

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

In re:

WALTER ENERGY, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**THE DEBTORS' MOTION FOR AN ORDER  
(A) ESTABLISHING NOTIFICATION PROCEDURES AND  
APPROVING RESTRICTIONS ON CERTAIN TRANSFERS OF INTERESTS IN THE  
DEBTORS' ESTATES AND (B) GRANTING RELATED RELIEF**

Walter Energy, Inc. ("Walter Energy") and its affiliated debtors and debtors-in-possession (each a "Debtor" and, collectively, the "Debtors" and, together with its non-Debtor subsidiaries, the "Company") hereby move, pursuant to sections 105(a), 362, 363 and 1107(a) of title 11 of the U.S. Code (the "Bankruptcy Code") and rules 6003 and 6004(h) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an interim order substantially in the form attached hereto as Exhibit A (the "Interim Order") and a final order in the form attached hereto as Exhibit B (the "Final Order"): (i) establishing and implementing notification procedures and restrictions regarding certain transfers of beneficial interests in the common stock of Walter Energy; (ii) approving procedures for notifying holders of such

<sup>1</sup> 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.



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common stock of the procedures and restrictions regarding the transfers thereof; and (iii) granting related relief. In support of this motion (the “Motion”), the Debtors rely on the *Declaration of William G. Harvey in Support of Chapter 11 Petitions and First Day Relief* (the “First Day Declaration”)<sup>2</sup> 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 sought herein are sections 105(a), 363(b), 363(c) and 1107(a) of the Bankruptcy Code and Bankruptcy Rules 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.

### **RELIEF REQUESTED**

6. By this Motion, the Debtors seek entry of orders authorizing the Debtors to establish procedures (as more particularly described herein, the “Trading Procedures”) to protect

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<sup>2</sup> 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 value of the Debtors' consolidated net operating loss carryforwards (the "NOLs"), consolidated net unrealized built in losses (the "NUBIL"), and certain other tax attributes (collectively with the NOLs and NUBIL, the "Tax Attributes") by restricting certain transfers of equity interests in the Debtors. The Trading Procedures will apply to the common stock of Walter Energy. The Debtors also request that the Court order that any purchase, sale or other transfer of any Stock in violation of the Trading Procedures set forth below shall be void *ab initio*.

### **THE DEBTORS' TAX ATTRIBUTES**

#### **A. The Debtors' NOLs and Other Tax Attributes**

7. Walter Energy, Inc. ("Walter Energy") is publicly traded on the New York Stock Exchange (the "NYSE") under the ticker symbol WLT. As of July 15, 2015, there were 80,714,128 shares of Walter Energy common stock outstanding held by 32,853 beneficial holders.

8. The Debtors have incurred and are currently incurring, on a consolidated basis, significant NOLs and NOL carryforwards for U.S. federal income tax purposes totaling approximately \$550 million, and NOLs for U.S. federal alternative minimum tax purposes totaling approximately \$425 million. Additionally, the Debtors estimate that, as of the Petition Date, they had a consolidated NUBIL totaling more than \$2 billion and tax credits (including alternative minimum tax credit carryforwards and general business credit carryforwards) totaling approximately \$44 million. Because the Internal Revenue Code of 1986 (as amended, the "IRC") permits corporations to utilize NOLs, NOL carryforwards, recognized NUBIL items and tax credits to offset future income, the Debtors' consolidated NOLs, NOL carryforwards, NUBIL items and tax credits could be valuable assets of the Debtors' estates. See, e.g., I.R.C. § 172.

9. The availability of the Debtors' tax savings may prove crucial to the financial health of the Debtors as they seek to exit bankruptcy. For the reasons discussed below and consistent with the automatic stay, the Debtors seek the authority to enforce the stay to preclude certain transfers of the Stock and to monitor and possibly object to other changes in the ownership of the Stock. If no trading restrictions regarding the Stock are imposed by this Court, holders of the Stock might transfer their interests prior to the effective date of the Debtors' chapter 11 plan, thus triggering a "change of ownership" and adversely impacting the Debtors' ability to utilize their Tax Attributes.

**B. Potential Limitations on the Debtors' Use of Tax Attributes**

10. Section 172 of the IRC permits corporate taxpayers to use NOLs in years following the years in which they were incurred, including years after they have experienced an ownership change. However, section 382 of the IRC limits the income against which the NOLs can be deducted after an ownership change.<sup>3</sup>

**1) Ownership Change Outside the Context of a Chapter 11 Plan**

11. Section 382 of the IRC limits the ability of a corporation to use its NOLs if an "ownership change" occurs. Generally, an "ownership change" occurs if the percentage (by value) of the stock of the corporation owned by one or more "5% shareholders" has increased by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the relevant testing period, which is usually three years.<sup>4</sup> For example, an ownership change would occur in the following situation:

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<sup>3</sup> For purposes of section 382 of the IRC, NUBILs recognized within five (5) years following an ownership change are generally treated the same as NOLs. For the remainder of this Motion, the discussion of NOLs generally encompasses NUBILs recognized during such period.

<sup>4</sup> In general, under section 382(g)(4)(A) of the IRC, all shareholders who individually hold less than 5% of the stock of a company are deemed to be a single 5% shareholder throughout the three-year testing period and transfers between such shareholders are disregarded for purposes of determining whether an ownership change

Three individuals (“A,” “B” and “C”) each own 20% of the stock of corporation X (“X”). Each sells 15% to another individual (“D”), who has recently acquired 7%. Under section 382 of the IRC, an ownership change has occurred because D both became a 5% shareholder and increased his ownership in X by more than 50 percentage points (from 0% to 52%) during the testing period.

12. When an ownership change occurs, section 382 of the IRC limits the amount of future taxable income that the company can offset by its “pre-change losses” in any taxable year (or a portion thereof) to an annual amount equal to (a) the value of its stock prior to the ownership change, multiplied by (b) the long-term, tax-exempt interest rate. See IRC § 382(b). For distressed companies especially, this limitation could severely restrict the use of NOLs because the value of their stock may be quite low. For example, if a hypothetical company with \$500 million in NOLs were to become distressed, such that its equity value was \$5 million and undergo an ownership change when its equity value was at this depressed level, the annual limitation on the company’s use of its NOLs resulting from that ownership change would be \$137,000 (based on a 2.74% long-term, tax-exempt rate that would apply under section 382 of the IRC for an ownership change occurring in July 2015). In other words, in this scenario, the company would only be able to utilize \$137,000 of its \$500 million in NOLs in each post-change tax year because the ownership change occurred when the company’s stock value was low. Taxable income in excess of this amount would be taxable to the hypothetical company at the federal rate of 35%.

13. Thus, if left unrestricted, transfers of Stock could severely limit the Debtors’ ability to use their Tax Attributes and could have significant negative consequences for the Debtors, their estates and their reorganization efforts. Specifically, transfers of Stock could adversely affect the Debtors’ Tax Attributes if (a) too many 5% or greater blocks of Stock are

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has occurred. Accordingly, the Debtors do not seek to impose the requested notice and objection procedures on Transfers among shareholders holding less than 4.5% of Walter Energy’s stock, provided that such shareholders do not intend to accumulate a 5% or greater block of stock or add or sell shares to or from such block.

created, or (b) too much Stock is added to or sold from such blocks, such that, together with previous transfers by or to 5% shareholders during the preceding three year period, an ownership change within the meaning of section 382 of the IRC has occurred.

**2) Ownership Change in the Context of a Confirmed Chapter 11 Plan**

14. The limitations imposed by section 382 of the IRC are significantly relaxed if an ownership change occurs pursuant to a confirmed chapter 11 plan. Under section 382(l)(5) of the IRC, a corporation is not subject to the limitations imposed by section 382 of the IRC if (a) the ownership change results from consummation of a chapter 11 plan and (b) under the plan, the debtor's pre-change-in-ownership shareholders (i.e., persons or entities who owned the debtor's stock immediately before the relevant ownership change) and/or "Qualified Creditors" (as defined below) emerge from the reorganization owning at least 50% of the total value and voting power of the reorganized debtor's stock immediately after the ownership change effected from the consummation of the chapter 11 plan (the "Section 382(l)(5) Safe Harbor").

15. Under section 382(l)(5) of the IRC and the regulations promulgated thereunder, a creditor whose claim is exchanged for stock of the debtor under a plan of reorganization approved by the Bankruptcy Court or pursuant to an applicable bankruptcy court order is a "Qualified Creditor" for section 382 purposes if such claim either (a) has been owned by such creditor for 18 or more months prior to the date of filing of the bankruptcy petition, or (b) arose in the ordinary course of the debtor's business and was at all times beneficially owned by such creditor.

