

**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 THE DEBTORS TO CONTINUE AND RENEW THEIR
SURETY BOND PROGRAM AND (B) GRANTING RELATED RELIEF**

Walter Energy, Inc. and its affiliated debtors and debtors-in-possession (each a “Debtor” and, collectively, the “Debtors”) hereby move (the “Motion”) for entry of interim and final orders substantially in the forms of Exhibits A and B hereto (the “Interim Order” and the “Final Order,” respectively pursuant to sections 363 and 364 of title 11 of the United States Code (the “Bankruptcy Code”) and rules 4001, 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (a) authorizing the Debtors to renew or obtain new surety bonds as needed in the ordinary course of business and to pay associated costs, including premiums for new bonds and indemnity obligations, if any, and (b) granting related relief. In support of this Motion, the Debtors rely on the *Declaration of William G. Harvey in Support of*

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.



150274115071500000000036

Chapter 11 Petitions and First Day Relief (the “First Day Declaration”)² and respectfully state as follows:

JURISDICTION

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b).

2. The statutory and legal predicates for the relief requested herein are sections 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 4001, 6003 and 6004.

BACKGROUND

3. On the date hereof (the “Petition Date”), each of the Debtors filed voluntary petitions 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.

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.

² The First Day Declaration has been filed contemporaneously with this Motion and is incorporated by reference herein. Capitalized terms used herein that are not defined shall have the meaning set forth in the First Day Declaration.

THE DEBTORS' SURETY BOND PROGRAM

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 continue and renew their surety bond programs and (b) granting related relief.

7. In the ordinary course of business, the Debtors are required to provide surety bonds and cash collateral to third parties to secure the Debtors' payment or performance of certain obligations relating primarily to the Debtors' coal mining business (the "Surety Bond Program"). The Debtors' cannot lawfully maintain their mining operations without the Surety Bond Program. The Debtors' Surety Bond Program includes bonds and cash collateral securing obligations owed to the State of Alabama, State of West Virginia, other state and federal agencies and contractual counterparties. The Debtors maintain their Surety Bond Program with two sureties, Arch Insurance Company and Aspen American Insurance Company (together, the "Issuers"), which together have issued all of the Debtors' outstanding surety bonds.

8. The Debtors' outstanding surety bonds are listed on Exhibit C annexed hereto (collectively, the "Outstanding Surety Bonds"), which exhibit identifies the Issuer of each Outstanding Surety Bond, the obligees under each bond (the "Obligees"), the bond identification numbers and the total bond amount.³ As reflected on Exhibit C, as of the Petition Date, the Debtors had approximately \$72.6 million in Outstanding Surety Bonds. The majority of the Outstanding Surety Bonds in amount – approximately \$66.1 million in the aggregate – were

³ Although the Debtors have made a good faith effort to identify all of their current surety bonds on Exhibit C, it is possible that some of the current surety bonds may not be listed on Exhibit C. The failure of the Debtors to include a particular surety bond on Exhibit C shall not operate to exclude such surety bond from the coverage of this Motion, or any order(s) entered in connection with this Motion. The Debtors reserve the right to supplement or otherwise amend Exhibit C as necessary and appropriate.

issued in favor of various governmental authorities and agencies to secure the Debtors' reclamation obligations in relation to the Debtors' mining operations. On occasion, the Debtors' will post cash collateral with such governmental authorities and agencies to secure such obligations. The remainder of the Outstanding Surety Bonds secure certain lease obligations, mine closure and prospecting obligations, workers' compensation obligations and other obligations of the Debtors. The Debtors annually pay the Issuers approximately \$1.5 million in premiums to maintain the Surety Bond Program. Failure to provide, maintain and timely replace these surety bonds could jeopardize the Debtors' ability to conduct their ongoing operations and to meet environmental, worker health and safety and other obligations under applicable law.

9. As is customary, to induce the Issuers to issue the Outstanding Surety Bonds, the Debtors entered into indemnity agreements with the Issuers (collectively, the "Indemnity Agreements"), pursuant to which the Debtors agreed to indemnify the Issuers from any loss, cost, damage, or expense they may incur by reason of the Issuers' issuance of the Outstanding Surety Bonds on behalf of the Debtors. To secure those indemnification obligations, the Debtors have caused their lenders to issue approximately \$40 million in letters of credit in favor of the Issuers.

