

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

In re:

WALTER ENERGY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 15-____(____)

Joint Administration Requested

**THE DEBTORS' MOTION FOR AN ORDER (A) AUTHORIZING
DEBTORS TO CONTINUE PREPETITION CUSTOMER PROGRAMS
AND (B) GRANTING RELATED RELIEF**

Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor,” and collectively, the “Debtors” and, together with their non-Debtor subsidiaries, the “Company”), hereby move, pursuant to sections 105(a), 363(b), 1107 and 1108 of title 11 of the U.S. Code (the “Bankruptcy Code”) and rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for entry of an order, substantially in the form annexed hereto as Exhibit A (the “Proposed Order”), (a) authorizing the Debtors to continue their ordinary course prepetition customer program and to honor prepetition obligations to their customers in connection therewith and (b) granting related relief. In support

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



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of this Motion (the “Motion”), the Debtors rely on the *Declaration of William G. Harvey in Support of the First Day Relief* (the “First Day Declaration”)² and respectfully state as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334(b). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this district under 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are sections 105(a), 363(b), 1107 and 1108 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004.

BACKGROUND

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

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

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.

CUSTOMER PROGRAMS AND OBLIGATIONS

6. By this Motion the Debtors seek entry of an order (a) authorizing, but not directing, the Debtors, in their sole discretion, to continue honoring their Customer Programs (defined below), including satisfying the obligations related thereto in the ordinary course of business and in a manner consistent with their prepetition practices and (b) granting related

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

relief. Honoring the Debtors' Customer Programs preserves the Debtors' business relationships and customer goodwill for the benefit of their estates. As of the Petition Date, the Debtors estimate that they owe approximately \$3.3 million in aggregate on account of the Customer Programs.

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

8. The mining and exporting of metallurgical coal for the global steel industry comprises the Company's primary business. The Debtors' underground mining operations in Alabama primarily produce and export metallurgical coal for the global steel industry. Approximately 92% of the hard coking coal sales from the Debtors' Alabama underground mining operations consist of sales to international customers. As a result, the Company's marketing strategy focuses on international markets mostly in Europe and South America. The Debtors' other key products include thermal coal and industrial coal, anthracite, metallurgical coke, coalbed methane gas (*i.e.*, natural gas) and related products. The Debtors' thermal coal is primarily marketed to industrial and electrical utility customers in the U.S., generally under long-term contracts.

9. The Company relies on long-term customer relationships where a competitive advantage exists. The Debtors sell most of their metallurgical coal under fixed-price supply contracts with pricing terms of three months and volume terms of up to one year. Sales of

metallurgical coal can, however, occur in the spot market as dictated by available supply and market demand. For the years ended December 31, 2014, 2013 and 2012, the Company derived approximately 29%, 33% and 27%, respectively, of its total sales revenues from its five largest customers.

10. Because of the limited customer base for the Debtors' products and the highly competitive nature of the coal markets, the Debtors' customer relationships are among their most valuable assets. Any negative reaction by customers – many of whom are international buyers unfamiliar with the chapter 11 restructuring process – may impair the customers' attitudes and behavior towards the Debtors unless, among other things, the Debtors can assure customers that sale of the Debtors' services and products will continue uninterrupted. In particular, the Debtors' goodwill and ongoing business relationships may erode if their customers perceive that the Debtors are unable or unwilling to fulfill prepetition obligations under the Customer Programs. Moreover, the Debtors' competitors may exploit any perceived weakness in the Debtors' customer relationships they feel the Chapter 11 Cases engender.

11. By this motion, the Debtors seek authority to continue to honor, in the ordinary course, all obligations arising from, or related to, the Customer Programs, whether or not such obligations were incurred or accrued prepetition. The common goals of the Customer Programs are to meet competitive pressures, ensure customer satisfaction and generate goodwill for the Debtors, thereby retaining customers, attracting new ones and ultimately enhancing net revenue. The Customer Programs are generally consistent with practices common to the coal mining industry.

