

**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) (I) APPROVING CONTINUED
USE OF THE DEBTORS' EXISTING CASH MANAGEMENT SYSTEM,
(II) AUTHORIZING USE OF EXISTING BANK ACCOUNTS AND CHECKS,
(III) WAIVING THE REQUIREMENTS OF 11 U.S.C. § 345(b),
(IV) GRANTING ADMINISTRATIVE EXPENSE STATUS TO CERTAIN
POSTPETITION INTERCOMPANY CLAIMS, AND (V) AUTHORIZING THE
CONTINUATION OF CERTAIN INTERCOMPANY TRANSACTIONS;
AND (B) GRANTING RELATED RELIEF**

Walter Energy, Inc., and its affiliated debtors and debtors-in-possession (each a “Debtor,” and, collectively, the “Debtors” and, together with their non-Debtor subsidiaries, the “Company”), hereby move, pursuant to sections 105(a), 345(b), 363(c), 364(a), 503(b)(1) and 553(a) 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”): (i) authorizing and approving the Debtors to continue using their existing cash management system; (ii)

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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authorizing the Debtors to continue using prepetition bank accounts and existing checks (and to continue paying fees in connection with administering such bank accounts in the ordinary course); (iii) waiving the requirements of section 345(b) of the Bankruptcy Code with respect to the Debtors' deposit and investment practices; (iv) granting administrative expense status to postpetition intercompany claims between and among the Debtors pursuant to section 503(b)(1) of the Bankruptcy Code, and requiring that any intercompany transfers made by a Debtor to any non-Debtor affiliate (excluding any transfers made to BW Methane and BW Transmission) be memorialized in the form of senior secured notes, which notes will be pledged to the first lien debt holders consistent with the Interim Cash Collateral Order (as defined below) and related final order; (v) authorizing the continuation of certain intercompany transactions postpetition; and (vi) 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")² and respectfully state as follows:

JURISDICTION

1. The 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 matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. The statutory and legal predicates for the relief requested are sections 105, 345, 363, 364, 503 and 553 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

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.

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.

CENTRALIZED CASH MANAGEMENT SYSTEM

6. By this Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors, in their sole discretion, to (i) continue using the Debtors’ existing cash management system; (ii) use existing bank accounts and checks (and to pay related banking fees in the ordinary course); (iii) waive the requirements of 11 U.S.C. § 345(b); and (iv) granting administrative expense status to postpetition intercompany claims between and among the Debtors. In addition, the Debtors (v) seek authority to continue certain intercompany transactions in the ordinary course, subject to the terms of the Interim Cash Collateral Order, and to the extent that any Debtor transfers any funds to or for the benefit of any non-Debtor affiliate (excluding any transfers made to or for the benefit of BW Methane and BW Transmission), such transfer will be memorialized in senior secured notes, which will be pledged to the first lien debt holders consistent with the Interim Cash Collateral Order and related final order.

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

Bankruptcy Rule 4001(b) and (D) Granting Related Relief (the “Interim Cash Collateral Order”) and the related final order.

A. The Debtors’ Cash Management System

8. The Debtors maintain an integrated, centralized cash management system (the “Cash Management System”) in the ordinary course of their business that allows them to effectively and efficiently administer their cash and financial affairs. Pursuant to the Cash Management System, the Debtors collect, concentrate, invest and disburse funds generated by the Debtors’ operations. The Cash Management System also enables the Company to: (a) transfer funds between and among the Debtors and non-debtor affiliates; (b) properly allocate costs and revenues among the Company’s various legal entities; and (c) generally manage the Company’s operations, cash flow and cash needs.

9. The Company’s finances and general corporate functions, including the Cash Management System, are managed primarily at Walter Energy, Inc. (“Walter Energy”), the Company’s Birmingham-based headquarters, and ultimate parent of the Debtors and non-Debtor subsidiaries. The treasury department of Walter Energy (“Treasury”) exercises control and oversight over the Cash Management System. Treasury has integrated the Cash Management System with the Debtors’ sales, purchasing, supply and payroll, thereby facilitating the Company’s cash forecasting and reporting needs and enabling the monitoring, collection and disbursement of funds through the bank accounts of the Debtors and their non-debtor affiliates (the “Bank Accounts”).³ The Company uses a sophisticated software system to manage its cash and to track intercompany accounting.⁴

³ A schedule of the Bank Accounts is provided in Exhibit C.

⁴ Treasury manages the Cash Management System using IT2 Treasury Management software (the “IT2 System”), a comprehensive treasury workstation that enables the Debtors to accurately maintain, manage and track their cash and ensure payment of their obligations. The IT2 system is integrated with the Debtors’ Oracle software

10. The Cash Management System has been continuously utilized by the Debtors and constitutes a customary and essential business practice. It is similar to other systems commonly employed by multinational corporate enterprises of comparable size and complexity. The interrelationships between the Debtors' operations and those of their affiliates mandate the continuation and use of the Cash Management System for a successful reorganization of the Debtors' businesses, as well as the preservation and enhancement of their going-concern value for the benefit of all constituents. Any disruption to the Cash Management System would have an immediate adverse impact on the Debtors' businesses and impede a successful reorganization.

B. The Debtors' Bank Accounts and Flow of Funds

11. In 2011, the Company expanded its operations beyond Alabama through the acquisition of mining facilities in West Virginia, Canada, and the United Kingdom. The Cash Management System links the local account networks that service each region with Bank Accounts maintained by Walter Energy, enabling Treasury to centrally manage the Company's cash position and funding needs. The flow of funds through and between each regional segment and Walter Energy is described below and illustrated in the schematic attached as Exhibit B.

(i) Primary U.S. Operations

12. With the exception of the Debtors' mines in West Virginia, revenue from the Debtors' mining, coking and gas operations in the U.S. is generally (a) collected through the Debtors' U.S. subsidiaries, (b) concentrated at Walter Energy in Master Concentration Accounts (defined below) and (c) used to satisfy operational needs and invest in liquid assets such as money market mutual funds.

platform. The Oracle platform is also used to handle many of the core accounting and business functions, including the general ledger, invoicing, and accounts payable, which are intricately related to the cash management and reconciliation functions.

13. Receipts. The Debtors engaged in mining, coking and gas operations in Alabama generally issue invoices in their own names and collect corresponding receipts in deposit accounts at Bank of America (“BofA”) and JPMorgan Chase Bank, N.A. (“JPMorgan”).⁵ Receipts from the deposit accounts at BofA and JPMorgan are collected in Walter Energy’s main concentration and operating accounts at BofA and JPMorgan (the “Master Concentration Accounts”). The BofA deposit accounts are “zero balance accounts.” Accordingly, each evening, receipts collected in these accounts are automatically swept into BofA’s Master Concentration Account. In contrast, the JPMorgan deposit accounts are not “zero balance accounts” and funds are transferred manually to JPMorgan’s Master Concentration Account each day. From time to time, third party inflows bypass the BofA and JPMorgan deposit accounts and are deposited directly in the Master Concentration Accounts.

14. Three of the Debtors that have less frequent monetary transactions – Blue Creek Energy, Inc. (“Blue Creek”), Walter Land Company (“Walter Land”), Walter Minerals – do not primarily bank with BofA or JPMorgan and collect receipts in operating accounts at Regions Bank (“Regions”).⁶ These receipts are automatically swept to the Master Regions Disbursement Account (described below).