16. Creditors may also be "qualified," despite not satisfying the continuous ownership requirements under either (a) or (b) of paragraph 15 immediately above, if they meet the criteria set forth in the De Minimis Rule (as hereafter defined). The De Minimis Rule provides that, for purposes of the Section 382(l)(5) Safe Harbor, under Treasury Regulation § 1.382-9(d)(3) (the

“De Minimis Rule”), a debtor generally may “treat indebtedness as always having been owned by the beneficial owner of the indebtedness immediately before the ownership change if the beneficial owner is not, immediately after the ownership change, either a 5 percent shareholder or an entity through which a 5 percent shareholder owns an indirect ownership interest” in the debtor. Such a claimholder will generally be a Qualified Creditor under the Section 382(l)(5) Safe Harbor unless the particular claim(s) that it holds both (a) did not arise in the ordinary course of the issuing debtor’s business and (b) was not in existence 18 months prior to the filing of the bankruptcy petition.

17. Alternatively, where an ownership change results from consummation of a chapter 11 plan but the requirements for the Section 382(l)(5) Safe Harbor are *not* met, section 382(b) of the IRC would limit the amount of taxable income that the debtor could offset with an NOL.

18. Under the scenario where the requirements for the Section 382(l)(5) Safe Harbor are not met, the section 382 limitation is calculated using the special rule of section 382(l)(6) of the IRC. That rule provides that the value of the debtor, for purposes of calculating the section 382 limitation, generally must reflect any increase in value resulting from any surrender or cancellation of creditors’ claims, as well as any new investments, pursuant to the plan. As a result, assuming the debtor’s value increases as a result of its reorganization, the amount of taxable income that can be offset will still be limited—although not by as much as if the ownership change occurred outside the context of a confirmed chapter 11 plan.

19. Even if the Debtors are ultimately unable to satisfy the requirements of section 382(l)(5) or determine that it is more advantageous to elect not to accept its benefits, it is still in the best interest of the Debtors and their estates to restrict trading in the Stock that could

result in a section 382 ownership change of the Debtors before the confirmation of a chapter 11 plan.<sup>5</sup> In order for the Debtors to qualify for the other section 382 bankruptcy relief provision, the favorable valuation rule of section 382(l)(6), an ownership change must occur pursuant to the consummation of a chapter 11 plan. Under section 382(l)(6), if the Debtors experience an ownership change pursuant to a confirmed chapter 11 plan and section 382(l)(5) does not apply, the appropriate value of the reorganized Debtors' equity for the purposes of calculating the limitation under section 382 (as discussed above) would reflect the increase in value of the reorganized Debtors' equity resulting from the restructuring of creditor claims pursuant to the plan.

20. Thus, to the extent the value of the reorganized Debtors' equity increases as a result of the reorganization or arrangement (compared to the value of the Debtors' equity prior to the reorganization or arrangement), section 382(l)(6) will provide for a higher annual limitation than would otherwise be obtained under section 382 for an ownership change occurring during the time the Debtors are operating under chapter 11.

#### **PROPOSED TRADING AND OTHER DISPOSITION PROCEDURES**

21. By establishing procedures for monitoring the transfer of Stock, the Debtors can preserve the potential value of the Tax Attributes and ensure that the Debtors' estates receive the full benefits of the automatic stay. Accordingly, the Debtors propose the following restrictions, notification requirements and/or other procedures, effective as of the date of filing this Motion:

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<sup>5</sup> As discussed above, if a change of ownership occurred *before* the confirmation of a chapter 11 plan, the appropriate value of the reorganized Debtors' equity for purposes of calculating the limitation under section 382 would be determined immediately before the ownership change. Consequently, the Debtors' ability to use their Tax Attributes could be severely limited. Accordingly, this Motion proposes restrictions on Stock trading in order to guard against an ownership change and thereby to protect a valuable asset of the Debtors' estates.

**A. Definitions**

22. For purposes of this Motion, the Interim Order and Final Order, the following terms have the following meanings:

- (a) Stock. “Stock” means the common shares of Walter Energy and any beneficial interest therein, including any Options to acquire such common shares.
- (b) Option. An “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest regardless of whether it is contingent or otherwise not currently exercisable.
- (c) Entity. “Entity” has the meaning given to such term by the U.S. Department of Treasury regulations promulgated under section 382 of the IRC (“Treasury Regulations”).
- (d) Beneficial Ownership. “Beneficial Ownership” (or any variation thereof of Stock and Options to acquire Stock) shall be determined in accordance with applicable rules under section 382 of the IRC, the related Treasury Regulations and rulings issued by the Internal Revenue Service, and, thus, to the extent provided in those rules, from time to time shall include, without limitation, (A) direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all stock owned or acquired by its subsidiaries), (B) ownership by a holder’s family members and any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of stock, and (C) in certain cases, the ownership of an Option to acquire Stock. The term Beneficial Ownership of Stock shall include any variation of beneficial ownership of Stock and an Option to acquire Stock.
- (e) Substantial Equityholder. A “Substantial Equityholder” is any person or Entity that Beneficially Owns at least 4.5%, or 3,632,136, shares of all issued and outstanding shares of Stock.
- (f) Motion Date. The “Motion Date” means the date on which this Motion is filed with the Court.

**B. Proposed Trading Procedures for the Stock**

23. The Debtors propose the following Trading Procedures governing the trading and other disposition of the Stock:

- (a) Notice of Substantial Stock Ownership. Any person or Entity that is a Beneficial Owner, at any time on or after the Motion Date, of Stock in an

amount sufficient to qualify such person or Entity as a Substantial Equityholder shall file with the Court, and serve upon the Debtors a Notice of Substantial Stock Ownership (a “Substantial Ownership Notice”) in the form annexed hereto as Exhibit C, which describes specifically and in detail the Stock ownership of such person or Entity, on or before the date that is the later of: (a) fifteen (15) business days after the entry of the Interim Order and (b) fifteen (15) business days after that person or Entity qualifies as a Substantial Equityholder. At the holder’s election, the Substantial Ownership Notice to be filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns.

- (b) Acquisition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock that would result in an increase in the amount of Stock Beneficially Owned by any person or Entity that currently is or subsequently becomes a Substantial Equityholder or that would result in a person or Entity becoming a Substantial Equityholder (a “Proposed Equity Acquisition Transaction”), such person, Entity or Substantial Equityholder (a “Proposed Equity Transferee”) shall file with the Court and serve upon the Debtors a Notice of Intent to Obtain Beneficial Ownership of Stock (an “Equity Acquisition Notice”), in the form annexed hereto as Exhibit D, which describes specifically and in detail the proposed transaction in which Stock is to be acquired. At the holder’s election, the Equity Acquisition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to purchase or otherwise acquire.
- (c) Disposition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options to acquire such securities) that would result in a decrease in the amount of Stock Beneficially Owned by a Substantial Equityholder or that would result in a person or Entity ceasing to be a Substantial Equityholder (a “Proposed Equity Disposition Transaction,” and together with a Proposed Equity Acquisition Transaction, a “Proposed Equity Transaction”), such person, Entity, or Substantial Equityholder (a “Proposed Equity Transferor”) shall file with the Court and serve upon the Debtors a Notice of Intent to Sell, Exchange or Otherwise Transfer Walter Energy, Inc. Stock (an “Equity Disposition Notice,” and together with an Equity Acquisition Notice, an “Equity Trading Notice”), in the form annexed hereto as Exhibit E, which describes specifically and in detail the proposed transaction in which Stock would be transferred. At the holder’s election, the Equity Disposition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer

identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to sell or otherwise transfer.

- (d) Approval Procedures. If written approval of the proposed transaction is filed with the Court by the Debtors within fifteen (15) calendar days following the receipt of an Equity Trading Notice, then the transaction may proceed, but solely as specifically set forth in the applicable Equity Trading Notice. If written approval of the proposed transaction is not filed by the Debtors with the Court within such period, then the transaction may not be consummated unless approved by a final and nonappealable order of the Court, or unless otherwise agreed to by the Debtors. Further transactions within the scope of this paragraph 23(d) must be the subject of additional notices as set forth herein with additional waiting periods.