12. As noted above, the Debtors' sell, among other things, metallurgical coal, coke, coal tar, sulfate and light oil (each a "Product" and, collectively, the "Products"). The Debtors

have adopted their Customer Programs to promote sales related thereto. First, the Debtors offer certain discounts to certain significant customers in the form of quality adjustments (the “Quality Adjustment Program”). Second, the Debtors have adopted a demurrage program responsive to the effects that shipping and transportation logistics may have on their products (the “Demurrage Program”). Finally, the Debtors employ more traditional rebates and credits (the “Rebate Program” and, together with the Quality Adjustment Program and the Demurrage Program and all obligations related thereto, the “Customer Programs”).³ On average, the Debtors pay or provide adjustments of approximately \$1.5 million in aggregate per month to their customers on account of the Customer Programs. As of the Petition Date, the Debtors owe approximately \$3.3 million in aggregate to their customers on account of the Customer Programs.

(i) The Quality Adjustment Program

13. Metallurgical and coking coal is a perishable commodity as its quality properties can deteriorate from exposure to air, increased moisture content and handling. At least three factors can contribute to the degradation of coal properties over time. These include exposure to air, moisture (rain and snow) content and re-handling (size reduction). Because the Debtors ship most of their metallurgical coal by sea, the time between mining and use by the customer can be weeks or months. As a result and to compensate customers for degradation of coal properties, the Debtors offer the Quality Adjustment Program to their customers for Products that do not meet the content specifications set forth in their Customer Agreements. Among other things, the Debtors offer monetary adjustments to their customers in some instances where moisture, ash, sulfur, BTU or other volatile matter in metallurgical coal is in excess of the content percentage permitted under the applicable Customer Agreement.

³ The terms of these Customer Programs are memorialized in the Company’s contracts with their customers (collectively, the “Customer Agreements”).

14. Pursuant to the Quality Adjustment Program, the Debtors and the customer rely on third-party laboratories to sample the coal as it is loaded on vessels prior to shipping to test the coal for moisture content and other coal attributes. If the moisture content exceeds the amounts permitted under the applicable contract, the invoice issued by the Debtors to the customer will reflect this adjustment, or will be credited on a future invoice.⁴ Certain customers also sample the coal quality for moisture content on arrival at the customer's destination, which as noted above, can be 30-45 days after departure from the U.S. ports. Typically, the Debtors invoice customers when coal is loaded on the vessel or shortly after the vessel departs. If quality deviations are found on arrival, then, pursuant to the Quality Adjustment Program, the customers may bill the Debtors directly for any agreed-upon pricing adjustments. The Debtors then remit such adjustments to the customers by wire. Generally, the Debtors' customers do not offset credits arising from the Quality Adjustment Program on their invoices, but rather, adhere to the separate billing and remittance process just described. Occasionally, for certain customers with annual contracts that have minimum quarterly tonnage requirements or who have numerous vessels delivering coal at any given time, the Debtors net the quality adjustments across quarters or shipments.

15. The Debtors have similar Quality Adjustment Programs in place with many of their customers. Accordingly, as of the Petition Date, the Debtors may owe certain customers either invoice adjustments or direct payments as a result of prepetition Product shipments. Historically, the Debtors have paid approximately \$10.4 million annually in aggregate for the Quality Adjustment Program for all Products. The Debtors estimate that approximately \$860,000 may be outstanding as of the Petition Date.

⁴ The Debtors may also benefit under the Quality Adjustment Program. Under certain of the Debtors' customer contracts, the customer owes the Debtors a credit on future invoices if BTU in the Products is under a certain percentage.

(ii) The Demurrage Program

16. As noted above, most of the Debtors' metallurgical coal is shipped to international customers by ocean vessel. Pursuant to the Demurrage Program, the Company offers certain customers pricing adjustments if departure delays arise in connection with international delivery vessels. The Debtors' international customers ordinarily contract directly with the vessels. These contracts typically require the vessel to be fully loaded and leave the port for delivery within a certain period of time. "Demurrage" refers to the charges that the customer pays to the ship-owner for its extra use of the vessel during a delay that extends the time period specified in the contract. Said differently, demurrage is a form of liquidated damages for breaching the time provided in the contract governing use of the vessel.

17. Under the Demurrage Program, in the event that the vessel is delayed because the Debtors failed to supply the requisite amount of coal to fully load the vessel or for any other reason, the Debtors are required to pay the customer for the demurrage amounts incurred by the vessel and charged to the customer under the customer's agreement with the vessel owner. Obligations under the Demurrage Programs are billed independently from other obligations under the Customer Agreements. The Debtors may combine demurrage obligations of customers with demurrage charges arising from multiple shipments at any given time.