15. Disbursements. Funds collected in the Master Concentration Accounts are typically invested or used by the Debtors to pay disbursements. Managers at Walter Energy manually transfer funds for operating disbursements from the Master Concentration Accounts to Walter Energy’s main concentration and ACH account at Regions, from which the

⁵ As of the Petition Date, the Debtors are in the process of transitioning their bank accounts from BofA to a nearly identical system with JPMorgan. The BofA and JPMorgan accounts largely mirror each other and serve identical functions.

⁶ The Regions operating accounts are held in the name of Blue Creek, Walter Land and Walter Minerals.

disbursements are made (the “Master Regions Disbursement Account”).⁷ Because Regions requires the Company to prefund payments made by ACH transfer, the Debtors typically maintain a balance in the Master Regions Disbursement Account sufficient to cover expected payments due for a two-week period.

16. Funds needed to satisfy the obligations of Walter Energy’s U.S. subsidiaries are either: (a) transferred to the applicable operating subsidiary’s disbursement account at Regions and then paid to third parties; or (b) paid directly to third parties from the Master Regions Disbursement Account for Walter Energy. The Debtor subsidiaries typically pay disbursements by check,⁸ whereas Walter Energy generally makes payments by ACH transfer on its own or on the subsidiaries’ behalves. Payments made by Walter Energy on behalf of Debtors and non-debtors, and the corresponding obligations due from such Debtors and non-debtors to Walter Energy, are charged to the subsidiaries’ balance sheets and recorded on their books and records, where they accrue on each entity’s respective intercompany balances.

17. The Debtors also satisfy certain disbursements through a purchasing card program (the “Purchase Card Program”) that they maintain with the Bank of Nova Scotia (“Scotia”) for purchases in U.S. and Canadian dollars. Scotia has issued approximately 134 purchasing cards (“Purchasing Cards”) and Automotive Rentals, Inc. has issued approximately 75 fuel cards (the “ARI Fuel Cards”) to the Debtors. Of these, approximately 5 Purchasing Cards and 28 ARI Fuel Cards are issued to Canadian employees. The Debtors’ employees can only use the Purchasing Cards and ARI Fuel Cards in the ordinary course of business for certain authorized expenses and disbursements, which are enumerated in a corporate policy that is distributed to relevant employees. The policy establishes spending limits based on an employee’s seniority and

⁷ Disbursements for debt service are paid directly from the Master Concentration Accounts.

⁸ Payments are made by check as necessary to meet vendor or employee needs.

procedures for the review of purchases by each employee's direct supervisor, as well as by Treasury and accounting. Certain of the Purchasing Cards have also been issued to the Company's third-party travel agency for certain travel expenses. Employees can use the ARI Fuel Cards to fuel and repair various vehicles involved in the Debtors' businesses.

18. In early June, Scotia noticed the Debtors that it intended to terminate the Purchase Card Program. To address Scotia's concerns and to permit continued use of the Purchase Card Program, which the Debtors use to, among other things, purchase essential parts and supplies for their operations, the Debtors negotiated revised terms. The Debtors now pre-fund the Purchase Card Program with \$500,000, and the agreement exists on a month-to-month basis. It functions similarly to a commercial pre-paid debit card, and Purchasing Card advances are limited to the amounts the Debtors maintain on deposit with Scotia to fund the Purchase Card Program. As a result, as of the Petition Date, no prepetition balances exist with respect to the Purchase Card Program. Approximately \$40,000 is due on account of the ARI Fuel Cards.

19. Investments. Funds not required by the Debtors in the near term are typically maintained in investment accounts.⁹ The Debtors invest through a BofA money market account or an investment portal with Comerica Bank ("Comerica"). The Debtors can only invest in one of the six types of short-term and low-risk instruments enumerated in the Debtors' internal investment guidelines including cash held in U.S. dollars; U.S. Government obligations; institutional-class money market mutual funds; and commercial paper, certificates of deposit and obligations of U.S. corporations meeting certain maturity and ratings criteria. Amounts held in any particular fund or investment are limited to \$50 million. Investments cannot be made for

⁹ Treasury may also concentrate funds in the Master Concentration Accounts and Master Regions Disbursement Account when the trade-off between the returns on invested funds versus the ability to minimize banking and transactional fees by maintaining higher balances in the Master Concentration Accounts and Master Regions Disbursement Account makes it advantageous to do so.

speculative purposes. The Debtors' investment guidelines only permit investments for the purpose of protecting capital, maintaining liquidity and earning an appropriate return given the safety of an investment. Throughout the month of June 2015, the Debtors' investments have had an average daily balance of approximately \$200 million and have virtually all been invested in money market mutual funds.

20. Cash Management Fees. In the ordinary course of business, the cash management banks discussed herein charge the Debtors fees in connection with administering their Bank Accounts (the "Cash Management Fees"). The providers of these services are critical to the functioning of the Cash Management System, and any cessation in the provision of these services due to the Debtors' inability to pay the Cash Management Fees would be extremely disruptive to the Debtors' treasury operations and the Debtors' businesses overall. The Debtors seek to continue paying such fees in the ordinary course.

(ii) West Virginia

21. The Debtors that own and operate the West Virginia mines – Atlantic Development and Capital, LLC, Atlantic Leaseco, LLC and Maple Coal Co., LLC – maintain separate accounts at Branch Banking & Trust Corp. ("BB&T"). Receipts are collected in operating accounts maintained by Atlantic Leaseco, LLC and Maple Coal Co., LLC and are automatically swept into a concentration account for Atlantic Development and Capital, LLC. Disbursements may be made by wire and ACH transfer from each operating account at BB&T. Payroll is funded through the Maple Coal Co., LLC and Atlantic Leaseco, LLC operating accounts. Checks are generally paid from each company's operating account and, in the case of workers' compensation claims, payments are made from a separate disbursement-only account administered by Rockwood Casualty, a third-party provider. Historically, the West Virginia mines have been economically self-sufficient and have not required funding from Walter Energy.

(iii) Canada

22. Walter Energy operates in Canada through a group of subsidiaries (“Walter Canada”) that own the Canadian assets. Walter Canada utilizes an account network at Scotia. The Canadian mines are currently idle, and there are sufficient funds on deposit to satisfy their funding needs. However, to the extent Walter Canada requires additional funding, the Debtors seek authority by this motion to fund only those expenses which are essential to preserve the value of the mines for the benefit of all stakeholders. As described below, the Debtors incur costs on behalf of Walter Canada for shared corporate expenses. To the extent Walter Energy or another Debtor makes any transfer to or for the benefit of, or incurs costs on behalf of, Walter Canada, such intercompany transactions will be tracked and effectuated pursuant to paragraphs 25-28.