**C. General Provisions Applicable to the Trading Procedures**

24. The following Trading Procedures pertain to the trading or other disposition of any Stock:

- (a) Noncompliance with the Trading Procedures. Effective as of the date hereof and until further order of the Court to the contrary, any trade, acquisition, purchase, sale or other transfer or disposition of any in violation of the Trading Procedures set forth herein shall be null and void *ab initio* as an act in violation of the automatic stay under section 363 of the Bankruptcy Code and the stays approved pursuant to the Court's orders approving these Trading Procedures, and shall confer no rights on the transferee. Any person or Entity acquiring or disposing of any Stock in violation of the Trading Procedures shall be subject to such sanctions as the Court may consider appropriate under sections 105 and 362 of the Bankruptcy Code and the Court's general equitable powers.
- (b) Notice of Interim Order. Within five (5) business days after entry of the Interim Order, the Debtors (i) shall serve notice, by priority mail, postage prepaid, or by electronic mail, in substantially the form attached as Exhibit 1 to the Interim Order (the "Notice of Interim Order"), to the following persons: (A) the Office of the Bankruptcy Administrator for the Northern District of Alabama (the "Bankruptcy Administrator"); (B) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (C) the indenture trustee for each of the Debtors' outstanding bond issuances; (D) counsel to the steering committee of first lien debt holders; (E) the Internal Revenue Service (the "IRS"); (F) the Securities and Exchange Commission (the "SEC"); (G) the directly registered holders of the Stock to the extent known; and (H) the beneficial holders of the Stock via such beneficial holders' banks, brokers, custodians, dealers, and other agents, intermediaries, and nominees (collectively, the "Nominees"); (ii) shall post the Notice of Interim Order together with a copy of the Interim

Order on the Debtors' case information website (<http://www.kccllc.net/walterenergy>); and (iii) shall submit the Notice of Interim Order for publication on the Bloomberg newswire service and the Depository Trust Legal Noticing System (LENS).

- (i) Upon receipt of each of Notice of Interim Order, the Nominees will be required, within five (5) business days of receipt of such notice and on at least a quarterly basis thereafter, to send such notice to all registered or otherwise known holders of any Stock. Any such registered or otherwise known holder, in turn, must, within five (5) business days of receipt of each such notice, provide such notice to any holder for whose account such registered holder holds any Stock, and so on down the chain of ownership.
  - (ii) Any entity or broker or agent acting on such entity's behalf that sells in excess of 3,632,136 shares of Stock to another entity must serve a copy of the Notice of Interim Order on such purchaser of such Stock or any broker or agent acting on such purchaser's behalf.
  - (iii) The Notice of Interim Order will advise parties-in-interest of their opportunity to file an objection to this Motion (an "Objection") and procedures they must follow to file an Objection, including the deadline by which any Objection must be filed and served (the "Objection Deadline"). The Stock Trading Notice will also explain that if no Objection is timely filed and served by the Objection Deadline (or if an Objection is timely filed but then withdrawn prior to the Final Hearing (as defined below)), the Court may enter the Final Order without further notice or hearing, and this Motion shall be approved *nunc pro tunc* to the date hereof. If an Objection is timely filed and served in accordance with the requirements set forth in the Interim Order, a final hearing on this Motion (the "Final Hearing") will be held, and the Debtors shall submit to the Court for entry the Final Order.
- (c) Confidentiality. Except to the extent information contained in any submission to the Court pursuant to the Trading Procedures set forth herein is public or in connection with an audit or other investigation by the IRS or other taxing authority, the Debtors shall keep all additional information provided in connection with these Trading Procedures strictly confidential; provided, however, that the Debtors may disclose the information to their counsel and professional advisors and those of any other person(s) that are subject to a nondisclosure agreement with the Debtors (as applicable), each of whom shall keep all such notices strictly confidential. To the extent non-public information is requested in these

Trading Procedures or requests for information related thereto, all non-public information may be redacted from any filing made with the Court.

- (d) Cooperation. Any person or Entity making a filing pursuant to these Trading Procedures shall, upon reasonable request by the Debtors, (i) provide the Debtors any additional information in connection with the evaluation of the action contemplated in such notice, and (ii) use reasonable efforts to elicit cooperation from its shareholders, partners, officers, directors, members or other beneficial owners in connection therewith.
- (e) Interpretation. These Trading Procedures are intended to preserve, to the maximum extent possible, the Debtors' ability to obtain the maximum benefit from their Tax Attributes and, accordingly, any interpretative question that may arise under these Trading Procedures shall be resolved in the manner that will reduce the risks that a transfer of Stock might jeopardize the Debtors' use of their Tax Attributes.
- (f) Debtors' Right to Waive. The Debtors may waive, in writing, any or all of the Trading Procedures contained in this Motion.
- (g) Service on the Debtors. For purposes of the Trading Procedures, service on the Debtors shall mean delivery to: (a) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Michael Rudnick, Ann Young and Claudia Tobler; and (c) co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, Alabama 35203, Attention: James Bailey.

#### **BASIS FOR REQUESTED RELIEF**

#### **D. The Tax Attributes Are Property of the Debtors' Estates Entitled to Protection**

25. It is well established that a debtor's NOL is property of its estate and is protected by section 362 of the Bankruptcy Code. The seminal case articulating this rule is In re Prudential Lines Inc., 928 F.2d 565 (2d Cir. 1991), which affirmed the application of the automatic stay and upheld a permanent injunction against a parent corporation that sought to take a worthless stock deduction with regard to the stock of its subsidiary, which was the debtor in that case. Observing that the worthless stock deduction would have adversely affected the subsidiary's ability to use its NOL carryforwards post-bankruptcy, the Second Circuit held that the subsidiary's NOL

carryforwards were property of the estate under the broad language of section 541 of the Bankruptcy Code:

Including NOL carryforwards as property of a corporate debtor's estate is consistent with Congress' intention to "bring anything of value that the debtors have into the estate." Moreover, "[a] paramount and important goal of Chapter 11 is the rehabilitation of the debtor by offering breathing space and an opportunity to rehabilitate its business and eventually generate revenue." Including the right to a NOL carryforward as property of [the debtor's] bankruptcy estate furthers the purpose of facilitating the reorganization of [the debtor].

Id. at 573 (citations omitted); see also In re Russell, 927 F.2d 413, 417 (8th Cir. 1991) (stating that the "right to carry forward the [debtor's] NOLs" was a "property interest" of the estate); In re White Metal Rolling & Stamping Corp., 222 B.R. 417, 424 (Bankr. S.D.N.Y. 1998) ("It is beyond peradventure that NOL carrybacks and carryovers are property of the estate of the loss corporation that generated them."). The Second Circuit then held that the parent corporation's attempt to claim a worthless stock deduction in stock of its debtor subsidiary would effectively eliminate the value of the debtor's NOL carryforwards and thus would be an act to exercise control over estate property in violation of the automatic stay under section 362 of the Bankruptcy Code.

26. Section 362(a) of the Bankruptcy Code operates as a stay of, among other things, "any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate." 11 U.S.C. § 362(a)(3). Accordingly, "where a non-debtor's action with respect to an interest that is intertwined with that of a bankrupt debtor would have the legal effect of diminishing or eliminating property of the bankrupt estate, such action is barred by the automatic stay." Prudential Lines, 928 F.2d at 574 (citing In re 48th St. Steakhouse, Inc., 835 F.2d 427, 431 (2d Cir. 1987)). The Second Circuit held that "despite the fact that the [parent corporation's] action [of filing for a worthless stock deduction] is not

directed specifically at [the debtor subsidiary], it is barred by the automatic stay as an attempt to exercise control over property of the estate.” Id.

27. The Second Circuit also held that the permanent injunction was supported by the court’s equitable powers pursuant to section 105(a) of the Bankruptcy Code and refused to disturb the bankruptcy court’s finding that elimination of the debtor’s ability to apply its NOL to offset income on future tax returns would impede its reorganization. Id.

28. Similarly, in In re Phar-Mor, Inc., 152 B.R. 924 (Bankr. N.D. Ohio 1993), chapter 11 debtors moved to prohibit any transfer of the debtors’ stock that could have triggered the section 382 limitation. The court held that the NOL was property of the estate and issued an injunctive order to protect the asset and enforce the automatic stay. Significantly, the court granted the requested relief notwithstanding that the stockholders had not stated an intent to sell their stock and the debtors had not shown the existence of a pending sale that would trigger a change in ownership for purposes of section 382. See id. at 927. The court observed that “[w]hat is certain is that the *NOL has a potential value, as yet undetermined*, which will be of benefit to creditors and will assist [d]ebtors in their reorganization process. This asset is entitled to protection while [d]ebtors move forward toward reorganization.” Id. (emphasis added). The court also concluded that because the debtors were seeking to enforce the stay, they did not have to meet the more stringent requirements for a grant of preliminary injunctive relief:

The requirements for enforcing an automatic stay under 11 U.S.C. § 362(a)(3) do not involve such factors as lack of an adequate remedy at law, or irreparable injury, or loss and a likelihood of success on the merits. The key elements for a stay . . . are the existence of property of the estate and the enjoining of all efforts by others to obtain possession or control of property of the estate.