18. The Debtors typically take 30-90 days to settle payments owed under the Demurrage Program on account of any single delivery. Jim Walter Resources, Inc. ("Jim Walter"), which ships the majority of its coal to international customers, incurs the most frequent and highest obligations under the Demurrage Program. More specifically, in 2014, Jim Walter paid approximately \$4.6 million under the Demurrage Program. For January and February 2015, Jim Walter paid approximately \$645,000 under the Demurrage Program. By comparison, in 2014, non-Debtor subsidiaries in Canada paid approximately \$215,000 under the Demurrage

Program and approximately \$20,000 for January and February 2015. As of the Petition Date, the Debtors estimate that they owe approximately \$2.2 million under the Demurrage Program.

(iii) The Rebate Program

19. The Debtors also offer certain rebates to a key customer at Walter Coke under the Rebate Program. Pursuant to the Rebate Program, Walter Coke provides a rebate to its customer to offset certain transportation costs and fuel surcharges for rail deliveries of the Product. These rebates are required under the Customer Agreement between Walter Coke and its customer. The customer invoices Walter Coke directly for the rebates, which Walter Coke pays in the ordinary course of business. As of the Petition Date, the Debtors estimate that the Company owes approximately \$180,000 under the Rebate Program.

(iv) Other Programs

20. The Debtors maintain other common industry practices to promote long-lasting and loyal customer relations. These practices include, among other things, receiving deposits or prepayments from customers from time to time. The Debtors may also on occasion correct estimated charges against actual charges, rectify incorrect pricing and order amounts and engage in similar practices to ensure customer satisfaction.

BASIS FOR RELIEF

21. Customer Programs constitute an “ordinary course of business” practice and, therefore, do not require court approval. See 11 U.S.C. § 363(c). However, out of an abundance of caution, the Debtors seek authority, but not the direction, (a) to honor their prepetition obligations arising from the Customer Programs in the ordinary course of business and (b) to continue the Customer Programs.

22. Ample authority exists to support payment of the Customer Programs. Courts have recognized that it is appropriate to authorize payment of prepetition obligations where

necessary to protect and preserve the estate, including an operating business's going-concern value. See, e.g., In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992); see also In re Just for Feet, Inc., 242 B.R. 821, 824-25 (Bankr. D. Del. 1999).

23. In addition, the Court may authorize continuation of the Customer Programs, including honoring obligations that arose prior to the Petition Date, pursuant to section 363(b) of the Bankruptcy Code. Section 363(b) provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Under this section, a court may authorize a debtor to pay certain prepetition claims. See In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (authorizing payment of prepetition claims where the debtors “articulate some business justification, other than mere appeasement of major creditors”); see also In re James A. Phillips, Inc., 29 B.R. 391, 395–97 (S.D.N.Y. 1983) (affirming a bankruptcy court’s order, pursuant to section 363, a contractor to pay prepetition claims of some suppliers who were potential lien claimants, because the payments were necessary for the general contractors to release funds owed to the debtors).

24. Moreover, section 105(a) of the Bankruptcy Code authorizes the Court to issue “any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). A bankruptcy court’s use of its equitable powers to “authorize the payment of prepetition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept.” In re Ionosphere Clubs, Inc., 98 B.R. at 175. Under section 105(a) of the Bankruptcy Code and the “necessity of payment” doctrine, the Court “can permit pre-plan payment of a prepetition obligation when essential to the continued operation of the debtor.” In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992); see also In re Lehigh & New Eng. Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (stating the necessity of

payment doctrine “teaches no more than, if payment of a claim which arose prior to reorganization is essential to the continued operation of the [business] during reorganization, payment may be authorized even if it is made out of corpus”); In re Just for Feet, Inc., 242 B.R. 821, 826 (D. Del. 1999) (“To invoke the necessity of payment doctrine, a debtor must show that payment of the prepetition claims is ‘critical to the debtor’s reorganization.’”) (citation omitted).