(iv) United Kingdom

23. The Company operates its U.K. mine through Energybuild Ltd. (“Energybuild,” and together with the other U.K. subsidiaries, the “UK Subsidiaries” or “Walter UK”), the sole operating subsidiary in the U.K. The UK Subsidiaries are not in any insolvency or restructuring proceedings in any jurisdiction and their mining operations were idled in early July. Energybuild maintains a bank account in the United Kingdom with Lloyd’s Bank. Other than the shared expenses incurred by Walter Energy, which are charged to subsidiaries pursuant to the Company’s intercompany accounting policies described below, Walter UK generally funds its own operations. When Walter UK’s revenues are insufficient to cover its operating expenses, Walter UK has been funded through intercompany transfers. Most of the funding was historically made by Walter Energy but the most recent transfer was made by Walter Canada. During the six months prior to the Petition Date, Walter UK’s funding needs have averaged less than \$1 million per month. To the extent the UK Subsidiaries require additional funding, the

Debtors seek authority to fund only those expenses essential to preserve the value of Walter UK's assets (and, in turn, the Debtors' residual interest in the equity of Walter UK), or to prevent the incurrence of liabilities that could impact the Debtors and all stakeholders. In addition, as described below, the Debtors incur costs on behalf of the UK Subsidiaries for certain shared corporate expenses. To the extent Walter Energy provides funding to, or incurs costs on behalf of, the UK Subsidiaries, such intercompany transactions will be tracked and effectuated in accordance with the process described in paragraphs 25-28.

(v) Bermuda

24. Cardem Insurance Co., Ltd. ("Cardem"), a Bermuda company, functions as the Debtors' captive insurance company. It writes property and casualty insurance for the Company. The Debtors control an account at the Bank of Butterfield that is held in the name of Cardem. Payments from the Debtors to Cardem in exchange for insurance, and shared corporate expenses incurred by the Debtors on behalf of Cardem, are necessary to preserve the value of the Debtors and the Debtors seek authority to continue such intercompany transactions postpetition pursuant to the process described in paragraphs 25-28.

C. Intercompany Transactions

25. In the normal course of business, the Debtors, Walter Canada, Walter UK, Cardem and other non-debtor affiliates engage in various intercompany activities which give rise to intercompany transactions (collectively, the "Intercompany Transactions"). The Intercompany Transactions give rise in the ordinary course to payables and receivables between, among and on behalf of the Debtors, Walter Canada, Walter UK, Cardem and non-debtor affiliates (the "Intercompany Claims"). These Intercompany Transactions include, but are not limited to:

- **Accounts Receivable, Accounts Payable and Payroll:** Approximately half of the operating disbursements for the Debtors' U.S. operations are paid for by Walter Energy and allocated to the appropriate operating subsidiary through intercompany charges. Additionally, receipts of the Debtors' U.S. operations which are swept to concentration accounts create intercompany obligations from Walter Energy to the relevant subsidiaries.
- **Shared corporate expenses:** Walter Energy pays and incurs the costs for accounting, financial reporting, budgeting, banking, cash management, payroll, human resources and other overhead expenses associated with the Company's general corporate functions. These costs are allocated among the Debtors and non-debtor affiliates using a methodology developed by independent third-party accountants to accurately and fairly reflect each entity's proportionate share. Such allocations are currently tracked through the Company's intercompany account ledger.
- **Funding to Cardem and Walter UK:** As described above, the Debtors have funded: (a) ordinary course payments to Cardem in exchange for insurance coverage and (b) shortfalls associated with the UK Subsidiaries' operating expenses. Both transactions are necessary to preserve value for all stakeholders.

26. In addition, the Debtors maintain strategic relationships with certain non-Debtors, including Black Warrior Methane Corp. ("BW Methane") and Black Warrior Transmission Corp. ("BW Transmission"), which extracts methane gas from the Jim Walter number 4 and 7 mines, rendering them safe for mining. Accordingly, continued transactions with BW Methane in the ordinary course of business are critical to the Debtors' continued operations and the preservation of value for all constituents. Without BW Methane's degasification services, operations in the Jim Walter number 4 and 7 mines could become cost-prohibitive.¹⁰

27. The Debtors maintain records of Intercompany Transactions and can ascertain, trace and account for Intercompany Transactions between and among the Debtors, Walter Canada, Walter UK, Cardem and non-debtor affiliates such as BW Methane. To ensure that each individual Debtor will not fund, at the expense of its creditors, the operations of other Debtors,

¹⁰ In the alternative, the Debtors have sought to continue transactions with BW Methane and BW Transmission pursuant to the Critical Vendor Motion filed contemporaneously herewith.

the Debtors request Court approval to accord administrative expense priority status to all Intercompany Claims among the Debtors arising after the Petition Date as a result of an Intercompany Transaction. If such Intercompany Claims enjoy administrative expense priority status, each Debtor will continue to bear ultimate repayment responsibility for these ordinary course transactions. In addition, the Debtors seek authority to continue Intercompany Transactions with Walter UK and Walter Canada in the ordinary course of their businesses in accordance with the Cash Management System, subject to paragraph 28 below.

28. Notwithstanding anything contained herein, the Debtors will not transfer any funds to or for the benefit of any direct or indirect foreign subsidiary or non-Debtor affiliate of the Debtors, including, without limitation, in connection with any professional fees and expenses incurred with respect to any restructuring of such subsidiary or affiliate, unless such transfer is (i) in accordance with the terms of the Interim Cash Collateral Order and related final order or (ii) made with the prior consent of the Steering Committee (“Permitted Non-Debtor Affiliate Payments”) and, other than with respect to any payments made to or for the benefit of BW Methane and BW Transmission, any such Permitted Non-Debtor Affiliate Payments will be made pursuant to senior secured notes, which notes will be pledged to the first lien debt holders. For the avoidance of doubt, in the event that any Permitted Non-Debtor Affiliate Payment is made to any one or more Canadian Entity (as defined in the Interim Cash Collateral Order), each such Canadian Entity shall grant liens against all of its present and future property, assets and undertaking, and all other Canadian Entities shall (i) guarantee repayment of such Permitted Non-Debtor Affiliate Payment and (ii) grant liens against all of their respective present and future property, assets and undertaking as security for such guarantee obligations, and each such Permitted Non-Debtor Affiliate Payment and all of such guarantees and security shall be

assigned and pledged by the maker of such Permitted Non-Debtor Affiliate Payment in favor of the First Lien Secured Parties, and in each such case, the form of the note(s), security and guarantees shall be in form and substance satisfactory to the Steering Committee in its sole discretion.

RELIEF REQUESTED

29. By this Motion, the Debtors request entry of an order, substantially in the form attached hereto as Exhibit A: (i) authorizing the Debtors to continue to utilize their prepetition Cash Management System and maintain and continue using the Debtors' existing Bank Accounts, checks and business forms; (ii) authorizing the Debtors to continue their deposit and investment practices; (iii) waiving the requirements of section 345(b) of the Bankruptcy Code; and (iv) authorizing the Debtors to continue Intercompany Transactions and, to the extent applicable, (x) granting administrative expense status to postpetition intercompany claims between and among the Debtors and (y) requiring that any intercompany transfers made by a Debtor to any non-debtor affiliate (excluding any transfers made to BW Methane and BW Transmission) be memorialized in the form of senior secured notes, which notes will be pledged to the first lien debt holders consistent with the Interim Cash Collateral Order and related final order. Without the requested relief, the Debtors would be unable to maintain their operations, which would cause grievous harm to the Debtors and their estates.