Id. at 926 (citing In re Golden Distributions, Inc., 122 B.R. 15, 19 (Bankr. S.D.N.Y. 1990)).

29. Numerous courts have prohibited or otherwise restricted equity trading to protect a debtor against the possible loss of its NOL carryovers. See, e.g., In re Pinnacle Airlines Corp.,

Case No. 12-11343 (REG) (Bankr. S.D.N.Y. Apr. 3, 2012) (establishing procedures restricting the trade of equity securities against the debtors); In re Boyds Collection, Ltd., Case No. 05-43793 (DK) (Bankr. D. Md. Nov. 1, 2005) (same); In re US Airways, Inc., Case No. 04-13819 (SSM) (Bankr. E.D. Va. Apr. 1, 2005); In re UAL Corporation, Case No. 02-B-48191 (ERV) (Bankr. E.D. Ill. Feb. 21, 2003); In re RadioShack Corp., Case No. 15-10197 (KJC) (Bankr. D. Del. Feb. 9, 2015) (establishing notification and hearing procedures for, among other things, transfers of certain equity securities) (the “RadioShack Order”); In re The Great Atlantic & Pacific Tea Co., Case No. 10-24549 (RDD) (Bankr. S.D.N.Y. Dec. 15, 2010) (same); In re Patriot Coal Corp., Case No. 15-32450 (KLP) (Bankr. E.D. Va. June 4, 2015) (same); In re The Colonial BancGroup, Inc., Case No. 09-32303 (DHW) (Bankr. M.D. Ala. Nov. 23, 2009) (same); In re Neff Corp., Case No. 10-12610 (SCC) (Bankr. S.D.N.Y. June 9, 2010) (same). In short, it is well-settled that section 362(a)(3) of the Bankruptcy Code stays actions that could adversely affect a debtor’s NOL carryforwards and other tax attributes.

**E. The Trading Procedures and Record Date Notice Are Narrowly Tailored**

30. The establishment of the Trading Procedures will not bar all transfers of securities, only those types of transfers that pose a serious risk to the Debtors’ Tax Attributes under the section 382 ownership change test. Further, the Trading Procedures will only be in effect during the pendency of these Chapter 11 Cases. As such, the requested relief is narrowly tailored to allow the Debtors to preserve their ability to seek substantive relief if it appears that a proposed transfer will jeopardize their use of the Tax Attributes. The Trading Procedures will otherwise permit transfers of securities to continue unaffected, subject to applicable law.

**F. Notice Provisions for the Proposed Interim and Final Orders**

31. No later than five business days following entry of the Interim Order, the Debtors will serve by priority mail, postage prepaid, a notice in substantially the form of Exhibit 1 to the

following parties or, in lieu thereof, their counsel, if known: 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) the directly registered holders of the Stock to the extent known; (xiii) the beneficial holders of the Stock via such beneficial holders of the Stock via such beneficial holders' banks, brokers, custodians, dealers, and other agents, intermediaries, and nominees; and (xiv) 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.

32. Entry of an order on an interim basis will allow parties in interest to file an objection and seek to be heard with respect to this Motion, if necessary. If no party timely files an objection (or withdraws such an objection before a hearing), the Debtors request that the Court enter the Final Order at the hearing to consider this Motion on a final basis. If the Court enters the Final Order, the Debtors will service a Notice of Order to the same entities that received the Notice of Interim Order, in substantially the same form as the Interim Order, but modified to reflect that the Court has entered the Final Order.

33. The Nominees must serve the Notice of Interim Order or Notice of Final Order, as applicable, on any beneficial holder for whose account such Nominee holds such Stock and so on

down the chain of ownership for all such holders of Stock within five business days of receipt of the Notice of Interim Order or Notice of Final Order, as applicable.

34. Any entity or broker or agent acting on such entity's behalf that sells in excess of 3,632,136 shares of Stock to another entity must serve a copy of the Notice of Interim Order or Notice of Final Order, as applicable, on such purchaser of such Stock or any broker or agent acting on such purchaser's behalf.

35. The deadline to file an objection ("Objection") to the Motion shall be 4:00 p.m. (prevailing Central Time) on the date set forth in the Interim Trading Order (the "Objection Deadline"). An Objection shall be considered timely if it is (i) filed with the Court and (ii) actually received on or before the Objection Deadline by the Debtors.

36. Unless otherwise ordered by the Court, a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Central Time) on the day that is at least two business days before the date of the applicable hearing.

37. If no Objections are timely filed and served, as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a Final Order granting the relief requested herein, which order shall be submitted and may be entered with no further notice or opportunity to be heard afforded to any party and the Motion shall be approved *nunc pro tunc* to the date of the commencement of these chapter 11 cases. If an Objection is timely filed, a hearing will be held at the U.S. Bankruptcy Court for the Northern District of Alabama, Southern Division, at a date and time to be established by the Court.

38. Until the Court enters a Final Order, any acquisition or disposition of Stock after the Petition Date in violation of the Procedures set forth above shall be null and void *ab initio* as

an act in violation of the automatic stay prescribed by section 362 of the Bankruptcy Code and pursuant to this Court's equitable power prescribed in section 105(a) of the Bankruptcy Code.

**G. The Proposed Notice and Approval Procedures Are Necessary and in the Best Interests of the Debtors, Their Estates and Creditors**

39. The proposed Trading Procedures described herein satisfy due process and the strictures of Bankruptcy Rule 9014 by providing parties with a notice and an opportunity to object and be heard at a hearing. See, e.g., In re Drexel Burnham Lambert Group, Inc., 160 B.R. 729, 733 (S.D.N.Y. 1993) (indicating that opportunity to present objections satisfies due process); In re Colo. Mountain Cellars, Inc., 226 B.R. 244, 246 (D. Colo. 1998) (noting that a hearing is not required to satisfy Bankruptcy Rule 9014). Furthermore, the proposed notice procedures protect the due process rights of the parties in interest without unnecessarily exposing the Debtors' estates to unwarranted administrative expenses.

40. Moreover, the proposed Trading Procedures and restrictions are necessary to protect the Debtors' Tax Attributes, which are valuable assets of the Debtors' estates, while providing appropriate latitude for trading in the Stock. The Debtors' ability to meet the requirements of the tax laws to protect their Tax Attributes may be jeopardized unless procedures are established to ensure that certain trading in Stock is either precluded or closely monitored and made subject to Court approval and that the Debtors have the ability to reestablish the pre-trading status quo to protect their Tax Attributes. However, the Debtors recognize that the trading in Stock below specified levels (with contemporaneous notice of the transfers) does not, at this time, pose a serious risk to the Debtors' Tax Attributes.

41. The relief requested herein is tailored as narrowly as is reasonable to permit certain Stock trading to continue, subject only to Bankruptcy Rule 3001(e) and applicable securities, corporate and other laws. The proposed restrictions on trading are crucial because

once an interest is transferred, the transaction might not be reversible for tax purposes, though it should be null and void under section 362 of the Bankruptcy Code. The relief requested is, therefore, critical to prevent what may be an irrevocable loss or other impairment of the Debtors' Tax Attributes.

**H. Interim Relief is Necessary to Avoid Irreparable Harm to the Debtors**

42. The relief sought herein is necessary to avoid an irrevocable loss of the Debtors' Tax Attributes and the irreparable harm that could be caused by the unrestricted transfers of the Stock. Once a Tax Attribute is limited under section 382 of the IRC, its use may be limited forever. Once an equity interest is transferred, it cannot be undone. Unmonitored, the trading of Stock could jeopardize the Debtors' ability to offset taxable income with their Tax Attributes, thereby threatening the Debtors' restructuring efforts.

43. Accordingly, absent the entry of the Interim Order and the granting of the relief contemplated thereby, the Debtors, their estates, and their creditors could suffer immediate and irreparable harm. Therefore, the Debtors request that the relief requested herein be approved immediately on an interim basis.