10. By this Motion, the Debtors request entry of the Interim Order, in the form annexed hereto as Exhibit A and the Final Order, in the form annexed hereto as Exhibit B, authorizing the Debtors to maintain, continue and renew, in their sole discretion, the Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date, including, without limitation: (a) renewing surety bonds and obtaining new surety bonds, as necessary and paying all associated premiums (the "Renewal

and Premium Obligations”); (b) paying any indemnity obligations associated with the Outstanding Surety Bonds and any surety bonds obtained or renewed postpetition (the “Indemnity Obligations” and, collectively with the Renewal and Premium Obligations, the “Obligations”); and (c) subject to the terms set forth herein, renewing or obtaining letters of credit securing the Indemnity Obligations, or depositing cash collateral to secure the Surety Program obligations. If the requested relief is not granted and the Surety Bond Program lapses or terminates, the Debtors’ ongoing mining operations could be jeopardized. Thus, the requested relief is necessary for the Debtors’ successful reorganization and for preventing substantial harm to the Debtors’ estates and their creditors.

11. The Debtors have reviewed the relief sought in this Motion with counsel to the Steering Committee, and all relief sought in this Motion, including all payments and transfers authorized herein, shall be subject to and made in accordance with 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.

BASIS FOR RELIEF REQUESTED

12. Maintaining the Surety Bond Program is critical to the Debtors’ operations during the Chapter 11 Cases. To operate mines and wells on an ongoing and uninterrupted basis in accordance with applicable law, the Debtors will need to renew many of the Outstanding Surety Bonds as and when they come up for annual renewal. The Debtors further anticipate a need to obtain new surety bonds and to modify and increase the amounts of the Outstanding Surety

Bonds to satisfy the requirements of federal, state and local laws applicable to the Debtors' operations.

13. Failing to pay any Obligations under the Surety Bond Program could result in one or more of the Issuers declining to renew the Outstanding Surety Bonds or refusing to enter into surety bonds with the Debtors in the future. Without limitation, the Debtors could default on various obligations to state and local governments if any surety bonds lapse without renewal, the Debtors are unable to obtain new surety bonds in the future, or if the Debtors are unable to post cash collateral to secure their obligations to such governmental agencies.

14. Because of the Debtors' current financial status and the general depressed condition of the global coal market, they will not be able to secure new or replacement bonds (a) from sureties other than the Issuers, (b) without providing letters of credit or cash collateral to secure the Debtors' indemnification obligations relating to any such bonds, or (c) on terms and conditions more favorable than those provided by the Issuers under the existing Surety Bond Program. For those reasons, the Debtors hereby seek approval to continue postpetition their Surety Bond Program.

A. Payment of the Obligations

15. Pursuant to section 363(c)(1) of the Bankruptcy Code, the Debtors may enter into transactions in the ordinary course of business and use property of the estate in the ordinary course of business without notice or a hearing. See 11 U.S.C. § 363(c)(1). Pursuant to section 364(a) of the Bankruptcy Code, the Debtors are entitled to obtain unsecured credit and incur unsecured debt in the ordinary course of business that is allowable as an administrative expense under section 503(b)(1) of the Bankruptcy Code. The Debtors may also incur unsecured

credit outside of the ordinary course of business that is allowable as an administrative expense claim after notice and a hearing. See id. § 364(b).

16. The Debtors are permitted to incur and pay the Renewal and Premium Obligations as they arise in the ordinary course of the Debtors' businesses as discussed above. However, to the extent continuation of the Surety Bond Program, including payment of the Renewal and Premium Obligations, involves transactions that are not within the Debtors' ordinary course of business, the Debtors request authority to incur and pay the Renewal and Premium Obligations as they arise. As discussed above, the Surety Bond Program is an ongoing and integral part of the Debtors' operations and for compliance with applicable law. The Debtors reserve all rights, claims and defenses, but the Issuers may assert administrative claims based on the Renewal and Premium Obligations. Regardless, the budgets in connection with the Interim Cash Collateral Order and the related final order will provide for payment of the Debtors' anticipated Renewal and Premium Obligations. Paying the Renewal and Premium Obligations is necessary and appropriate to preserve the Debtors' estates for the benefit of all parties in interest.

