabilitation of the debtor” Ionosphere Clubs, 98 B.R. at 176.

27. The Court also may authorize the Debtors to pay Lien Claims as set forth herein pursuant to section 363(b)(1) of the Bankruptcy Code. This section authorizes a debtor-in-possession to use property of the estate other than in the ordinary course of business after notice and a hearing. 11 U.S.C. § 363(b)(1). A debtor’s decision to use, sell or lease assets outside the ordinary course of business must be based upon the sound business judgment of the debtor. See Int’l Ins. Co. v. Johns, 874 F.2d 1447, 1458 (11th Cir. 1989); In re Friedman’s, Inc., 336 B.R. 891, 895 (Bankr. S.D. Ga. 2005); see also In re Chateaugay Corp., 973 F.2d 141, 143 (2d Cir. 1992); In re Ionosphere Clubs, 100 B.R. 670, 675 (Bankr. S.D.N.Y. 1989). Here, payment of the Lien Claims is essential to the Debtors’ business performance during these Chapter 11 Cases, in particular, by maintaining the Debtors’ ability to timely and fully supply and distribute goods to its customers. Thus, because the relief requested is based on the Debtors’ sound business judgment and will benefit the Debtors and all parties in interest, it is authorized under section 363(b) of the Bankruptcy Code.

28. Where a debtor’s payment of critical vendor and service provider, shipper and priority claims proves essential to a successful chapter 11 case, courts in this District have granted relief similar to that requested here. See, e.g., In re Bruno’s Supermarkets, LLC, Case No. 09-00634 (BGC), ECF No. 117 (Bankr. N.D. Ala. Feb. 13, 2009) (order authorizing payments to prepetition vendors); In re Citation Corp., Case No. 04-08130 (TOM), ECF No. 62 (Bankr. N.D. Ala. Sept. 20, 2004) (same); see also In re School Specialty, Inc., Case No. 13-10125 (KJC), ECF No. 79 (Bankr. D. Del. Jan. 30, 2013); In re THQ Inc., Case No. 12-13398 (MFW), ECF No. 145 (Bankr. D. Del. Jan. 11, 2013); In re Buffets Restaurant Holdings, Inc.,

Case No. 12-10237 (MFW), ECF No. 55 (Bankr. D. Del. Jan. 19, 2012); In re Allen Family Foods, Inc., Case No. 11-11764 (KJC), ECF No. 31 (Bankr. D. Del. June 10, 2011).

29. In addition to the foregoing, failure to pay such Lien Claims could result in the assertion of possessory liens by the respective Lien Claimant under applicable non-bankruptcy law with respect to any goods in their possession.³ Pursuant to section 362(b)(3) of the Bankruptcy Code, the act of perfecting such lien, to the extent consistent with section 546(b) of the Bankruptcy Code,⁴ is expressly excluded from the automatic stay otherwise imposed by section 362(a) of the Bankruptcy Code.

30. In fact, to protect their asserted lien rights, the Lien Claimants may refuse to release goods or equipment in their possession unless and until their prepetition Lien Claims for services have been satisfied. Therefore, notwithstanding the automatic stay imposed by section 362 of the Bankruptcy Code, the Lien Claimants could be entitled to assert and perfect liens against the Debtors' property, which would entitle them to payment ahead of general unsecured creditors in any event. Moreover, the Lien Claimants could hold the property subject to the asserted liens pending payment of their Lien Claims, thereby disrupting the Debtors' deliveries of goods to their customers, to the direct detriment of the Debtors and their estates.

31. Furthermore, to the extent that the amount of a Lien Claim is less than the value of any property securing such claim, the Lien Claimant holding lien rights would arguably be a fully secured creditor. In general, pursuant to section 506 of the Bankruptcy Code, fully secured

³ See, e.g., the Federal Bill of Lading Act, 49 U.S.C. § 80109 (providing for express statutory lien securing charges and expenses for transportation and storage incurred by common carriers issuing a negotiable bill of lading for interstate transportation); Uniform Commercial Code (“UCC”) § 7-307 (granting common carriers a statutory lien on goods subject to a bill of lading to secure all charges and necessary expenses); UCC § 7-209 (granting warehouses a statutory lien on goods covered by a warehouse receipt or storage agreement to secure certain storage-related expenses).

⁴ Under section 546(b) of the Bankruptcy Code, a debtor's lien avoidance powers “are subject to any generally applicable law that . . . permits perfection of an interest in property to be effective against an entity that acquires rights in such property before the date of perfection” 11 U.S.C. § 546(b)(1)(A).

creditors are entitled to receive (a) payment in full of their prepetition claims pursuant to any confirmed plan of reorganization and (b) the postpetition interest accruing on such claims to the extent such claims are oversecured. Consequently, payment of such claims will (a) give the Lien Claimants no more than that to which they otherwise would be entitled under a plan and (b) save the Debtors the interest costs that otherwise may accrue on the claims during these Chapter 11 Cases.