**NOTICE**

44. 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) the directly registered holders of the

Stock to the extent known; (xiii) the beneficial holders of the Stock via such beneficial holders of the Stock via such beneficial holders' banks, brokers, custodians, dealers, and other agents, intermediaries, and nominees; and (xiv) 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.

*[Remainder of Page Intentionally Left Blank]*

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as is just and proper.

Dated: July 15, 2015  
Birmingham, Alabama

BRADLEY ARANT BOULT CUMMINGS LLP

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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.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**INTERIM ORDER ESTABLISHING NOTIFICATION PROCEDURES AND  
APPROVING RESTRICTIONS ON CERTAIN TRANSFERS OF  
INTERESTS IN THE DEBTORS' ESTATES**

Upon consideration of the motion (the "Motion")<sup>2</sup> of the Debtors requesting entry of interim and final orders pursuant to sections 105(a), 362, 363 and 1107(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004(h) (a) approving the procedures related to transfers of Stock (the "Trading Procedures" or "Procedures"); 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 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

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<sup>1</sup> 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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

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 following Trading Procedures, as set forth below, are hereby approved:

- (a) Notice of Substantial Stock Ownership. Any person or Entity that is a Beneficial Owner, at any time on or after the Motion Date, of Stock in an amount sufficient to qualify such person or Entity as a Substantial Equityholder shall file with the Court, and serve upon the Debtors a Notice of Substantial Stock Ownership (a "Substantial Ownership Notice") in the form annexed to the Motion as Exhibit C, which describes specifically and in detail the Stock ownership of such person or Entity, on or before the date that is the later of: (a) fifteen (15) business days after the entry of the Interim Order and (b) fifteen (15) business days after that person or Entity qualifies as a Substantial Equityholder. At the holder's election, the Substantial Ownership Notice to be filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder's taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns.

- (b) Acquisition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options) that would result in an increase in the amount of Stock Beneficially Owned by any person or Entity that currently is or subsequently becomes a Substantial Equityholder or that would result in a person or Entity becoming a Substantial Equityholder (a “Proposed Equity Acquisition Transaction”), such person, Entity or Substantial Equityholder (a “Proposed Equity Transferee”) shall file with the Court and serve upon the Debtors a Notice of Intent to Purchase, Acquire or Obtain Beneficial Ownership of Stock (an “Equity Acquisition Notice”), in the form annexed to the Motion as Exhibit D, which describes specifically and in detail the proposed transaction in which Stock is to be acquired. At the holder’s election, the Equity Acquisition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to purchase or otherwise acquire.
- (c) Disposition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options to acquire such securities) that would result in a decrease in the amount of Stock Beneficially Owned by a Substantial Equityholder or that would result in a person or Entity ceasing to be a Substantial Equityholder (a “Proposed Equity Disposition Transaction,” and together with a Proposed Equity Acquisition Transaction, a “Proposed Equity Transaction”), such person, Entity, or Substantial Equityholder (a “Proposed Equity Transferor”) shall file with the Court and serve upon the Debtors a Notice of Intent to Sell, Exchange or Otherwise Transfer Walter Energy, Inc. Stock (an “Equity Disposition Notice,” and together with an Equity Acquisition Notice, an “Equity Trading Notice”), in the form annexed to the Motion as Exhibit E, which describes specifically and in detail the proposed transaction in which Stock would be transferred. At the holder’s election, the Equity Disposition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to sell or otherwise transfer.

- (d) Approval Procedures. If written approval of the proposed transaction is filed with the Court by the Debtors within fifteen (15) calendar days following the receipt of an Equity Trading Notice, then the transaction may proceed, but solely as specifically set forth in the applicable Equity Trading Notice. If written approval of the proposed transaction is not filed by the Debtors with the Court within such period, then the transaction may not be consummated unless approved by a final and nonappealable order of the Court, or unless otherwise agreed to by the Debtors. Further transactions within the scope of paragraph 23(d) of the Motion must be the subject of additional notices as set forth herein with additional waiting periods.
- (e) Noncompliance with the Trading Procedures. Effective as of the date hereof and until further order of the Court to the contrary, any trade, acquisition, purchase, sale or other transfer or disposition of any in violation of the Trading Procedures set forth herein shall be null and void *ab initio* as an act in violation of the automatic stay under section 363 of the Bankruptcy Code and the stays approved pursuant to the Court's orders approving these Trading Procedures, and shall confer no rights on the transferee. Any person or Entity acquiring or disposing of any Stock in violation of the Trading Procedures shall be subject to such sanctions as the Court may consider appropriate under sections 105 and 362 of the Bankruptcy Code and the Court's general equitable powers.
- (f) Notice of Interim Order. Within five (5) business days after entry of the Interim Order, the Debtors (i) shall serve notice, by priority mail, postage prepaid, or by electronic mail, in substantially the form attached as Exhibit 1 to the Interim Order (the "Notice of Interim Order"), to the following persons: (A) the Office of the Bankruptcy Administrator for the Northern District of Alabama (the "Bankruptcy Administrator"); (B) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (C) the indenture trustee for each of the Debtors' outstanding bond issuances; (D) counsel to the steering committee of first lien debt holders; (E) the Internal Revenue Service (the "IRS"); (F) the Securities and Exchange Commission (the "SEC"); (G) the directly registered holders of the Stock to the extent known; and (H) the beneficial holders of the Stock via such beneficial holders' banks, brokers, custodians, dealers, and other agents, intermediaries, and nominees (collectively, the "Nominees"); (ii) shall post the Notice of Interim Order together with a copy of the Interim Order on the Debtors' case information website (<http://www.kccllc.net/walterenergy>); and (iii) shall submit the Notice of Interim Order for publication on the Bloomberg

newswire service and the Depository Trust Legal Noticing System (LENS).

- (i) Upon receipt of each of Notice of Interim Order, the Nominees will be required, within five (5) business days of receipt of such notice and on at least a quarterly basis thereafter, to send such notice to all registered or otherwise known holders of any Stock. Any such registered or otherwise known holder, in turn, must, within five (5) business days of receipt of each such notice, provide such notice to any holder for whose account such registered holder holds any Stock, and so on down the chain of ownership.
  - (ii) Any entity or broker or agent acting on such entity's behalf that sells in excess of 3,632,136 shares of Stock to another entity must serve a copy of the Notice of Interim Order on such purchaser of such Stock or any broker or agent acting on such purchaser's behalf.
  - (iii) The Notice of Interim Order will advise parties-in-interest of their opportunity to file an objection to this Motion (an "Objection") and procedures they must follow to file an Objection, including the deadline by which any Objection must be filed and served. The Stock Trading Notice will also explain that if no Objection is timely filed and served by the Objection Deadline (or if an Objection is timely filed but then withdrawn prior to the Final Hearing (as defined below)), the Court may enter the Final Order without further notice or hearing, and this Motion shall be approved *nunc pro tunc* to the date hereof. If an Objection is timely filed and served in accordance with the requirements set forth in this Interim Order, a final hearing on this Motion (the "Final Hearing") will be held, and the Debtors shall submit to the Court for entry the Final Order.
- (g) Confidentiality. Except to the extent information contained in any submission to the Court pursuant to the Trading Procedures set forth herein is public or in connection with an audit or other investigation by the IRS or other taxing authority, the Debtors shall keep all additional information provided in connection with these Trading Procedures strictly confidential; provided, however, that the Debtors may disclose the information to their counsel and professional advisors and those of any other person(s) that are subject to a nondisclosure agreement with the Debtors (as applicable), each of whom shall keep all such notices strictly confidential. To the extent non-public information is requested in

these Trading Procedures or requests for information related thereto, all non-public information may be redacted from any filing made with the Court.

- (h) Cooperation. Any person or Entity making a filing pursuant to these Trading Procedures shall, upon reasonable request by the Debtors, (i) provide the Debtors any additional information in connection with the evaluation of the action contemplated in such notice, and (ii) use reasonable efforts to elicit cooperation from its shareholders, partners, officers, directors, members or other beneficial owners in connection therewith.
- (i) Interpretation. These Trading Procedures are intended to preserve, to the maximum extent possible, the Debtors' ability to obtain the maximum benefit from their Tax Attributes and, accordingly, any interpretative question that may arise under these Trading Procedures shall be resolved in the manner that will reduce the risks that a transfer of Stock might jeopardize the Debtors' use of their Tax Attributes.
- (j) Debtors' Right to Waive. The Debtors may waive, in writing, any or all of the Trading Procedures contained in this Motion.
- (k) Service on the Debtors. For purposes of the Trading Procedures, service on the Debtors shall mean delivery to: (a) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Michael Rudnick, Ann Young and Claudia Tobler; and (c) co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, Alabama 35203, Attention: James Bailey.