BASIS FOR RELIEF REQUESTED

A. Maintaining the Existing Cash Management System is in the Best Interest of the Debtors' Estates

30. By this Motion, the Debtors seek the authority to continue their current Cash Management System. Under the circumstances, maintenance of the Cash Management System is in the best interest of the Debtors' estates. The Cash Management System constitutes the

Debtors' ordinary and usual business practices and is consistent with those utilized by corporate enterprises comparable to the Debtors in size and complexity. Moreover, the centralized and automated Cash Management System is critical to the Debtors' ability to manage their cash and centrally coordinate the transfer of funds to efficiently and effectively continue their operations.

31. Any disruption to the Cash Management System would impair the Debtors' ability to successfully administer the Chapter 11 Cases. It would be time-consuming, difficult and costly for the Debtors to establish an entirely new system of accounts and a new cash management system. The attendant delays from revising cash management procedures and redirecting receipts would create unnecessary pressure on the Debtors and their employees while they work to meet the other administrative obligations imposed by chapter 11. Furthermore, preserving the "business as usual" atmosphere and avoiding the unnecessary and costly distractions arising from any substantial disruption in the Cash Management System will facilitate the Debtors' efforts in this regard.

32. Subject to paragraph 28, the Debtors will maintain records of all transfers within the Cash Management System to the same extent they were recorded by the Debtors before the commencement of the Chapter 11 Cases. As a result, the Debtors will be able to document and record the transactions occurring within the Cash Management System for the benefit of all parties in interest.

33. Allowing the Debtors to utilize the Cash Management System is entirely consistent with applicable provisions of the Bankruptcy Code. Section 363(c)(1) of the Bankruptcy Code authorizes a debtor-in-possession to "use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1). The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor-in-possession with the flexibility to

engage in the ordinary transactions required to operate its business without undue oversight by creditors or the court. See, e.g., In re Roth Am., Inc., 975 F.2d 949, 952 (3d Cir. 1992). Included within the purview of section 363(c) is a debtor's ability to continue the "routine transactions" necessitated by a debtor's cash management system. Amdura Nat'l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.), 75 F.3d 1447, 1453 (10th Cir. 1996). Accordingly, the Debtors seek authority under section 363(c)(1) of the Bankruptcy Code to continue the collection, concentration and disbursement of funds pursuant to the Cash Management System.

34. Bankruptcy courts have recognized that an integrated cash management system "allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash." In re Columbia Gas Sys., Inc., 136 B.R. 930, 934 (Bankr. D. Del. 1992); In re Columbia Gas Sys., 997 F.2d, 1039, 1061 (3d Cir. 1993) (emphasizing the "huge administrative burden" and economic inefficiency of requiring the debtors to maintain all accounts separately); see also In re Southmark Corp., 49 F.3d 1111, 1114 (5th Cir. 1995) (maintaining an existing cash management system allows the debtor "to administer more efficiently and effectively its financial operations and assets").

35. Bankruptcy courts routinely grant chapter 11 debtors authority to continue utilizing existing cash management systems and treat requests for such authority as a relatively "simple matter." In re Baldwin-United Corp., 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). Courts have recognized that allowing a debtor to maintain its existing cash management system is often appropriate. See, e.g., In re Genesis Health Ventures, Inc., 402 F.3d 416, 419 (3d Cir. 2005); In re Kindred Healthcare, Inc., 2003 WL 22327933, at *1 (Bankr. D. Del. Oct. 9, 2003).

36. Similar relief to that sought in this Motion has been routinely granted, including in this district. See, e.g., In re Dixie Pellets, LLC, 2010 WL 7746989, Case No. 09-05411-11-

TOM (Bankr. N.D. Ala. July 1, 2010) (authorizing debtors to continue using cash management system, maintain existing bank accounts and waive deposit requirements of section 345(b) of the Bankruptcy Code); In re Bruno's Supermarkets, LLC, Case No. 09-00634 (BGC), ECF No. 66 (Bankr. N.D. Ala. Feb. 9, 2009) (same); In re Carraway Methodist Health Sys., Case No. 06-03501 (TOM), ECF No. 48 (Bankr. N.D. Ala. Sept. 20, 2006) (same); In re Citation Corp., Case No. 04-08130 (TOM), ECF No. 30 (Bankr. N.D. Ala. Sept. 20, 2004) (same); see also In re Sch. Specialty, Inc., Case No. 13-10125 (KJC), ECF No. 74 (Bankr. D. Del. Jan. 30, 2013)(same); In re THQ Inc., Case No. 12-13398 (MFW), ECF No. 36 (Bankr. D. Del. Dec. 20, 2012) (same).

37. The Court may also exercise its equitable powers to grant the relief requested herein. Section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). Continuing the Cash Management System without interruption is important to the success of the Chapter 11 Cases, and it is well within the Court’s equitable power under section 105(a) to approve its continued use.

B. Maintaining Existing Bank Accounts and Checks and Providing Protections to Existing Cash Management Banks is Warranted and Appropriate under the Circumstances

38. By this Motion, the Debtors seek a waiver of any requirement that the Bank Accounts be closed and that new postpetition bank accounts be opened. The Debtors can ensure that prepetition checks are not paid without closing their existing Bank Accounts and opening new ones. The Debtors can and will identify all prepetition checks and other forms of payment outstanding on the Petition Date and notify their banks not to pay such checks or obligations. The systems currently employed by the Debtors and their banks are sufficient to ensure that prepetition obligations are not paid improperly. However, to avoid delays in payments to administrative creditors, to ensure a transition into chapter 11 with minimal disruption, and to aid

in the Debtors' efforts to preserve and maximize the value of their assets, it is important that the Debtors be permitted to continue to maintain the Bank Accounts with the same account numbers during the Chapter 11 Cases.

39. By preserving business continuity and avoiding disruption and delay to the collection of the Debtors' receipts and making of disbursements that would necessarily result from closing the Bank Accounts and opening new accounts, all parties in interest, including employees, vendors, and customers, will be best served. The confusion that would result absent the relief requested herein would ill serve the Debtors' chapter 11 efforts.

40. The Debtors also seek an order granting their banks authority to continue to treat, service and administer the Bank Accounts as accounts of each respective Debtor as a debtor-in-possession without interruption and in the usual and ordinary course, and to receive, process and honor and pay any and all postpetition checks, drafts, wires or ACH transfers drawn on the Bank Accounts by the holders or makers thereof, as the case may be.

41. Notwithstanding anything to the contrary in any other order of this Court, the Debtors request that the banks be authorized to accept and honor all representations from the Debtors as to which checks, drafts, wires, or ACH transfers should be honored or dishonored consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH transfers are dated prior to, on, or subsequent to the Petition Date. Pursuant to the relief requested in this Motion, BofA, JPMorgan, BB&T, Regions and Scotia shall not be liable to any party on account of (i) following the Debtors' instructions or representations as to any order of this Court, (ii) the honoring of any prepetition check or item in a good faith belief that the Court has authorized such prepetition check or item to be honored, or (iii) an innocent mistake made despite implementation of reasonable item handling procedures. Such flexibility is necessary to

induce BofA, JPMorgan, BB&T, Regions and Scotia to continue providing the services described above in connection with the Cash Management System.