17. Similarly, the Issuers have not asserted any Indemnity Obligations against the Debtors as of the Petition Date and the Debtors do not anticipate any Indemnity Obligations arising postpetition. To the extent Indemnity Obligations may arise postpetition, the Debtors may satisfy the postpetition Indemnity Obligations in the ordinary course of business. However, to the extent payment of postpetition Indemnity Obligations is outside the ordinary course of business, the Debtors request authority to pay the Indemnity Obligations as they arise. As discussed above, the Surety Bond Program is an ongoing and integral part of the Debtors' operations and for compliance with applicable law. The Debtors reserve all rights, claims and

defenses, but the Issuers may assert administrative claims based on postpetition Indemnity Obligations. Paying the postpetition Indemnity Obligations is necessary and appropriate to preserve the Debtors' estates for the benefit of all parties in interest.

18. In addition, to the extent any Indemnity Obligations are deemed to arise prepetition, the Debtors seek authority to satisfy such Indemnity Obligations under the necessity of payment doctrine. The Court can permit payment of prepetition obligations that are essential to the continued operation of the Debtors. 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). Satisfying all Indemnity Obligations is critical to the Debtors’ reorganization. The Debtors cannot lawfully maintain their mining operations without the Surety Bond Program. Moreover, continuation and renewal of the Surety Bond Program is necessary not only to comply with applicable law, but to ensure health, safety and environmental protection. At this time, the Debtors are unlikely to find surety companies other than the issuers that will provide the bonds necessary to maintain the Surety Bond Program. Therefore, under the necessity of payment doctrine, the Court has cause to allow the Debtors to pay all Indemnity Obligations, including those that are deemed to be prepetition obligations.

19. In the alternative, the Issuers have asserted that any claim made by an Issuer for an Indemnity Obligation related to or arising out of an actual, potential or asserted liability of such Issuer that is triggered after the Petition Date is an administrative claim under section 503(b) of the Bankruptcy Code.

B. Renewing or Obtaining Letters of Credit, or Cash Collateral, in Favor of the Issuers

20. Certain of the Debtors' prepetition lenders provide letters of credit in favor of the Issuers that secure the Indemnity Obligations. The letters of credit are typically renewed on an annual basis. The Debtors do not anticipate the need for an increased principal amount of letters of credit in favor of the Issuers at this time. However, to the extent renewing or increasing the principal amount of letters of credit in favor of the Issuers is considered an incurrence of secured debt, the Debtors seek authorization, subject to the consent of the Steering Committee, such consent not to be unreasonably withheld, to incur such secured debt under section 364 of the Bankruptcy Code. In addition, the Debtors also seek authority to provide cash collateral in lieu of obtaining new surety bonds to governmental units and agencies to secure the Debtors' permitting and reclamation obligations, subject to the consent of the Steering Committee, such consent not to be unreasonably withheld, in accordance with the terms of the Interim Cash Collateral Order and related final order.

21. The Debtors further submit that, pursuant to section 364(e) of the Bankruptcy Code, any reversal or modification on appeal of any authorization to obtain credit under section 364 should not affect the validity of the debt incurred or any priority of a lien granted. Without limitation, the Issuers extend credit to the Debtors in the form of surety bonds in good faith to enable the Debtors to maintain operations for the benefit of all interested parties, including the Debtors' employees and state and local governments. See 11 U.S.C. § 364(e). Certain of the Debtors' prepetition lenders similarly provide the secured letter of credit facility so the Debtors may maintain the Surety Bond Program. The Issuers and those prepetition lenders act in good

faith with respect to the Surety Bond Program and all related obligations and are entitled to the protections of section 364(e) of the Bankruptcy Code.

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

22. 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.”

23. Obtaining immediate authorization to maintain, continue and renew, as applicable, their Surety Bond Program and honor the Indemnity Agreements is vital to the Debtors’ continued viability. As set forth above, if the Surety Bond Program lapses or terminates, the Debtors’ ongoing mining operations could be jeopardized. 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

24. Nothing in this Motion is intended or should be construed: (a) as an admission as to the validity of any claim against the Debtors or their estates; (b) as a waiver of the Debtors’

right to dispute any claim; (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)(1)(A) 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 Issuer or any other party.