25. Numerous reasons exist why the Debtors should have the discretion to honor their Customer Programs. At the outset, the Customer Programs are consistent with practices common to the Debtors’ industry. If the Debtors cannot maintain these practices, they will be at a disadvantage in a highly competitive market.

26. Moreover, if the Debtors are not allowed to honor their Customer Programs, the Debtors’ customers may lose confidence in the Debtors, their Products and their reliability. Notably, the Debtors’ chief Product – coal – is a commodity. As a result, the relationships and trust between the Debtors and their customers are critical to maintaining current customers and attracting new ones. Alienating existing customers may cause customers to obtain coal from the Debtors’ competitors. It is precisely this risk that the Customer Programs mitigate. In fact, costs of honoring the Customer Programs and the prepetition obligations related thereto will be more than offset by the revenue from sales made because the Customer Programs are in place. For these reasons, the Debtors believe, in the sound exercise of their business judgment, that continuation of the Customer Programs as set forth in this Motion is necessary and appropriate under the circumstances.

27. Approval of the Debtors’ ability to continue the Customer Programs is necessary to avoid immediate and irreparable harm to the Debtors and their estates. The success and viability of the Debtors’ businesses are dependent upon the loyalty and confidence of their

customers. Moreover, the customers that participate in the Customer Programs are among the Debtors' most significant patrons. The continued support of this constituency is critical for the Debtors' successful restructuring. Any delay in honoring any of the Customer Programs or discontinuation of any of the Customer Programs likely will result in a severe and irreparable impairment of the Debtors' relationship with these important customers at a time when their loyalty and support are critical. The Customer Programs are necessary to maintain the Debtors' market-share position with respect to their Product.

28. Additionally, the Customer Agreements may be executory contracts.⁵ As such, if the Debtors elect to assume the Customer Agreements, any related amounts would be honored in full as "cure payments" pursuant to section 365 of the Bankruptcy Code. Furthermore, to the extent that post-petition shipments continue under the Customer Agreements, customers may be entitled to recoup prepetition amounts due under the applicable Customer Program against future payments made in such Agreement. For these reasons, permitting the Debtors, in their sole discretion, to honor the prepetition amounts under the Customer Programs would not prejudice the rights of other unsecured creditors.

29. Finally, as debtors-in-possession under section 1107(a) and 1108 of the Bankruptcy Code, the Debtors are fiduciaries "holding the bankruptcy estate and operating the business for the benefit of [their] creditors." In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). In CoServ, the bankruptcy court acknowledged that pre-plan satisfaction of prepetition claims is a valid exercise of a debtor's fiduciary duty when the payment "is the only means to effect a substantial enhancement of the estate." Id. at 497. The court provided a three-

⁵ The Debtors reserve all of their rights with respect to the Customer Agreements. Nothing contained herein shall constitute an admission that any Customer Agreement is an executory contract pursuant to section 365 of the Bankruptcy Code and nothing in the Proposed Order shall constitute or be deemed to constitute an assumption pursuant to section 365(a) of the Bankruptcy Code of any Customer Agreements.

pronged test for determining whether a pre-plan payment on account of a prepetition claim was a valid exercise of a debtor's fiduciary duty:

First, it must be critical that the debtor deal with the claimant. Second, unless it deals with the claimant, the debtor risks the probability of harm, or, alternatively, loss of economic advantage to the estate or the debtor's going concern value, which is disproportionate to the amount of the claimant's prepetition claim. Third, there is no practical or legal alternative by which the debtor can deal with the claimant other than by payment of the claim.

Id. at 498. Here, all three elements of the CoServ test are met.

30. Because the Debtors operate in a narrow, highly competitive market, the loyalty and continued patronage of the Debtors' existing customers are essential to the success of the Debtors' reorganization. Therefore, it is critical that the Debtors be authorized to honor the Customer Programs during the Chapter 11 Cases. As described above, declines in existing customer loyalty and patronage as a result of any disruption or cessation of the Customer Programs would result in severe and irreparable harm to the Debtors and their estates, the extent of which would exceed any amounts that would be credited by the Debtors on account of the Customer Programs. Finally, no alternative exists short of continuing the Customer Programs that would result in the same level of customer loyalty, patronage and retention that the Customer Programs produce or that could repair the harm from failing to honor the Customer Programs.