42. The Debtors have discussed the relief requested in this Motion with certain of the Cash Management Banks. At Region's request, the Debtors have included language in the Order providing that the Cash Management Banks are only required to fund any transfers and transactions authorized by this Motion if sufficient funds exist on deposit in the applicable account. The Debtors also agreed to maintain a minimum balance in the Master Regions Disbursement Account (account number ending in -7949) of \$20 million (the "Minimum Balance") and for so long as the Debtors maintain the Minimum Balance in the Master Regions Disbursement Account, Regions shall continue to link any "zero-balance accounts" that were linked with the Master Regions Disbursement Account prior to the Petition Date (the "Linked Accounts") and to allow automatic funds transfers from the Master Regions Disbursement Account to the Linked Accounts. In the event the Debtors do not maintain the Minimum Balance in the Master Regions Disbursement Account, Regions will be entitled to "de-link" the Linked Accounts from the Master Regions Disbursement Account and terminate any automatic funds transfer arrangements with respect to the Master Regions Disbursement Account and the Linked Accounts.

43. To minimize expenses, the Debtors further request that they be authorized to continue to use their pre-printed checks without reference to their status as debtors-in-possession. However, if the Debtors need to purchase new check stock or utilize electronically prepared checks during the pendency of the Chapter 11 Cases, such checks will include a legend referring to the Debtors as "Debtors-in-Possession" or "DIP," as set forth in the Proposed Order.

44. If the Debtors are not permitted to maintain and utilize their Bank Accounts and continue to use their existing checks as set forth herein, it would (a) disrupt the ordinary financial affairs and business operations of the Debtors, (b) delay the administration of the Debtors' estates, (c) compromise the Debtors' internal controls and accounting system, and (d) require the estates to spend money unnecessarily to set up new systems and open new accounts and print new checks. As noted above, courts in this district and others routinely grant the relief requested with respect to these matters. Accordingly, this request should be granted.

C. Authority to Continue to Open and Close Bank Accounts

45. Pursuant to this Motion, the Debtors also seek authorization to implement changes to the Cash Management System in the ordinary course of business, including opening any additional bank accounts or closing any existing Bank Account, as they may deem necessary and appropriate. The Debtors request that the Court authorize any bank to honor the Debtors' requests to open or close, as the case may be, such bank accounts or additional bank accounts. However, should the Debtors open any new domestic account during the pendency of the Chapter 11 Cases, the Debtors will cause such new account to be with (a) a bank insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation ("FSLIC") that is organized under the laws of the U.S. or any State therein, or (b) in the case of accounts that may carry a balance exceeding the insurance limitations set by the FDIC or FSLIC, a financial institution that is sufficiently secure and creditworthy to justify a waiver of the requirements of section 345(b) of the Bankruptcy Code.

46. The Debtors will provide ten (10) days' advance written notice to counsel to the Steering Committee prior to opening or closing any Bank Accounts (which Bank Accounts shall constitute Cash Collateral) at or with the Cash Management Banks which notice details the reasons for doing so, and will not open any new Bank Account at a financial institution other

than the Cash Management Banks without obtaining the prior consent of the Steering Committee.

D. Waiver of the Deposit and Investment Requirements of 11 U.S.C. § 345

47. By this Motion, the Debtors are also requesting that the Court waive the requirements of section 345(b) of the Bankruptcy Code and permit them to maintain any deposits in their Bank Accounts in accordance with their existing practices until such time as the Debtors are able to comply with, or obtain this Court's final approval to deviate from, the guidelines imposed under section 345(b) of the Bankruptcy Code.

48. Section 345(a) of the Bankruptcy Code authorizes deposits or investments of money of a bankruptcy estate, such as cash, in a manner that will "yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." 11 U.S.C. § 345(a). For deposits or investments that are not "insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States," section 345(b) of the Bankruptcy Code provides that the estate must require from the entity with which the money is deposited or invested a bond in favor of the U.S. secured by the undertaking of an adequate corporate surety. 11 U.S.C. § 345(b).

49. A court may, however, relieve a debtor-in-possession of the restrictions imposed by section 345(b) of the Bankruptcy Code for "cause." 11 U.S.C. § 345(b). As this Motion is being filed on the first day of the Chapter 11 Cases and the Debtors have in excess of 200 creditors, the Debtors request that the Court enter an order waiving the requirements of section 345(b) of the Bankruptcy Code. The safety of the financial institutions and investment vehicles utilized by the Debtors provide sufficient protection under section 345(b) of the Bankruptcy Code to deviate from the investment practices established by the Bankruptcy Code. Without question, BofA, JPMorgan, Regions, BB&T and Scotia are established and secure financial

institutions. On information and belief, the credit of the Debtors' depository institutions and investment managers is at least as secure as any corporate surety that might issue the bond required by section 345(b) if that requirement is not waived. Given the structure and security of the Cash Management System, cause exists to grant a waiver of the requirements of section 345(b) of the Bankruptcy Code.

E. Administrative Expense Status to Postpetition Intercompany Claims

50. The Debtors request that, pursuant to section 503(b)(1) of the Bankruptcy Code, any Intercompany Claims by and among the Debtors be accorded priority status as administrative expenses, to the extent that such Intercompany Claims can be ascertained, traced and accounted for by the Debtors' Cash Management System and accounting functions. According administrative expense status to Intercompany Claims will ensure that each individual Debtor that contributes funds to, or utilizes the services or products of, another Debtor will continue to receive credit, or bear ultimate repayment responsibility, for such funds, as applicable.

F. The Debtors Should be Allowed to Continue Certain Intercompany Transactions with Walter Canada and Non-Debtor Affiliates

51. As discussed above, the Debtors engage in Intercompany Transactions with Walter Canada, Walter UK, Cardem and other non-debtor affiliates in the ordinary course of their respective businesses. The Debtors record such transactions as intercompany obligations that are ultimately satisfied between the companies on a quarterly or annual basis, if not more frequently. Continuing these Intercompany Transactions will benefit the Debtors' estates and preserve value for creditors and, accordingly, the Debtors seek authority to continue the Intercompany Transactions postpetition. See 11 U.S.C. § 363(b) (permitting transactions in the ordinary course). The Debtors request authority to continue Intercompany Transactions in the

ordinary course of business in accordance with the Cash Management System; provided that intercompany transfers by a Debtor to any non-Debtor affiliate will be subject to paragraph 28 hereof.

52. The Debtors also seek authorization to preserve and exercise their intercompany setoff rights. Section 553(a) of the Bankruptcy Code provides in relevant part that:

Except as otherwise provided in this section and in sections 362 and 363 of this title, this title does not affect any right of a creditor to offset a mutual debt owing by such creditor to the debtor that arose before the commencement of the case under this title against a claim of such creditor against the debtor that arose before the commencement of the case

11 U.S.C. § 553.

53. To assert a setoff, a creditor needs to establish two primary elements: mutuality and timing. See In re Bill Heard Enterprises, Inc., 438 B.R. 745, 750 (Bankr. N.D. Ala. 2010); In re SemCrude, L.P., 399 B.R. 388, 393 (Bankr. D. Del. 2009) (“[T]o effect a setoff in bankruptcy, courts construing the Code have long held that the debts to be offset must be mutual, prepetition debts.”); In re Garden Ridge Corp., 338 B.R. 627, 633 (Bankr. D. Del. 2006) (same). Although courts have not uniformly defined what constitutes “mutuality” for setoff purposes, most courts require the following: that the debts are owed (a) between the same parties and (b) in the same right or capacity. See 4 COLLIER ON BANKRUPTCY ¶ 553.03[3][a] (15th rev. ed. 2008); SemCrude, 399 B.R. at 393 (“The authorities are also clear that debts are considered ‘mutual’ only when ‘they are due to and from the same persons in the same capacity. Put another way, mutuality requires that ‘each party must own his claim in his own right severally, with the right to collect in his own name against the debtor in his own right and severally.’”) (citations omitted). Timing requires that both claims arise prepetition. See id. In other words, a

creditor may set off neither a prepetition claim against a postpetition debt it owes the debtor nor a postpetition claim that it has against a prepetition debt it owes to a debtor.