NOTICE

25. 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; (xii) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002 (xiii) Arch Insurance Company; (xiv) Aspen American Insurance Company; and (xv) the Issuers and Obligees set forth on Exhibit C attached to this Motion. In light of the nature of the relief requested herein, no other or further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter the Interim Order, substantially in the form attached hereto as Exhibit A and the Final Order, substantially in the form attached hereto as Exhibit B, granting the requested relief and such other and further relief as it deems just and proper.

Dated: July 15, 2015
Birmingham, Alabama

BRADLEY ARANT BOULT CUMMINGS LLP

By: Patrick Darby

Patrick Darby
Jay Bender
Cathleen Moore
James Bailey
One Federal Place
1819 Fifth Avenue North
Birmingham, Alabama 35203
Telephone: (205) 521-8000
Email: pdarby@babbc.com, jbender@babbc.com,
ccmoore@babbc.com, jbailey@babbc.com

- and -

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP

Stephen J. Shimshak (*pro hac vice pending*)
Kelley A. Cornish (*pro hac vice pending*)
Claudia R. Tobler (*pro hac vice pending*)
Ann K. Young (*pro hac vice pending*)
Michael S. Rudnick (*pro hac vice pending*)
1285 Avenue of the Americas
New York, New York 10019
Telephone: (212) 373-3000
Email: sshimshak@paulweiss.com, kcornish@paulweiss.com,
ctobler@paulweiss.com, ayoung@paulweiss.com,
mrudnick@paulweiss.com

*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

**INTERIM ORDER (A) AUTHORIZING THE DEBTORS TO
CONTINUE AND RENEW THEIR SURETY BOND PROGRAM
AND (B) GRANTING RELATED RELIEF**

Upon consideration of the motion (the “Motion”)² 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 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 4001, 6003 and 6004 (a) authorizing the Debtors to maintain, continue and renew, in their sole and absolute discretion, their Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date, all as more fully described in the Motion, and (b) granting related relief; and it appearing that this Court has jurisdiction to consider the

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.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Motion in this district 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 adequate and proper notice of the Motion has been given and that no other or further notice need be given; and a hearing having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and the legal and factual bases set forth in the Motion having established just cause for the relief granted herein; 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, in their sole and absolute discretion, authorized and empowered to maintain their Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures as were in effect prior to the Petition Date.
3. The Debtors are hereby authorized, but not required, to honor each of the Indemnity Agreements.
4. The Debtors are, in their sole and absolute discretion, authorized, but not required, to pay all amounts arising under the Surety Bond Program, due and payable after the Petition Date; *provided*, however, that, prior to entry of a Final Order, the Debtors will not pay prepetition Indemnity Obligations, if any.
5. The Debtors are, in their sole and absolute discretion, authorized, but not required, to renew existing surety bonds, increase or decrease the size of any such surety bonds and obtain

new surety bonds and execute any other agreements in connection with Surety Bond Program and all related instruments, documents and papers and to take all actions reasonably appropriate with respect thereto, in each case in accordance with the applicable documents governing the Surety Bond Program.

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

7. Notwithstanding anything contained herein to the contrary, the Debtors are authorized but not required, in accordance with the terms of the Interim Cash Collateral Order and related final order and with the consent of the Steering Committee, such consent not to be unreasonably withheld, to provide cash collateral to the Issuers to secure Indemnity Obligations on surety bonds that are issued after the Petition Date or to governmental units or agencies to secure permitting or other obligations owed to them.

8. The failure to specifically describe or include any particular feature of the Surety Bond Program in the Motion or this Interim Order shall not diminish or impair the effectiveness of such feature, it being the intent of this Court that the Surety Bond Program be approved in its entirety.

9. Nothing in this Interim Order or the Motion shall be construed as prejudicing the rights of the Debtors, or any of them, to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the Surety Bond Program.

10. Nothing in this Interim Order determines whether or not any surety bond or related agreement is an executory contract within the meaning of section 365 of the Bankruptcy Code.

11. To the extent any surety bond or related agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, neither this Interim Order nor any payments made in accordance with this Interim Order shall constitute the assumption of those surety bonds or related agreements under section 365 of the Bankruptcy Code.

12. The Debtors are authorized to renew, replace or increase any letters of credit in favor of the Issuers, subject to the consent of the Steering Committee, such consent not to be unreasonably withheld.