3. 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@alnba.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").

4. 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.

5. 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.

6. Any transfer of Beneficial Ownership of Stock in violation of the Trading Procedures, including the notice requirements, shall be null and void *ab initio*.

7. The requirements set forth in this Interim Order are in addition to the requirements of all applicable law and do not excuse compliance therewith.

8. The requirements set forth in Bankruptcy Rule 6003 are deemed inapplicable to the Motion or satisfied.

9. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a).

10. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

11. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.

12. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: July [], 2015  
Birmingham, Alabama

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UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT 1**  
**NOTICE OF INTERIM TRADING ORDER**

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

In re:

WALTER ENERGY, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**NOTICE OF INTERIM TRADING ORDER ESTABLISHING  
NOTIFICATION PROCEDURES AND APPROVING RESTRICTIONS  
ON CERTAIN TRANSFERS OF INTERESTS IN DEBTORS' ESTATES**

**TO ALL PERSONS OR ENTITIES WITH EQUITY INTERESTS IN ANY OF  
THE DEBTORS:**

PLEASE TAKE NOTICE that on July \_\_, 2015, the debtor entities listed herein commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Upon the commencement of a chapter 11 case, section 362(a) of the Bankruptcy Code operates as a stay of any act to obtain possession of property of the Debtors' estates or of property from the Debtors' estates or to exercise control over property of the Debtors' estates.

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<sup>1</sup> 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. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of the Debtors' bankruptcy cases.

PLEASE TAKE FURTHER NOTICE that on July 15, 2015, the Debtors filed a motion seeking entry of an order establishing notification procedures and approving restrictions on certain transfers of interests in the Debtors and their estates (the "Motion").

PLEASE TAKE FURTHER NOTICE that on July \_\_, 2015, the United States Bankruptcy Court for the Northern District of Alabama (the "Court") having jurisdiction over these chapter 11 cases entered an order (i) finding that the Debtors' net operating loss ("NOLs") and NOL carryforwards, consolidated net unrealized built-in loss ("NUBILs"), and tax credits are property of the Debtors' estates and are protected by section 362(a) of the Bankruptcy Code, (ii) finding that unrestricted trading of the Stock could severely limit the Debtors' ability to use their NOLs, NOL carryforwards, NUBILs, and tax credits for U.S. federal income tax purposes and (iii) approving the procedures (the "Trading Procedures") set forth below to preserve the Debtors' NOLs, NOL carryforwards pursuant to sections 105(a) and 362(a) of the Bankruptcy Code (the "Order").

**Any sale or other transfer in violation of the Procedures set forth below shall be null and void *ab initio* as an act in violation of the automatic stay under sections 105(a) and 362 of the Bankruptcy Code.**

PLEASE TAKE FURTHER NOTICE that the following procedures and restrictions have been approved by the Court:

- (a) Notice of Substantial Stock Ownership. Any person or Entity that is a Beneficial Owner, at any time on or after the Motion Date, of Stock in an amount sufficient to qualify such person or Entity as a Substantial Equityholder shall file with the Court, and serve upon the Debtors a Notice of Substantial Stock Ownership (a "Substantial Ownership Notice") in the form annexed to the

Motion as Exhibit C, which describes specifically and in detail the Stock ownership of such person or Entity, on or before the date that is the later of: (a) fifteen (15) business days after the entry of the Interim Order and (b) fifteen (15) business days after that person or Entity qualifies as a Substantial Equityholder. At the holder's election, the Substantial Ownership Notice to be filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder's taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns.

- (b) Acquisition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options) that would result in an increase in the amount of Stock Beneficially Owned by any person or Entity that currently is or subsequently becomes a Substantial Equityholder or that would result in a person or Entity becoming a Substantial Equityholder (a "Proposed Equity Acquisition Transaction"), such person, Entity or Substantial Equityholder (a "Proposed Equity Transferee") shall file with the Court and serve upon the Debtors a Notice of Intent to Purchase, Acquire or Otherwise Obtain Beneficial Ownership of Stock (an "Equity Acquisition Notice"), in the form annexed to the Motion as Exhibit D, which describes specifically and in detail the proposed transaction in which Stock is to be acquired. At the holder's election, the Equity Acquisition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder's taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to purchase or otherwise acquire.
- (c) Disposition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options to acquire such securities) that would result in a decrease in the amount of Stock Beneficially Owned by a Substantial Equityholder or that would result in a person or Entity ceasing to be a Substantial Equityholder (a "Proposed Equity Disposition Transaction," and together with a Proposed Equity Acquisition Transaction, a "Proposed Equity Transaction"), such person, Entity, or Substantial Equityholder (a "Proposed Equity Transferor") shall file with the Court and serve upon the Debtors a Notice of Intent to Sell, Exchange or Otherwise Transfer Walter Energy, Inc. Stock (an "Equity Disposition Notice," and together with an Equity Acquisition Notice, an "Equity Trading Notice"), in the form annexed to the Motion as Exhibit E, which describes specifically and in detail the proposed transaction in which Stock would be transferred. At the holder's election, the Equity Disposition Notice that is filed with the Court (but not such notice

served upon the Debtors) may be redacted to exclude such holder's taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to sell or otherwise transfer.

- (d) Approval Procedures. If written approval of the proposed transaction is filed with the Court by the Debtors within fifteen (15) calendar days following the receipt of an Equity Trading Notice, then the transaction may proceed, but solely as specifically set forth in the applicable Equity Trading Notice. If written approval of the proposed transaction is not filed by the Debtors with the Court within such period, then the transaction may not be consummated unless approved by a final and nonappealable order of the Court, or unless otherwise agreed to by the Debtors. Further transactions within the scope of paragraph 23(d) of the Motion must be the subject of additional notices as set forth herein with additional waiting periods.
- (e) Noncompliance with the Trading Procedures. Effective as of the date hereof and until further order of the Court to the contrary, any trade, acquisition, purchase, sale or other transfer or disposition of any in violation of the Trading Procedures set forth herein shall be null and void *ab initio* as an act in violation of the automatic stay under section 363 of the Bankruptcy Code and the stays approved pursuant to the Court's orders approving these Trading Procedures, and shall confer no rights on the transferee. Any person or Entity acquiring or disposing of any Stock in violation of the Trading Procedures shall be subject to such sanctions as the Court may consider appropriate under sections 105 and 362 of the Bankruptcy Code and the Court's general equitable powers.
- (f) Notice of Interim Order. Within five (5) business days after entry of the Interim Order, the Debtors (i) shall serve notice, by priority mail, postage prepaid, or by electronic mail a "Notice of Interim Order"), to the following persons: (A) the Office of the Bankruptcy Administrator for the Northern District of Alabama (the "Bankruptcy Administrator"); (B) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (C) the indenture trustee for each of the Debtors' outstanding bond issuances; (D) counsel to the steering committee of first lien debt holders; (E) the Internal Revenue Service (the "IRS"); (F) the Securities and Exchange Commission (the "SEC"); (G) the directly registered holders of the Stock to the extent known; and (H) the beneficial holders of the Stock via such beneficial holders' banks, brokers, custodians, dealers, and other agents, intermediaries, and nominees (collectively, the "Nominees"); (ii) shall post the Notice of Interim Order together with a copy of the Interim Order on the

Debtors' case information website (<http://www.kccllc.net/walterenergy>); and (iii) shall submit the Notice of Interim Order for publication on the Bloomberg newswire service and the Depository Trust Legal Noticing System (LENS).