54. Courts have allowed parties to set off claims postpetition in the same manner as they would be permitted to do with a prepetition setoff, so long as the mutuality requirements are satisfied. See, e.g., In re Gordon Sel-Way, Inc., 239 B.R. 741, 751 (E.D. Mich. 1999); In re Mohawk Indus. Inc., 82 B.R. 174, 178–79 (Bankr. D. Mass. 1987) (“Setoff of mutual postfiling debts, however, is generally allowed despite the lack of any express statutory authorization.”).

55. The Debtors routinely net a portion of the obligations arising from Intercompany Transactions as part of their reconciliation process. The Debtors currently track obligations owing between related entities, including setoffs, through the Cash Management System and general ledger and, postpetition, will track any obligations arising from transfers by a Debtor to any non-Debtor affiliate using intercompany notes. The Debtors respectfully request that this Court authorize the Debtors and non-Debtor affiliates to continue netting and setting off obligations arising from Intercompany Transactions, whether arising prepetition or postpetition, provided that such transactions occur in the ordinary course of business.

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

56. 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.”

57. Obtaining immediate authorization to continue using the Cash Management System is necessary to avoid immediate and potentially irreparable harm to the estates. As set forth above, the uninterrupted use of the Bank Accounts, Cash Management System and checks, and continued entry into Intercompany Transactions in the ordinary course, is essential to prevent potentially irreparable damage to the Debtors’ operations, going-concern value, and ability to implement their chapter 11 strategy. 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

58. 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 financial institutions where the Bank Accounts are maintained; and (xiii) 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.

WHEREFORE, the Debtors respectfully request the entry of 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
Debtors-in-Possession*

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-____(____) Joint Administration Requested Docket Ref. ____
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ORDER (A) (I) APPROVING CONTINUED USE OF THE DEBTORS' EXISTING CASH MANAGEMENT SYSTEM; (II) AUTHORIZING USE OF EXISTING BANK ACCOUNTS AND CHECKS; (III) WAIVING THE REQUIREMENTS OF 11 U.S.C. 345(b); (IV) GRANTING ADMINISTRATIVE EXPENSE STATUS TO CERTAIN POSTPETITION INTERCOMPANY CLAIMS; AND (V) AUTHORIZING THE CONTINUATION OF CERTAIN INTERCOMPANY TRANSACTIONS; AND (B) GRANTING RELATED RELIEF

Upon consideration of the motion (the "Motion")² of the Debtors, pursuant to sections 105(a), 345(b), 363(c), 364(a), 503(b)(1) and 553(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004; this Court having jurisdiction to consider the Motion pursuant to 28 U.S.C. § 157; venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); proper and adequate notice having been given and no other or further notice being required; 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

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 used but not defined herein shall have the meanings ascribed to them in the Motion.

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 that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED, ADJUDGED, and DECREED that:

1. The Motion is GRANTED to the extent provided herein.
2. The Debtors are authorized and empowered, pursuant to sections 105(a), 345(b), 363(c), 364(a), 503(b)(1) and 553(a) of the Bankruptcy Code, to continue to maintain, operate and make transfers under their Cash Management System, and, subject to paragraph 17, to continue all Intercompany Transactions between and among the Debtors, Walter Canada and non-Debtor affiliates in a manner consistent with the Debtors' prepetition practices and this Order.
3. The operation of the Cash Management System in accordance with the Debtors' normal and customary practices is adequate and sufficient, and may be continued after the Petition Date. Subject to paragraph 17, the Debtors are authorized to continue using the Cash Management System to manage their cash, to pay intercompany payables (if any), to extend intercompany credit (if necessary) and to continue all other Intercompany Transactions between and among the Debtors, Walter Canada, Walter UK, Cardem and other non-Debtor affiliates in a manner consistent with the Debtors' prepetition practices. The Debtors are authorized to continue netting and setting off obligations arising from Intercompany Transactions, whether arising prepetition or postpetition, provided that such transactions occur in the ordinary course of business.

4. The Debtors are authorized to continue to maintain the Bank Accounts with the same account numbers following the commencement of the Chapter 11 Cases.

5. JPMorgan, BofA, Regions, BB&T and Scotia are authorized and directed to continue to treat, service, and administer the Bank Accounts as accounts of the respective Debtor as a debtor-in-possession without interruption and in the usual and ordinary course and to receive, process and honor and pay any and all postpetition checks, drafts, wires, or ACH transfers drawn on the Bank Accounts by the holders or makers thereof, as the case may be; provided JPMorgan, BofA, Regions, BB&T and Scotia are authorized and directed to continue to treat, service, and administer the Bank Accounts as accounts of the respective Debtor as a debtor-in-possession without interruption and in the usual and ordinary course and to receive, process and honor and pay any and all postpetition checks, drafts, wires, or ACH transfers drawn on the Bank Accounts by the holders or makers thereof, as the case may be, provided that sufficient funds are available in the applicable accounts, whether deposited prepetition or postpetition, to make the payments.

6. The Debtors may maintain a minimum balance in the Master Regions Disbursement Account (account number ending in -7949) of \$20 million (the “Minimum Balance”) and for so long as the Debtors maintain the Minimum Balance in the Master Regions Disbursement Account, Regions shall continue to link any “zero-balance accounts” that were linked with the Master Regions Disbursement Account prior to the Petition Date (the “Linked Accounts”) and to allow automatic funds transfers from the Master Regions Disbursement Account to the Linked Accounts. In the event the Debtors do not maintain the Minimum Balance in the Master Regions Disbursement Account, Regions shall be entitled and shall have relief from the automatic stay of Bankruptcy Code Section 362(a), without further order of this Court,

to “de-link” the Linked Accounts from the Master Regions Disbursement Account and terminate any automatic funds transfer arrangements with respect to the Master Regions Disbursement Account and the Linked Accounts.

7. The Debtors are authorized to make and implement such modifications to the Cash Management System as may be necessary or appropriate, including, but not limited to, the establishment of new bank accounts. The Debtors can and will identify all prepetition checks and other forms of payment outstanding on the Petition Date and notify their banks not to pay such checks or obligations.

8. The Debtors will provide ten (10) days’ advance written notice to counsel to the Steering Committee prior to opening or closing any Bank Accounts (which Bank Accounts shall constitute Cash Collateral) at or with the Cash Management Banks which notice details the reasons for doing so, and will not open any new Bank Account at a financial institution other than the Cash Management Banks without obtaining the prior consent of the Steering Committee..