13. The extension of credit by any of the Issuers or the Debtors' prepetition lenders, or any of them, to the Debtors, or any of them, under the Surety Bond Program and pursuant to this Interim Order is in good faith under section 364(e) of the Bankruptcy Code, and the Issuers and the Debtors' prepetition lenders are entitled to the full protections and rights afforded by section 364(e) with respect to the Surety Bond Program and any actions taken in reliance upon this Interim Order.

14. Except as specifically set forth herein, nothing contained in this Interim Order shall (a) convert the priority of any claim from a prepetition claim into an administrative expense claim, (b) create or enhance any rights or status of any claim held by any person or entity, or (c) acknowledge, grant, or otherwise permit any right of offset or recoupment by a non-Debtor with respect to any claim asserted against a Debtor.

15. Within three (3) business days of the entry of this Interim Order, the Debtors shall serve a copy of this Interim Order and the Motion on the following: (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; (xii) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002 (xiii) Arch Insurance Company; (xiv) Aspen American Insurance Company; and (xv) the Issuers and Obligees set forth on Exhibit C attached to this Motion.

16. 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").

17. The Debtors may file an omnibus reply to any objection with the court and serve such reply via e-mail 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.

18. 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.

19. If no objections are timely filed and served by the Objection Deadline as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order substantially in the form of the Final Order annexed to the Motion, which order shall be submitted and may be entered with no further notice or opportunity to be heard afforded any party and the Motion shall be approved *nunc pro tunc* to the Petition Date.

20. The contents of the Motion and the notice procedures set forth herein are good and sufficient notice and satisfy Bankruptcy Rules 4001 and 9014 by providing parties with a notice and an opportunity to object and be heard at a hearing.

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

22. Notwithstanding any applicability of Bankruptcy Rules 4001(c) and 6004(h), the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry.

23. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation 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., <i>et al.</i> , ¹ Debtors.	Chapter 11 Case No. 15-_____ Joint Administration Requested
---	---

**FINAL ORDER (A) AUTHORIZING THE DEBTORS TO
CONTINUE AND RENEW THEIR SURETY BOND PROGRAM
AND (B) GRANTING RELATED RELIEF**

Upon consideration of the motion (the “Motion”)² 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 section 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 4001 and 6004 (a) authorizing the Debtors to maintain, continue and renew, in their sole and absolute discretion, their Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date, all as more fully described in the Motion, and (b) granting related relief; and it appearing that this Court has jurisdiction to consider the Motion

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.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Motion in this district 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 adequate and proper notice of the Motion has been given and that no other or further notice need be given; and a hearing having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and the legal and factual bases set forth in the Motion having established just cause for the relief granted herein; 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. Pursuant to sections 363 and 364 of the Bankruptcy Code, the final relief requested in the Motion is hereby granted *nunc pro tunc* to the Petition Date as set forth herein.
3. The Debtors are, in their sole and absolute discretion, authorized and empowered to maintain their Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures as were in effect prior to the Petition Date.
4. The Debtors are hereby authorized, but not required, to honor each of the Indemnity Agreements.
5. The Debtors are, in their sole and absolute discretion, authorized, but not required, to pay all amounts arising under the Surety Bond Program, due and payable after the Petition Date.

6. The Debtors are, in their sole and absolute discretion, authorized, but not required, to pay any Indemnity Obligations regardless of whether such Indemnity Obligations arose before or after the Petition Date.

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

8. The Debtors are, in their sole and absolute discretion, authorized, but not required, to renew existing surety bonds, increase or decrease the size of any such surety bonds and obtain new surety bonds and execute any other agreements in connection with Surety Bond Program and all related instruments, documents and papers and to take all actions reasonably appropriate with respect thereto, in each case in accordance with the applicable documents governing the Surety Bond Program.

9. The Debtors are authorized to renew, replace or increase any letters of credit in favor of the Issuers, subject to the consent of the Steering Committee, such consent not to be unreasonably withheld.

10. Notwithstanding anything contained herein to the contrary, the Debtors are authorized but not required, in accordance with the terms of the Interim Cash Collateral Order and related final order and with the consent of the Steering Committee, such consent not to be unreasonably withheld, to provide cash collateral to the Issuers to secure Indemnity Obligations on surety bonds that are issued after the Petition Date or to governmental units or agencies to secure permitting or other obligations owed to them.