32. The Debtors further request that the Court authorize applicable banks and other financial institutions (collectively, the “Disbursement Banks”) to honor and pay all prepetition and postpetition checks issued or to be issued and fund transfers requested or to be requested, by the Debtors to or for the benefit of the Lien Claimants on account of the Lien Claims regardless of whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date. The Debtors also seek authority to issue new postpetition checks, or effect new fund transfers, on account of the Lien Claims to replace any prepetition checks or fund transfer requests that may be dishonored or rejected.

33. As a result of the commencement of the Chapter 11 Cases and in the absence of an order of the Court providing otherwise, the Debtors’ checks or other transfers to or for the benefit of the Lien Claimants on account of the Lien Claims may be dishonored or rejected by the Disbursement Banks. Each of these checks or transfers can be identified as relating directly to payment of the Lien Claimants’ Lien Claims and properly honored.

34. For all of the foregoing reasons, the Debtors seek authority, pursuant to sections 105(a), 363, 506(b) and 507(a)(2) of the Bankruptcy Code, to pay, in the Debtors’ sole discretion, the undisputed amounts owed by the Debtors on account of Lien Claims.

**SATISFACTION OF BANKRUPTCY RULE 6003
AND WAIVER OF BANKRUPTCY RULE 6004**

35. The Debtors seek immediate authorization for the relief contemplated by this Motion notwithstanding Bankruptcy Rules 6003 and 6004. Specifically, Bankruptcy Rule 6003(b) provides that the Court shall not, within twenty-one (21) days after filing a petition, grant “a motion to use, sell, lease or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition” unless the relief is “necessary to avoid immediate and irreparable harm.” Fed. R. Bankr. P. 6003(b). Likewise, Bankruptcy Rule 6004(h) provides that “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.”

36. Obtaining immediate authorization to pay Lien Claims is vital to the Debtors’ continued viability. As set forth above, satisfying all Lien Claims is necessary and appropriate under the circumstances. Accordingly, the requirements of Bankruptcy Rule 6003(b) are met and ample cause exists to justify a waiver of the fourteen (14) day stay imposed by Bankruptcy Rule 6004(h).

RESERVATION OF RIGHTS

37. Nothing in this Motion is intended or should be construed: (a) as an admission as to the validity of any claim or lien against the Debtors or their estates; (b) as a waiver of the Debtors’ right to dispute any claim or lien; (c) as approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code; (d) as an admission of the priority status of any claim, whether under section 503(b)(9) of the Bankruptcy Code or otherwise; or (e) to prejudice any of the Debtors’ rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Lien Claimant.

NOTICE

38. Notice of this Motion will be provided to: (i) the Office of the Bankruptcy Administrator for the Northern District of Alabama; (ii) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (iii) the indenture trustee for each of the Debtors' outstanding bond issuances; (iv) counsel to the steering committee of first lien debt holders; (v) the Internal Revenue Service; (vi) the Securities and Exchange Commission; (vii) the U.S. Environmental Protection Agency; (viii) the U.S. Attorney for the Northern District of Alabama; (ix) counsel to the UMWA; (x) the USW; (xi) the holders of the fifty (50) largest unsecured claims against the Debtors, on a consolidated basis; and (xii) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, no other or further notice is necessary.

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WHEREFORE, the Debtors respectfully request entry of the Interim Order and the Final Order granting the relief requested herein and such other and further relief as is just and proper.

Dated: July 15, 2015
Birmingham, Alabama

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- and -

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*Proposed Counsel to the Debtors and
Debtors-in-Possession*

EXHIBIT A

PROPOSED INTERIM ORDER

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

In re:

WALTER ENERGY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 15-____(____)

Joint Administration Requested

Docket Ref. No. ____

**INTERIM ORDER (A) AUTHORIZING (I) THE DEBTORS TO PAY CERTAIN
PREPETITION CLAIMS OF SHIPPERS, STORAGE PROVIDERS AND SERVICE
PROVIDERS AND (II) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS
RELATED CHECKS AND TRANSFERS AND (B) GRANTING RELATED RELIEF**

Upon the Motion² of Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to sections 105, 363, 506(b) and 507(a)(2) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, authorizing, but not directing, the Debtors, in their discretion, to pay the prepetition claims of certain Lien Claimants, honor and process related checks and transfers, and granting related relief; and it appearing that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that the relief requested is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and it appearing that such relief is necessary to avoid immediate and irreparable harm, meaning that the