- (i) Upon receipt of each of Notice of Interim Order, the Nominees will be required, within five (5) business days of receipt of such notice and on at least a quarterly basis thereafter, to send such notice to all registered or otherwise known holders of any Stock. Any such registered or otherwise known holder, in turn, must, within five (5) business days of receipt of each such notice, provide such notice to any holder for whose account such registered holder holds any Stock, and so on down the chain of ownership.
  - (ii) Any entity or broker or agent acting on such entity's behalf that sells in excess of 3,632,136 shares of Stock to another entity must serve a copy of the Notice of Interim Order on such purchaser of such Stock or any broker or agent acting on such purchaser's behalf.
  - (iii) This Notice of Interim Order advises parties-in-interest of their opportunity to file an objection to this Motion (an "Objection") and procedures they must follow to file an Objection, including the deadline by which any Objection must be filed and served. If no Objection is timely filed and served by the Objection Deadline (or if an Objection is timely filed but then withdrawn prior to the Final Hearing (as defined below)), the Court may enter the Final Order without further notice or hearing, and this Motion shall be approved *nunc pro tunc* to the date hereof. If an Objection is timely filed and served in accordance with the requirements set forth in the Interim Order, a final hearing on this Motion (the "Final Hearing") will be held, and the Debtors shall submit to the Court for entry the Final Order.
- (g) Confidentiality. Except to the extent information contained in any submission to the Court pursuant to the Trading Procedures set forth herein is public or in connection with an audit or other investigation by the IRS or other taxing authority, the Debtors shall keep all additional information provided in connection with these Trading Procedures strictly confidential; provided, however, that the Debtors may disclose the information to their counsel and professional advisors and those of any other person(s) that are subject to a nondisclosure agreement with the Debtors (as

applicable), each of whom shall keep all such notices strictly confidential. To the extent non-public information is requested in these Trading Procedures or requests for information related thereto, all non-public information may be redacted from any filing made with the Court.

- (h) Cooperation. Any person or Entity making a filing pursuant to these Trading Procedures shall, upon reasonable request by the Debtors, (i) provide the Debtors any additional information in connection with the evaluation of the action contemplated in such notice, and (ii) use reasonable efforts to elicit cooperation from its shareholders, partners, officers, directors, members or other beneficial owners in connection therewith.
- (i) Interpretation. These Trading Procedures are intended to preserve, to the maximum extent possible, the Debtors' ability to obtain the maximum benefit from their Tax Attributes and, accordingly, any interpretative question that may arise under these Trading Procedures shall be resolved in the manner that will reduce the risks that a transfer of Stock might jeopardize the Debtors' use of their Tax Attributes.
- (j) Debtors' Right to Waive. The Debtors may waive, in writing, any or all of the Trading Procedures contained in this Motion.
- (k) Service on the Debtors. For purposes of the Trading Procedures, service on the Debtors shall mean delivery to: (a) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Michael Rudnick, Ann Young and Claudia Tobler; and (c) co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, Alabama 35203, Attention: James Bailey.

**FAILURE TO FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE WILL CONSTITUTE A VIOLATION OF THE AUTOMATIC STAY PRESCRIBED BY SECTION 362 OF THE BANKRUPTCY CODE.**

**ANY PROHIBITED SALE, TRADE OR OTHER TRANSFER OF THE STOCK OR COVERED CLAIMS IN VIOLATION OF THE INTERIM TRADING ORDER WILL BE NULL AND VOID *AB INITIO* AND MAY LEAD TO**

**CONTEMPT, COMPENSATORY DAMAGES, PUNITIVE DAMAGES OR SANCTIONS BEING IMPOSED BY THE COURT.**

PLEASE TAKE FURTHER NOTICE that the deadline to file an objection (“Objection”) to the Motion shall be 4:00 p.m. (prevailing Central Time) on the date set forth in the Order (the “Objection Deadline”). An Objection shall be considered timely if it is (a) filed with the Court and actually received on or before the Objection Deadline by 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](mailto:kcornish@paulweiss.com)) and Claudia Tobler (email: [ctobler@paulweiss.com](mailto: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](mailto:jbender@babco.com)) and James Bailey (email: [jbailey@babco.com](mailto: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](mailto: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](mailto: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](mailto:jsavin@akingump.com)) and Burr Forman, 420 North 20th Street, Suite 3400, Birmingham, Alabama 35203, Attention: Michael L. Hall (email: [mhall@burr.com](mailto:mhall@burr.com)) and D. Christopher Carson (email: [ccarson@burr.com](mailto: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.

PLEASE TAKE FURTHER NOTICE that if timely objections are received there shall be a hearing held to consider the timely Objections to the Motion.

PLEASE TAKE FURTHER NOTICE that if no Objections are timely filed and served, as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order granting the relief requested herein, which order shall be submitted and may be entered with no further notice or opportunity to be heard afforded to any party, and the Motion shall be approved *nunc pro tunc* to the date of the commencement.

**EXHIBIT B**  
**FINAL ORDER**

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

In re:

WALTER ENERGY, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**FINAL ORDER ESTABLISHING NOTIFICATION PROCEDURES AND  
APPROVING RESTRICTIONS ON CERTAIN TRANSFERS OF  
CLAIMS AGAINST AND INTERESTS IN THE DEBTORS' ESTATES**

Upon consideration of the motion (the "Motion")<sup>2</sup> of the Debtors requesting entry of interim and final orders pursuant to sections 105(a), 362, 363 and 1107(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004(h) (a) approving the procedures related to transfers of Stock (the "Trading Procedures" or "Procedures"); as more fully described in the Motion, and (b) granting related relief; and it appearing that this Court has jurisdiction to consider 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

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<sup>1</sup> 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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

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 105(a), 362, 363 and 1107(a) 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 following Trading Procedures, as set forth below, are hereby approved:

- (1) Notice of Substantial Stock Ownership. Any person or Entity that is a Beneficial Owner, at any time on or after the Motion Date, of Stock in an amount sufficient to qualify such person or Entity as a Substantial Equityholder shall file with the Court, and serve upon the Debtors a Notice of Substantial Stock Ownership (a "Substantial Ownership Notice") in the form annexed to the Motion as Exhibit C, which describes specifically and in detail the Stock ownership of such person or Entity, on or before the date that is the later of: (a) fifteen (15) business days after the entry of the Interim Order and (b) fifteen (15) business days after that person or Entity qualifies as a Substantial Equityholder. At the holder's election, the Substantial Ownership Notice to be filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder's taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns.

- (m) Acquisition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options) that would result in an increase in the amount of Stock Beneficially Owned by any person or Entity that currently is or subsequently becomes a Substantial Equityholder or that would result in a person or Entity becoming a Substantial Equityholder (a “Proposed Equity Acquisition Transaction”), such person, Entity or Substantial Equityholder (a “Proposed Equity Transferee”) shall file with the Court and serve upon the Debtors a Notice of Intent to Purchase, Acquire or Otherwise Obtain Beneficial Ownership of Stock (an “Equity Acquisition Notice”), in the form annexed to the Motion as Exhibit D, which describes specifically and in detail the proposed transaction in which Stock is to be acquired. At the holder’s election, the Equity Acquisition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to purchase or otherwise acquire.
- (n) Disposition of Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Stock (including Options to acquire such securities) that would result in a decrease in the amount of Stock Beneficially Owned by a Substantial Equityholder or that would result in a person or Entity ceasing to be a Substantial Equityholder (a “Proposed Equity Disposition Transaction,” and together with a Proposed Equity Acquisition Transaction, a “Proposed Equity Transaction”), such person, Entity, or Substantial Equityholder (a “Proposed Equity Transferor”) shall file with the Court and serve upon the Debtors a Notice of Intent to Sell, Exchange or Otherwise Transfer Walter Energy, Inc. Stock (an “Equity Disposition Notice,” and together with an Equity Acquisition Notice, an “Equity Trading Notice”), in the form annexed to the Motion as Exhibit E, which describes specifically and in detail the proposed transaction in which Stock would be transferred. At the holder’s election, the Equity Disposition Notice that is filed with the Court (but not such notice served upon the Debtors) may be redacted to exclude such holder’s taxpayer identification number and the number of shares of Stock that such holder Beneficially Owns and proposes to sell or otherwise transfer.