11. The extension of credit by the Issuers or the Debtors' prepetition lenders, or any of them, to the Debtors, or any of them, under the Surety Bond Program and pursuant to this

Final Order is in good faith under section 364(e) of the Bankruptcy Code, and the Issuers and the Debtors' prepetition lenders are entitled to the full protections and rights afforded by section 364(e) with respect to the Surety Bond Program and any actions taken in reliance upon this Final Order.

12. The failure to specifically describe or include any particular feature of the Surety Bond Program in the Motion or this Final Order shall not diminish or impair the effectiveness of such feature, it being the intent of this Court that the Surety Bond Program be approved in its entirety.

13. Nothing in this Final Order or the Motion shall be construed as prejudicing the rights of the Debtors, or any of them, to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the Surety Bond Program.

14. Nothing in this Order determines whether or not any surety bond or related agreement is an executory contract within the meaning of section 365 of the Bankruptcy Code.

15. To the extent any surety bond or related agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, neither this Final Order nor any payments made in accordance with this Final Order shall constitute the assumption of those surety bonds or related agreements under section 365 of the Bankruptcy Code.

16. Except as specifically set forth herein, nothing contained in this Final Order shall (a) convert the priority of any claim from a prepetition claim into an administrative expense claim, (b) create or enhance any rights or status of any claim held by any person or entity, or (c) acknowledge, grant, or otherwise permit any right of offset or recoupment by a non-Debtor with respect to any claim asserted against a Debtor.

17. Notwithstanding any applicability of Bankruptcy Rules 4001(c) and 6004(h), the terms and conditions of this Final Order shall be immediately effective and enforceable upon its entry.

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

Dated: August [], 2015

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

LIST OF OUTSTANDING SURETY BONDS

Surety	Obligee Name	Bond Number	Bond Amount USD
Aspen	State of Alabama Surface Mining Commission	SU38134	\$1,208,420
Aspen	State of Alabama	SU38135	\$259,210
Aspen	State of Alabama	SU38150	\$72,680
Aspen	State of Alabama	SU38139	\$585,235
Aspen	State of Alabama	SU38146	\$314,870
Aspen	State of Alabama	SU38153	\$97,750
Arch	State of Alabama	SU 1122209-0000	\$415,150
Arch	State of Alabama	SU 1122208-0000	\$118,450
Arch	State of Alabama	SU 1121404-0000	\$3,940,141
Aspen	State of Alabama	SU38136	\$7,069,126
Arch	State of Alabama	SU 1121405-0000	\$2,498,720
Arch	State of Alabama	SU 1121409-0000	\$95,105
Arch	State of Alabama	SU 1121406-0000	\$2,496,317
Arch	State of Alabama	SU 1121407-0000	\$191,590
Arch	State of Alabama	SU 1121408-0000	\$79,810
Aspen	State of Alabama	SU38138	\$2,734,470
Aspen	State of Alabama	SU38149	\$146,165
Aspen	State of Alabama	SU38148	\$173,880
Arch	State of Alabama	SU 1121410-0000	\$66,700
Aspen	State of Alabama	SU38143	\$552,000
Aspen	State of Alabama	SU38147	\$265,650

Surety	Obligee Name	Bond Number	Bond Amount USD
Aspen	State of Alabama	SU38137	\$3,605,785
Aspen	State of Alabama	SU38142	\$886,822
Aspen	State of Alabama	SU38141	\$2,369,690
Aspen	State of Alabama	SU38188	\$1,221,185
Arch	State of Alabama	SU 1121437-0000	\$186,875
Arch	State of Alabama	SU 1121436-0000	\$188,407
Arch	State of Alabama	SU 1121434-0000	\$861,461
Arch	State of Alabama	SU 1121433-0000	\$2,159,305
Arch	State of Alabama	SU 1121445-0000	\$43,700
Aspen	State of Alabama	SU38156	\$3,217,660
Arch	State of Alabama	SU 1121456-0000	\$100,000
Arch	State of Alabama	SU 1121429-0000	\$80,270
Arch	State of Alabama	SU 1121431-0000	\$72,565
Arch	State of Alabama	SU 1121426-0000	\$108,800
Arch	State of Alabama	SU 1121427-0000	\$93,380
Arch	State of Alabama	SU 1121421-0000	\$442,060
Arch	State of Alabama	SU 1121423-0000	\$251,160
Arch	State of Alabama	SU 1121428-0000	\$90,160
Arch	State of Alabama	SU 1121411-0000	\$1,481,341
Arch	State of Alabama	SU 1121418-0000	\$638,967
Arch	State of Alabama	SU 1121420-0000	\$461,915