31. The Debtors' creditors also will benefit from the relief sought herein. If the Debtors are prohibited from honoring the Customer Programs consistent with past business practice, then customers' lost confidence in the Debtors will damage the Debtors' businesses and their estates to an extent that far exceeds any cost associated with continuing such practices. The Debtors' creditors will benefit from an order authorizing the relief sought herein because such

order will protect the Debtors' relationship with their most significant customers during this critical time and enhance the Debtors' ability to reorganize successfully.

32. Courts have approved similar customer programs. See, e.g., In re Patriot Coal Corp., Case No. 15-32450, ECF No. 241 (Bankr. E.D. Va. June 4, 2015); In re James River Coal Co., Case No. 14-31848, ECF No. 80 (Bankr. E.D. Va. April 10, 2014); In re Bruno's Supermarkets, LLC, Case No. 09-00634 (BGC), ECF No. 46 (Bankr. N.D. Ala. Feb. 6, 2009); In re Rural/Metro Corp., Case No. 13-11952 (KJC), ECF No. 54 (Bankr. D. Del. Aug. 6, 2013).

33. Accordingly, the Debtors respectfully request that they be authorized, in the Debtors' sole discretion, to continue honoring their Customer Programs in the ordinary course of the Debtors' businesses in the same manner and on the same terms and conditions as such programs were administered prior to the Petition Date.

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

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

35. Obtaining immediate authorization to pay all obligations arising under the Customer Programs is necessary to avoid immediate and potentially irreparable harm to the

estates. As set forth above, maintaining the Customer Programs and satisfying all related obligations is necessary and appropriate under the circumstances. Accordingly, the requirements of Bankruptcy Rule 6003(b) are met and ample cause exists to justify a waiver of the fourteen (14) day stay imposed by Bankruptcy Rule 6004(h).

NOTICE

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

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WHEREFORE, the Debtors respectfully request the Court enter the Proposed Order granting the relief requested herein and such other and further relief as is just and proper.

Dated: July 15, 2015
Birmingham, Alabama

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*Proposed Counsel to the Debtors and
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EXHIBIT A
PROPOSED ORDER

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

In re: WALTER ENERGY, INC., <i>et al.</i> , ¹ Debtors.	Chapter 11 Case No. 15-____(____) Jointly Administered
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**ORDER (A) AUTHORIZING DEBTORS TO CONTINUE
PREPETITION CUSTOMER PROGRAMS AND
(B) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), for an order, pursuant to sections 105(a), 363(b), 1107(a) and 1108(b) of title 11 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, authorizing the Debtors, in their discretion, to maintain certain prepetition customer programs in the ordinary course of business, irrespective of when amounts owing under such programs were incurred, and granting related relief; and it appearing that jurisdiction is proper pursuant to 28 U.S.C. §§ 157 and 1334; venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and upon consideration of the First Day Declaration; and it appearing that the relief requested is

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

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

in the best interests of the Debtors' estates, their creditors and other parties-in-interest; and it appearing that such relief is necessary to avoid immediate and irreparable harm and, thus, the requirements of Bankruptcy Rule 6003 have been satisfied; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause appearing therefor;

IT IS HEREBY ORDERED that:

1. The Motion is GRANTED to the extent set forth herein.
2. The Debtors are authorized, in their sole discretion and in the ordinary course of business, to honor and perform all obligations in respect of the Customer Programs, without regard to whether the Debtors' obligations under the Customer Programs arose before or after the Petition Date and regardless of whether the obligation with respect to any specific Customer Program is described herein.
3. The Debtors are authorized, but not directed, to continue, renew, replace, modify and/or terminate the Customer Programs as they deem appropriate, in their discretion and in the ordinary course of business, without further application to the Court.
4. Nothing in this Order or the Motion shall be construed as prejudicing any rights the Debtors may have to dispute or contest the amount of, or basis for, any claims asserted against the Debtors arising in connection with the Customer Programs or as an admission as to the validity or priority of any claim against the Debtors.
5. The relief granted herein shall not constitute an approval or assumption of the Customer Programs or any agreement or policy pursuant to section 365 of the Bankruptcy Code.

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

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

8. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

9. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

Dated: July [], 2015
Birmingham, Alabama

UNITED STATES BANKRUPTCY JUDGE