9. The Debtors are authorized, but not obligated or directed, in the reasonable exercise of their business judgment and in the ordinary course of business, to pay and honor amounts on account of the Cash Management Fees.

10. Notwithstanding anything to the contrary in any other order of this Court, JPMorgan, BofA, Regions, BB&T and Scotia (a) are authorized to accept and honor all representations from the Debtors as to which checks, drafts, wires or ACH transfers should be honored or dishonored, consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH transfers are dated prior to, on, or subsequent to the Petition Date,

and (b) have no duty to independently inquire as to whether such payments are authorized by an order of this Court.

11. JPMorgan, BofA, Regions, BB&T and Scotia shall not be liable to any party on account of (a) following the Debtors' instructions or representations as to any order of this Court, (b) the honoring of any prepetition check or item in a good faith belief that the Court has authorized such prepetition check or item to be honored, or (c) an innocent mistake made despite implementation of reasonable item handling procedures.

12. JPMorgan, BofA, Regions, BB&T and Scotia are authorized and directed to honor the Debtors' requests to open or close, as the case may be, any existing Bank Accounts or additional bank accounts effective as of the Petition Date; provided, however, that any new account that is a domestic account shall be with a bank (a) insured by the FDIC or the FSLIC and (b) that is organized under the laws of the U.S. or any State therein, or in the case of accounts that may carry a balance exceeding the insurance limitations set thereby, a financial institution that is sufficiently secure to justify a waiver of the requirements of section 345(b) of the Bankruptcy Code.

13. The Debtors are authorized to continue to use their preprinted checks, substantially in the form existing immediately before the Petition Date, without reference to their status as debtors-in-possession; provided, however, if the Debtors need to purchase new preprinted checks during the pendency of the Chapter 11 Cases, such checks will include a legend referring to the Debtors as "Debtors-in-Possession" or "DIP"; and provided further that, with respect to checks which the Debtors or their agents print themselves, the Debtors shall begin printing the "Debtor-in-Possession" legend on such items within twenty (20) days of the entry of this Order.

14. The Debtors are authorized to deposit and invest their cash and cash equivalents in the Bank Accounts consistent with their prepetition practices and the Cash Management System. The Debtors are relieved from the obligations under section 345(b) of the Bankruptcy Code to obtain a bond from any entity with which money is deposited or maintained in the Bank Accounts, and the requirements of section 345(b) of the Bankruptcy Code are waived.

15. 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.

16. All Intercompany Claims arising from postpetition intercompany transfers between and among the Debtors shall be entitled to administrative expense priority pursuant to section 503(b)(1) of the Bankruptcy Code. The Debtors shall maintain current records with respect to all transfers of cash so that all transactions, including Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts. The Debtors may engage in Intercompany Transactions with their non-Debtor affiliates, including but not limited to BW Methane, consistent with prepetition practice, subject to paragraph 17 of this Order.

17. Notwithstanding anything contained herein, the Debtors will not transfer any funds to or for the benefit of any direct or indirect foreign subsidiary or non-Debtor affiliate of the Debtors, including, without limitation, in connection with any professional fees and expenses incurred with respect to any restructuring of such subsidiary or affiliate, unless such transfer is (i) in accordance with the terms of the Interim Cash Collateral Order and related final order or (ii) made with the prior consent of the Steering Committee (“Permitted Non-Debtor Affiliate Payments”) and, other than with respect to any payments made to or for the benefit of BW

Methane and BW Transmission, any such Permitted Non-Debtor Affiliate Payments will be made pursuant to senior secured notes, which notes will be pledged to the first lien debt holders. For the avoidance of doubt, in the event that any Permitted Non-Debtor Affiliate Payment is made to any one or more Canadian Entity (as defined in the Interim Cash Collateral Order), each such Canadian Entity shall grant liens against all of its present and future property, assets and undertaking, and all other Canadian Entities shall (i) guarantee repayment of such Permitted Non-Debtor Affiliate Payment and (ii) grant liens against all of their respective present and future property, assets and undertaking as security for such guarantee obligations, and each such Permitted Non-Debtor Affiliate Payment and all of such guarantees and security shall be assigned and pledged by the maker of such Permitted Non-Debtor Affiliate Payment in favor of the First Lien Secured Parties, and in each such case, the form of the note(s), security and guarantees shall be in form and substance satisfactory to the Steering Committee in its sole discretion.

18. The Debtors shall maintain a matrix summarizing any Intercompany Transaction between (a) a Debtor and non-Debtor (excluding BW Methane and BW Transmission) and (b) a Debtor and any direct or indirect subsidiary of a Debtor that is not a guarantor of the Debtors' prepetition secured indebtedness, the amount paid on account of such Intercompany Transaction and the parties to such Intercompany Transaction, and shall provide such matrix on monthly basis to the Steering Committee's advisors; provided that the Steering Committee's advisors shall keep the matrix confidential and shall not disclose any of the information in the matrix to any party, including any member of the Steering Committee, without obtaining the prior written consent of the Debtors, such consent not to be unreasonably withheld or delayed. In addition to the matrix, the Debtors shall provide to the Steering Committee's advisors, on the 15th business

day or 20th of each month after the entry of this Order a separate report relating to BW Methane and BW Transmission, which will include any amounts paid directly to Jim Walter Resources, Inc. from any third party relating to gas provided by BW Methane and BW Transmission, amounts paid by BW Methane and BW Transmission to Jim Walter Resources, Inc. and any amounts incurred by Jim Walter Resources, Inc. on behalf of BW Methane and BW Transmission, as applicable.

19. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

20. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied because the relief in the Motion is necessary to avoid immediate and irreparable harm.