Surety	Obligee Name	Bond Number	Bond Amount USD
Arch	State of Alabama	SU 1121430-0000	\$75,900
Arch	State of Alabama	SU 1121415-0000	\$377,430
Arch	State of Alabama	SU 1121422-0000	\$314,870
Arch	State of Alabama	SU 1121413-0000	\$1,388,855
Arch	State of Alabama	SU 1121416-0000	\$834,325
Arch	State of Alabama	SU 1121425-0000	\$186,300
Arch	State of Alabama	SU 1121414-0000	\$365,240
Arch	State of Alabama	SU 1121412-0000	\$148,120
Arch	State of Alabama	SU 1121419-0000	\$78,890
Arch	State of Alabama	SU 1121417-0000	\$86,480
Arch	State of Alabama	SU 1121424-0000	\$180,435
Arch	State of Alabama	SU 1122210-0000	\$10,000
Arch	State of Alabama	SU 1121439-0000	\$137,310
Arch	State of Alabama	SU 1121432-0000	\$2,932,114
Arch	State of Alabama	SU 1121444-0000	\$60,000
Arch	State of Alabama	SU 1121447-0000	\$35,200
Arch	State of Alabama	SU 1121452-0000	\$8,800
Arch	State of Alabama	SU 1121450-0000	\$20,800
Arch	State of Alabama	SU 1121448-0000	\$32,430
Arch	State of Alabama	SU 1121438-0000	\$146,050
Arch	State of Alabama	SU 1121440-0000	\$137,310

Surety	Obligee Name	Bond Number	Bond Amount USD
Arch	State of Alabama	SU 1121441-0000	\$134,435
Arch	State of Alabama	SU 1121435-0000	\$308,545
Arch	State of Alabama	SU 1121451-0000	\$15,870
Aspen	State of Alabama	SU38154	\$3,098,938
Arch	State of West Virginia Dept of Environmental Protection	SU 1122207-0000	\$38,400
Arch	State of West Virginia	SU 1121385-0000	\$154,000
Arch	State of West Virginia	SU 1121395-0000	\$59,000
Arch	State of West Virginia	SU 1121400-0000	\$12,000
Arch	State of West Virginia	SU 1121376-0000	\$621,680
Arch	State of West Virginia	SU 1121396-0000	\$52,360
Arch	State of West Virginia	SU 1121377-0000	\$545,160
Arch	State of West Virginia	SU 1121379-0000	\$388,080
Arch	State of West Virginia	SU 1121382-0000	\$267,960
Arch	State of West Virginia	SU 1121383-0000	\$165,440
Arch	State of West Virginia	SU 1122204-0000	\$204,160
Arch	State of West Virginia	SU 1121381-0000	\$320,320
Arch	State of West Virginia	SU 1121391-0000	\$105,600
Arch	State of West Virginia	SU 1121386-0000	\$145,000
Arch	State of West Virginia	SU 1121390-0000	\$116,440
Arch	State of West Virginia	SU 1121394-0000	\$59,640

Surety	Obligee Name	Bond Number	Bond Amount USD
Arch	State of West Virginia	SU 1121384-0000	\$157,160
Arch	State of West Virginia	SU 1121378-0000	\$460,080
Arch	State of West Virginia	SU 1121380-0000	\$380,000
Arch	State of West Virginia	SU 1121401-0000	\$10,000
Arch	State of West Virginia	SU 1121397-0000	\$49,280
Arch	State of West Virginia	SU 1121393-0000	\$62,640
Arch	State of West Virginia	SU 1121399-0000	\$21,240
Arch	State of West Virginia	SU 1121388-0000	\$135,240
Arch	State of West Virginia	SU 1121398-0000	\$32,560
Arch	State of West Virginia	SU 1121389-0000	\$129,000
Aspen	State of West Virginia	SU38169	\$10,000
Aspen	State of West Virginia	SU38109	\$353,160
Aspen	State of West Virginia	SU38108	\$357,520
Aspen	State of West Virginia	SU38105	\$488,320
Aspen	State of West Virginia	SU38103	\$505,760
Aspen	State of West Virginia	SU38160	\$114,000
Aspen	State of West Virginia	SU38116	\$187,480
Aspen	State of West Virginia	SU38111	\$283,400
Aspen	State of West Virginia	SU38110	\$544,480
Aspen	State of West Virginia	SU38102	\$424,960
Aspen	State of West Virginia	SU38112	\$209,160