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requirements of Rule 6003 of the Federal Rules of Bankruptcy Procedure have been satisfied; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED that:

1. The Motion is GRANTED on an INTERIM BASIS to the extent provided herein.
2. The Debtors are authorized, but not directed, in their sole discretion and in the reasonable exercise of their business judgment, to pay undisputed prepetition Lien Claims, subject to the conditions set forth in this Interim Order.
3. The Interim Claims Cap applicable to payment of the Lien Claims upon entry of this Interim Order shall not exceed \$8.7 million in the aggregate unless otherwise ordered by the Court.
4. The Debtors are authorized to pay the Lien Claims in the ordinary course of business, when due and not on an accelerated basis.
5. Any Lien Claimant that accepts payment pursuant to the authority granted in this Interim Order shall be deemed to (a) agree to the terms and provisions of this Interim Order; (b) have waived, to the extent paid, any and all prepetition claims against the Debtors, their asserts and their properties; and (c) not to file or otherwise assert any lien against any of the Debtors, their estates or any of their respective assets or property (real or personal) related in any way to any remaining prepetition amounts allegedly owed to the Lien Claimant by the Debtors arising from goods and/or services provided to the Debtors prior to the Petition Date and, to the extent the Lien Claimant has previously obtained such a lien, the Lien Claimant shall immediately take all necessary actions to release such lien.

² All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

6. The Debtors shall undertake all appropriate efforts in the exercise of their sound business judgment to cause any applicable Lien Claimant to enter into a trade agreement with the Debtors to provide post-petition credit on the terms which the Debtors and the applicable Lien Claimant did business historically or such other favorable terms that the Debtors determine are in the best interest of their estates.

7. The execution of any trade agreement by the Debtors shall not be declared a waiver of any other cause of action, including any avoidance action, which may be held by the Debtors.

8. Upon the Debtors' payment of the Lien Claims, any lien securing such Lien Claim shall be immediately released, void and of no further force and effect, without further action by the Debtors.

9. The Debtors' Disbursement Banks shall be and hereby are, authorized, when requested by the Debtors in their sole discretion, to process, honor and pay any and all checks or electronic fund transfers drawn on the Debtors' bank accounts to pay the Lien Claims provided that sufficient funds are available in the applicable accounts to make the payments.

10. Nothing in the Motion or this Interim Order, or the Debtors' payment of any claims pursuant to this Interim Order, shall be deemed or construed: (a) as an admission as to the validity of any claim or lien against the Debtors or their estates; (b) as a waiver of the Debtors' right to dispute any claim or lien; (c) as approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code; (d) as an admission of the priority status of any claim, whether under section 503(b)(9) of the Bankruptcy Code or otherwise; or (e) to prejudice any of the Debtors' rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Lien Claimant.

11. Any payment made or to be made under this Order, and any authorization contained in this Order, shall be subject to the terms of the Interim Cash Collateral Order and related final order.

12. Any objection to the entry of the Final Order must be filed with the Court and served on the following parties: (i) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Kelley Cornish (email: kcornish@paulweiss.com) and Claudia Tobler (email: ctobler@paulweiss.com) and Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, Alabama 35203, Attention: Jay Bender (email: jbender@babco.com) and James Bailey (email: jbailey@babco.com); (ii) the Office of the Bankruptcy Administrator for the Northern District of Alabama, 1800 Fifth Avenue North, Birmingham, Alabama 35203, Attention: Jon Dudeck (email: jon_dudeck@alnb.uscourts.gov); (iii) counsel to the Steering Committee, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, New York 10036, Attention: Ira Dizengoff (email: idizengoff@akingump.com), Akin Gump Strauss Hauer & Feld LLP, 1333 New Hampshire Ave, N.W., Washington, DC 20036, Attention: James Savin (email: jsavin@akingump.com) and Burr Forman, 420 North 20th Street, Suite 3400, Birmingham, Alabama 35203, Attention: Michael L. Hall (email: mhall@burr.com) and D. Christopher Carson (email: ccarson@burr.com); (iv) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (v) counsel to any statutory committee appointed in these cases; and (vi) any party that has requested notice pursuant to Bankruptcy Rule 2002, in each case to allow actual receipt by no later than 4:00 p.m. (CDT) on _____, 2015 (the "Objection Deadline").

13. The Debtors may file an omnibus reply to any objection with the Court and serve such reply via email on or before 12:00 p.m. (Central Daylight Time) on the day that is at least two business days before the date of the final hearing on the Motion.

14. If timely objections are received by the Objection Deadline there shall be a hearing on _____, 2015, at _____ (Central Daylight Time) to consider such timely objections to the Motion and the Debtors' omnibus reply.