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

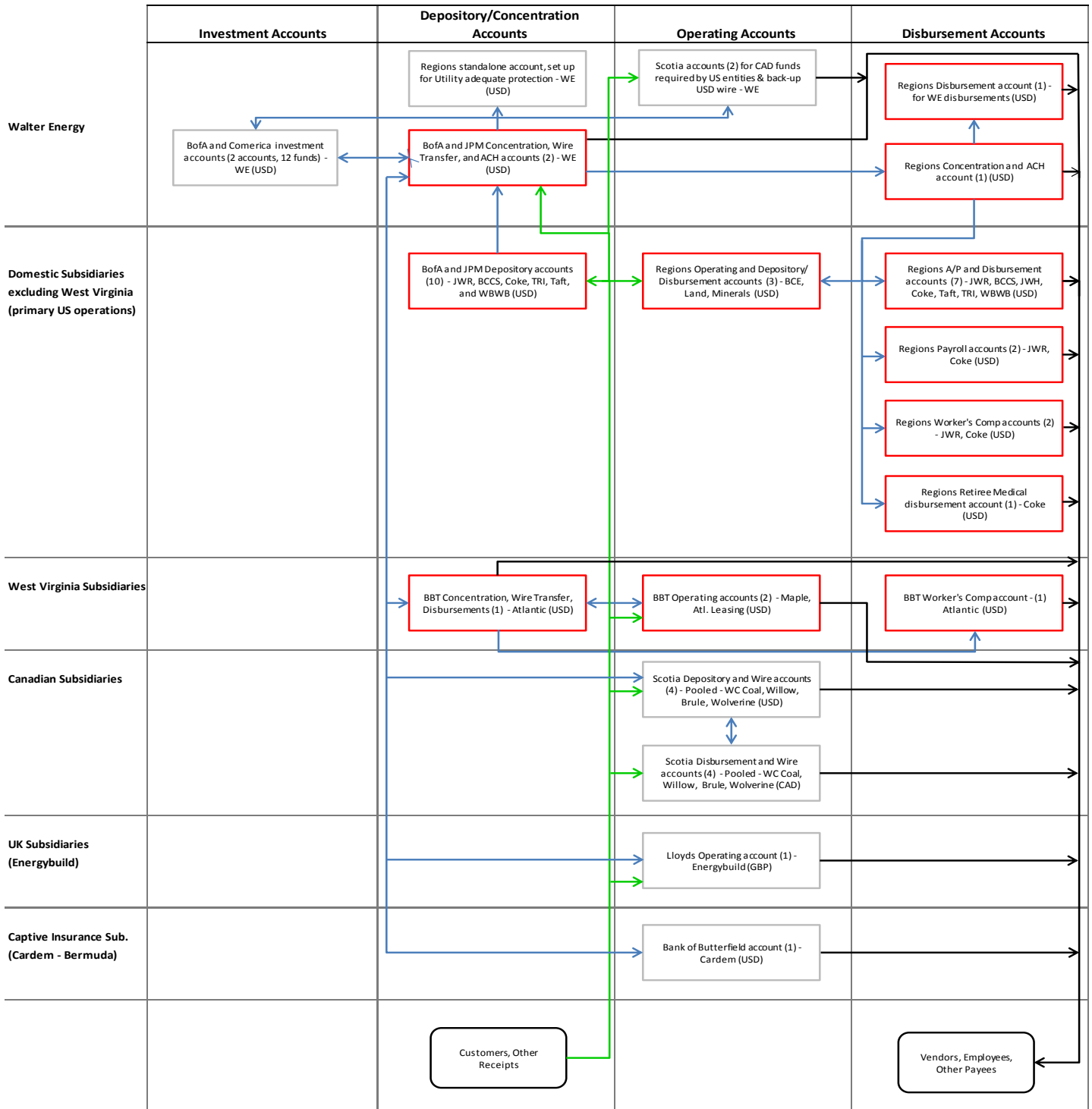
22. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: July [], 2015
Birmingham, Alabama

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

CASH MANAGEMENT SYSTEM SCHEMATIC



Legend:
 → Internal movements of cash
 → External disbursements
 → External inflows

Red outline indicates ZBA structured accounts - see note 2 below regarding JPM accounts

- Notes:
- 1 BofA and JPM structures co-exist due to ongoing transition from BofA to JPM
 - 2 BofA, Regions, and BBT accounts use ZBA structure (boxes outlined in red); JPM accounts of same type require manual transfers
 - 3 Walter Energy and Domestic Subs excluding WV incorporated in same cash management process; other entities/groups utilize standalone (but centralized) processes
 - 4 Operating accounts utilized for receipts and disbursements for less active commercial operations to better manage cost and complexity associated with larger number of accounts
 - 5 Canadian and UK Subsidiaries and Cardem do not commingle funds with parent. Transfers require special accounting treatments (investment in sub, etc)

*This cash management schematic is for informational purposes only and is qualified in its entirety by the motion.

EXHIBIT C

THE BANK ACCOUNTS

Associated Legal Entity	Type of Account/Purpose	Bank	Account Number
Blue Creek Coal Sales, Inc.	Depository	Bank of America	***8159
Jim Walter Resources, Inc.	Depository	Bank of America	***1375
Taft Coal Sales & Associates, Inc.	Depository	Bank of America	***3478
Tuscaloosa Resources, Inc.	Depository	Bank of America	***2722
Walter Black Warrior Basin, LLC	Depository	Bank of America	***2801
Walter Coke, Inc.	Depository	Bank of America	***1388
Walter Energy, Inc.	Concentration, Wire Transfer, and ACH Transfer	Bank of America	***8039
Atlantic Development & Capital, LLC	Disbursement	Branch Bank and Trust	***5246
Atlantic Development & Capital, LLC	Disbursement	Branch Bank and Trust	***6897
Atlantic Leaseco, LLC	Operating	Branch Bank and Trust	***4989
Maple Coal Co., LLC	Operating	Branch Bank and Trust	***4970
Blue Creek Coal Sales, Inc.	Depository	JP Morgan Chase	***8663
Jim Walter Resources, Inc.	Depository	JP Morgan Chase	***8648
Walter Black Warrior Basin, LLC	Depository	JP Morgan Chase	***8671
Walter Coke, Inc.	Depository	JP Morgan Chase	***8655
Walter Energy, Inc.	Concentration, Wire Transfer, and ACH Transfer	JP Morgan Chase	***8630

Associated Legal Entity	Type of Account/Purpose	Bank	Account Number
Blue Creek Coal Sales, Inc.	Disbursement	Regions	***9117
Blue Creek Energy, Inc.	Operations	Regions	***6085
Jim Walter Homes LLC	Disbursement	Regions	***9709
Jim Walter Resources, Inc.	Disbursement	Regions	***9652
Jim Walter Resources, Inc.	Payroll Disbursement	Regions	***5682
Jim Walter Resources, Inc.	Workman's Compensation Disbursement	Regions	***1275
Taft Coal Sales & Associates, Inc.	Disbursement	Regions	***6548
Tuscaloosa Resources, Inc.	Disbursement	Regions	***9660
Walter Black Warrior Basin, LLC	Disbursement	Regions	***9679
Walter Coke, Inc.	Accounts Payable Disbursements	Regions	***9687
Walter Coke, Inc.	Payroll Disbursement	Regions	***1711
Walter Coke, Inc.	Retiree Medical Claims Disbursement	Regions	***1283
Walter Coke, Inc.	Worker's Compensation Disbursement	Regions	***9357
Walter Energy, Inc.	Concentration, Wire Transfer, and ACH Transfer	Regions	***7949
Walter Energy, Inc.	Depository	Regions	***3815
Walter Energy, Inc.	Disbursement	Regions	***9695
Walter Land Company	Operating	Regions	***1321

Associated Legal Entity	Type of Account/Purpose	Bank	Account Number
Walter Minerals	Operating	Regions	***1348
Walter Energy, Inc.	Operating	Scotia	***9712
Walter Energy, Inc.	Operating	Scotia	***2316
Brule Coal Partnership	Pooled Operating	Scotia	***7515
Brule Coal Partnership	Pooled Operating	Scotia	***5417
Walter Canadian Coal Partnership	Pooled Operating	Scotia	***8014
Walter Canadian Coal Partnership	Pooled Operating	Scotia	***5017
Willow Creek Coal Partnership	Pooled Operating	Scotia	***6211
Willow Creek Coal Partnership	Pooled Operating	Scotia	***3218
Wolverine Coal Partnership	Pooled Operating	Scotia	***8814
Wolverine Coal Partnership	Pooled Operating	Scotia	***5912
Cardem Insurance Co, Ltd.	Operating	Bank of Butterfield	***3100
Energybuild Mining Ltd.	Operating	Lloyds Bank	***4968
Walter Energy, Inc.	Money Market Investment	Bank of America	***8831
Walter Energy, Inc.	Trust Account and Investment Portal	Comerica	***1822