- (o) Approval Procedures. If written approval of the proposed transaction is filed with the Court by the Debtors within fifteen (15) calendar days following the receipt of an Equity Trading Notice, then the transaction may proceed, but solely as specifically set forth in the applicable Equity Trading Notice. If written approval of the proposed transaction is not filed by the Debtors with the Court within such period, then the transaction may not be consummated unless approved by a final and nonappealable order of the Court, or unless otherwise agreed to by the Debtors. Further transactions within the scope of paragraph 23(d) of the Motion must be the subject of additional notices as set forth herein with additional waiting periods.
- (p) Noncompliance with the Trading Procedures. Effective as of the date hereof and until further order of the Court to the contrary, any trade, acquisition, purchase, sale or other transfer or disposition of any in violation of the Trading Procedures set forth herein shall be null and void *ab initio* as an act in violation of the automatic stay under section 363 of the Bankruptcy Code and the stays approved pursuant to the Court's orders approving these Trading Procedures, and shall confer no rights on the transferee. Any person or Entity acquiring or disposing of any Stock in violation of the Trading Procedures shall be subject to such sanctions as the Court may consider appropriate under sections 105 and 362 of the Bankruptcy Code and the Court's general equitable powers.
- (q) Confidentiality. Except to the extent information contained in any submission to the Court pursuant to the Trading Procedures set forth herein is public or in connection with an audit or other investigation by the IRS or other taxing authority, the Debtors shall keep all additional information provided in connection with these Trading Procedures strictly confidential; provided, however, that the Debtors may disclose the information to their counsel and professional advisors and those of any other person(s) that are subject to a nondisclosure agreement with the Debtors (as applicable), each of whom shall keep all such notices strictly confidential. To the extent non-public information is requested in these Trading Procedures or requests for information related thereto, all non-public information may be redacted from any filing made with the Court.
- (r) Cooperation. Any person or Entity making a filing pursuant to these Trading Procedures shall, upon reasonable request by the Debtors, (i) provide the Debtors any additional information in connection with the evaluation of the action contemplated in such notice, and (ii) use reasonable efforts to elicit cooperation from its

shareholders, partners, officers, directors, members or other beneficial owners in connection therewith.

- (s) Interpretation. These Trading Procedures are intended to preserve, to the maximum extent possible, the Debtors' ability to obtain the maximum benefit from their Tax Attributes and, accordingly, any interpretative question that may arise under these Trading Procedures shall be resolved in the manner that will reduce the risks that a transfer of Stock might jeopardize the Debtors' use of their Tax Attributes.
- (t) Debtors' Right to Waive. The Debtors may waive, in writing, any or all of the Trading Procedures contained in this Motion.
- (u) Service on the Debtors. For purposes of the Trading Procedures, service on the Debtors shall mean delivery to: (a) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Michael Rudnick, Ann Young and Claudia Tobler; and (c) co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, Alabama 35203, Attention: James Bailey.

3. Any transfer of Beneficial Ownership in violation of the Trading Procedures, including the notice requirements, shall be null and void *ab initio*.

4. 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.

5. 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  
Birmingham, Alabama

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UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT C**  
**SUBSTANTIAL OWNERSHIP NOTICE**

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

In re:

WALTER ENERGY, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**SUBSTANTIAL OWNERSHIP NOTICE**

**PLEASE TAKE NOTICE** that the undersigned party is/has become a Substantial Shareholder with respect to the Stock or of any Beneficial Ownership therein. Walter Energy, Inc. is a debtor and debtor in possession in Case No. 15-\_\_\_\_ (\_\_\_\_) pending in the United States Bankruptcy Court for the Northern District of Alabama (the “Court”).

**PLEASE TAKE FURTHER NOTICE** that as of \_\_\_\_\_, 2015, the undersigned party currently has Beneficial Ownership of \_\_\_\_\_ of Stock. The following table sets forth the date(s) on which the undersigned party acquired Beneficial Ownership of such Stock.

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<sup>1</sup> 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. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of the Debtors’ bankruptcy cases.

Number of Shares	Date Acquired

PLEASE TAKE FURTHER NOTICE that pursuant to the Order, this Notice is being filed with the Court and served upon the Debtors. In light of the nature of the relief requested herein, no other or further notice is necessary.

This notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(e) of the Federal Rules of Bankruptcy Procedure.

Respectfully submitted,

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[Name of Stockholder]  
[Address of Stockholder]  
[City, state]  
[Telephone of Stockholder]  
[Facsimile of Stockholder]  
Dated: \_\_\_\_\_, 2015

**EXHIBIT D**  
**EQUITY ACQUISITION NOTICE**

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

<p>In re:</p> <p>WALTER ENERGY, INC., <i>et al.</i>,<sup>1</sup></p> <p style="text-align:center">Debtors.</p>	<p>Chapter 11</p> <p>Case No. 15-____(____)</p> <p>Joint Administration Requested</p>
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**NOTICE OF INTENT TO PURCHASE, ACQUIRE OR OTHERWISE  
OBTAIN BENEFICIAL OWNERSHIP OF STOCK**

PLEASE TAKE NOTICE that [Name] intends to purchase, acquire or otherwise obtain Beneficial Ownership of \_\_\_\_\_ shares of Stock (the “Proposed Transaction”).<sup>2</sup> Walter Energy, Inc. is a debtor and debtor in possession in Case No. 15-[\_\_\_\_\_] (\_\_\_\_) pending in the United States Bankruptcy Court for the Northern District of Alabama (the “Court”).

PLEASE TAKE FURTHER NOTICE that, prior to giving effect to the Proposed Transaction, [Name] has Beneficial Ownership of \_\_\_\_\_ shares of the Stock.

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<sup>1</sup> 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. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of the Debtors’ bankruptcy cases.

<sup>2</sup> Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to it in *The Debtors’ Motion for an Order (A) Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in the Debtors’ Estates and (B) Granted Related Relief* (the “Motion”).

[Name] further acknowledges and agrees that (i) if the Debtors do not provide written approval of the Proposed Transaction within 15 calendar days of the date of this notice, the Proposed Transaction may not be consummated unless approved by a final and nonappealable order of the Bankruptcy Court, (ii) any transaction purportedly consummated in violation of the Order will be void *ab initio* and will result in the imposition of sanctions as provided in the Order and (iii) any further transactions contemplated by [Name] that may result in [Name] purchasing, acquiring or otherwise obtaining Beneficial Ownership of additional Stock will each require an additional notice be filed with the Court and served in the same manner as this notice.

PLEASE TAKE FURTHER NOTICE that pursuant to the Order, this Notice is being filed with the Court and served upon the Debtors. In light of the nature of the relief requested herein, no other or further notice is necessary.

This notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(e) of the Federal Rules of Bankruptcy Procedure.

Respectfully submitted,

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[Name of Acquiror]  
[Address of Acquiror]  
[City, state]

[Telephone of Acquiror]  
[Facsimile of Acquiror]

Dated: \_\_\_\_\_, 2015

**EXHIBIT E**  
**EQUITY DISPOSITION NOTICE**

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

In re:

WALTER ENERGY, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-\_\_\_\_(\_\_\_\_)

Joint Administration Requested

**NOTICE OF INTENT TO SELL, EXCHANGE OR OTHERWISE  
DISPOSE OF BENEFICIAL OWNERSHIP OF STOCK**

PLEASE TAKE NOTICE that [Name] intends to sell, exchange or otherwise dispose of Beneficial Ownership of \_\_\_\_\_ shares of Stock (the “Proposed Transaction” and the “Stock” ) or an Option with respect to \_\_\_\_\_ shares of Stock (the “Proposed Transaction”).<sup>2</sup> Walter Energy, Inc. is a debtor and debtor in possession in Case No. 15-[\_\_\_\_\_] (\_\_\_\_) pending in the United States Bankruptcy Court for the Northern District of Alabama (the “Court”).

PLEASE TAKE FURTHER NOTICE that, before giving effect to the Proposed Transaction, [Name] has Beneficial Ownership of \_\_\_\_\_ shares of the Stock.

[Name] further acknowledges and agrees that (i) if the Debtors do not provide written approval of the Proposed Transaction within 15 calendar days of the date of this notice, the

<sup>1</sup> 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. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of the Debtors’ bankruptcy cases.

<sup>2</sup> Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to it in *The Debtors’ Motion for an Order (A) Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in the Debtors’ Estates and (B) Granted Related Relief* (the “Motion”).

Proposed Transaction may not be consummated unless approved by a final and nonappealable order of the Bankruptcy Court, (ii) any transaction purportedly consummated in violation of the Order will be void *ab initio* and will result in the imposition of sanctions as provided in the Order, and (iii) any further transactions contemplated by [Name] that may result in [Name] selling, exchanging or otherwise disposing of Beneficial Ownership of additional Stock will each require an additional notice be filed with the Bankruptcy Court and served in the same manner as this notice.

PLEASE TAKE FURTHER NOTICE that pursuant to the Order, this Notice is being filed with the Court and served upon the Debtors. In light of the nature of the relief requested herein, no other or further notice is necessary. This notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(e) of the Federal Rules of Bankruptcy Procedure.

Respectfully submitted,

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[Name of Stockholder]  
[Address of Stockholder]  
[City, state]

[Telephone of Stockholder]  
[Facsimile of Stockholder]

Dated: \_\_\_\_\_, 2015