Surety	Obligee Name	Bond Number	Bond Amount USD
Aspen	State of West Virginia	SU38106	\$152,720
Aspen	State of West Virginia	SU38107	\$488,040
Aspen	State of West Virginia	SU38104	\$99,600
Aspen	State of West Virginia	SU38100	\$730,400
Aspen	State of West Virginia	SU38115	\$192,560
Aspen	State of West Virginia	SU38113	\$225,760
Aspen	State of West Virginia	SU38117	\$126,160
Aspen	State of West Virginia	SU38101	\$617,520
Aspen	State of West Virginia	SU38114	\$199,200
Aspen	State of West Virginia	SU38133	\$10,000
Aspen	State of West Virginia	SU38119	\$82,840
Aspen	State of West Virginia	SU38121	\$12,800
Aspen	State of West Virginia	SU38123	\$46,000
Aspen	State of West Virginia	SU38129	\$11,000
Aspen	State of West Virginia	SU38125	\$27,000
Aspen	State of West Virginia	SU38118	\$85,280
Aspen	State of West Virginia	SU38128	\$15,000
Aspen	State of West Virginia	SU38126	\$24,000
Aspen	State of West Virginia	SU38122	\$53,000
Aspen	State of West Virginia	SU38127	\$20,000
Aspen	State of West Virginia	SU38163	\$145,000

Surety	Obligee Name	Bond Number	Bond Amount USD
Aspen	State of West Virginia	SU38131	\$10,000
Aspen	State of West Virginia	SU38132	\$10,000
Aspen	State of West Virginia	SU38130	\$10,000
Aspen	State of West Virginia	SU38124	\$48,600
Aspen	State of West Virginia	SU38120	\$68,160
Arch	State of West Virginia Dept. of Transportation	SU 1122203-0000	\$25,000
Arch	USDI, BLM	SU 1121469-0000	\$400,000
Arch	Alabama Department of Transportation	SU 1122205-0000	\$50,000
Arch	Tuscaloosa County Public Works Dept	SU 1122206-0000	\$25,000
Arch	State of AL - Department of Conservation and Natural Resources- Division of State Lands	SU 1121998-0000	\$25,000
Arch	Board of Trustees Univ. of Alabama	SU 1121999-0000	\$55,000
Arch	Alabama Department of Transportation	SU 1122202-0000	\$50,000
Arch	State of Alabama; State Oil & Gas Board	SU 1121461-0000	\$400,000
Arch	Alabama Power Company	SU 1121459-0000	\$180,000
Arch	State of Alabama; State Oil & Gas Board	SU 1121457-0000	\$100,000
Arch	United States of America Bureau of Land	SU 1121460-0000	\$25,000

Surety	Obligee Name	Bond Number	Bond Amount USD
	Management		
Arch	Tuscaloosa County Public Works Dept	SU 1121466-0000	\$20,000
Arch	Tuscaloosa County Commission of The State of Alabama	SU 1121463-0000	\$25,000
Arch	Tuscaloosa County Commission of The State of Alabama	SU 1121464-0000	\$25,000
Aspen	Alabama Department of Transportation	SU38164	\$50,000
Aspen	State of AL - Department of Conservation and Natural Resources- Division of State Lands	SU38182	\$859,420
Aspen	Lumberman's Underwriting Alliance	SU38161	\$2,500,000
Arch	State of Alabama Dept of Ind Relations	SU 1121467-0000	\$150,000
Arch	State of Alabama Dept of Ind Relations	SU 1121468-0000	\$1,500,000
Aspen	State of Wyoming, Dept of Workforce Services	SU38172	\$10,000
Aspen	Mobile District, U.S. Army Corps of Engineers	SU38191	\$57,068