15. Notwithstanding Bankruptcy Rule 6003, this Order shall be effective and enforceable upon entry hereof.

16. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof.

17. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Interim Order.

Dated: July [], 2015

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

PROPOSED FINAL ORDER

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

In re:

WALTER ENERGY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 15-____(____)

Joint Administration Requested

Docket Ref. No. ____

**FINAL ORDER AUTHORIZING (I) THE DEBTORS TO PAY CERTAIN
PREPETITION CLAIMS OF SHIPPERS, STORAGE PROVIDERS AND SERVICE
PROVIDERS AND (II) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS
RELATED CHECKS AND TRANSFERS AND (B) GRANTING RELATED RELIEF**

Upon the Motion² of Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to sections 105, 363, 506(b) and 507(a)(2) of the Bankruptcy Code and Bankruptcy Rule 6004, authorizing, but not directing, the Debtors, in their discretion, to pay the prepetition claims of certain Lien Claimants, honor and process related checks and transfers, and granting related relief; and it appearing that jurisdiction is proper pursuant to 28 U.S.C. §§ 157 and 1334; and the Interim Order having been entered by this Court; and it appearing that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that the relief requested is in the best interests of the Debtors, their estates, their creditors and all

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Walter Energy, Inc. (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); J.W. Walter, Inc. (0648); Jefferson Warrior Railroad Company, Inc. (3200); Jim Walter Homes, LLC (4589); Jim Walter Resources, Inc. (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); Walter Black Warrior Basin LLC (5973); Walter Coke, Inc. (9791); Walter Energy Holdings, LLC (1596); Walter Exploration & Production LLC (5786); Walter Home Improvement, Inc. (1633); Walter Land Company (7709); Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors’ corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.

other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED that:

1. The Motion is GRANTED on a FINAL BASIS to the extent provided herein.
2. The Debtors are authorized, but not directed, in their sole discretion and in the reasonable exercise of their business judgment, to pay undisputed prepetition Lien Claims, subject to the conditions set forth in this Final Order.
3. The Final Claims Cap applicable to payment of the Lien Claims and shall not exceed \$12.5 million in the aggregate unless otherwise ordered by the Court.
4. The Debtors are authorized to pay Lien Claims in the ordinary course of business, when due and not on an accelerated basis.
5. Any Lien Claimant that accepts payment pursuant to the authority granted in this Interim Order shall be deemed to (a) agree to the terms and provisions of this Interim Order; (b) have waived, to the extent paid, any and all prepetition claims against the Debtors, their asserts and their properties; and (c) not to file or otherwise assert any lien against any of the Debtors, their estates or any of their respective assets or property (real or personal) related in any way to any remaining prepetition amounts allegedly owed to the Lien Claimant by the Debtors arising from goods and/or services provided to the Debtors prior to the Petition Date and, to the extent the Lien Claimant has previously obtained such a lien, the Lien Claimant shall immediately take all necessary actions to release such lien.
6. The Debtors shall undertake all appropriate efforts in the exercise of their sound business judgment to cause any applicable Lien Claimant to enter into a trade agreement with the Debtors to provide post-petition credit on the terms which the Debtors and the applicable

² All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

Claimant did business historically or such other favorable terms that the Debtors determine are in the best interests of their estates.

7. The execution of a trade agreement by the Debtors shall not be declared a waiver of any other cause of action, including any avoidance action, that may be held by the Debtors.

8. Upon the Debtors' payment of the Lien Claims, any lien securing such Lien Claims shall be immediately released, void and of no further force and effect, without further action by the Debtors.

9. The Debtors' Disbursement Banks shall be and hereby are, authorized, when requested by the Debtors in their sole discretion, to process, honor and pay any and all checks or electronic fund transfers drawn on the Debtors' bank accounts to pay the Lien Claims, provided that sufficient funds are available in the applicable accounts to make the payments.

10. Nothing in the Motion or this Final Order, or the Debtors' payment of any claims pursuant to this Final Order, shall be deemed or construed: (a) as an admission as to the validity of any claim or lien against the Debtors or their estates; (b) as a waiver of the Debtors' right to dispute any claim or lien; (c) as approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code; (d) as an admission of the priority status of any claim, whether under section 503(b)(9) of the Bankruptcy Code or otherwise; or (e) to prejudice any of the Debtors' rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Lien Claimant.

11. Any payment made or to be made under this Order, and any authorization contained in this Order, shall be subject to the terms of the Interim Cash Collateral Order and related final order.

12. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof.

13. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Final Order.

Dated: August [], 2015

UNITED STATES BANKRUPTCY JUDGE