

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

In re:

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

Debtors.

Chapter 11

Case No. 15-02741-TOM11

Jointly Administered

**MOTION FOR EXPEDITED HEARING ON DEBTORS' MOTION FOR AN ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN SENIOR SECURED POSTPETITION FINANCING, (B) AUTHORIZING CONTINUED POSTPETITION USE OF CASH COLLATERAL, (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES AND (D) GRANTING RELATED RELIEF**

Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned chapter 11 cases (each a “Debtor” and, collectively, the “Debtors”) hereby move, pursuant to section 105 of title 11 of the U.S. Code (the “Bankruptcy Code”) and rule 9006(c) 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”), setting for expedited hearing the *Debtors’ Motion for an Order (a) Authorizing the Debtors to Obtain Senior Secured Postpetition Financing, (b) Authorizing Continued Postpetition Use of Cash Collateral, (c) Granting Adequate Protection to Prepetition Secured Parties and (d) Granting Related Relief* (the

<sup>1</sup> The debtors in these cases (collectively, the “Debtors,” and each a “Debtor”), 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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“DIP Motion”).<sup>2</sup> In support of this motion (the “Motion”), the Debtors respectfully state as follows:

### **SUMMARY OF RELIEF REQUESTED**

1. By this Motion, the Debtors seek the entry of an order setting the DIP Motion for expedited hearing on January 28, 2016. As set forth in the DIP Motion, the Debtors seek approval of the DIP Facility to provide the funding necessary for the Debtors to continue operations as they work towards consummating the Sale(s). The DIP Facility was negotiated in good faith and at arms’ length between the Debtors and the informal group (the “Steering Committee”) of certain unaffiliated lenders and noteholders (the “First Lien Creditors”) holding a majority in amount of senior secured obligations (the “First Lien Obligations”) with first priority liens (the “First Priority Liens”) on substantially all of the Debtors’ assets. Each of the First Lien Creditors will have an opportunity to participate in the DIP Facility on a pro rata basis, but the DIP Facility is being backstopped by the members of the Steering Committee (the “Backstop Parties”). The First Lien Creditors, which will become the owners of the Purchaser upon Closing, are not only uniquely incentivized to provide funding, but are also the only viable source of financing as they hold liens on substantially all of the Debtors’ assets.

2. Without the postpetition financing, the Debtors will be forced to shut down operations, abandon the proposed Sale(s) and liquidate their assets to the detriment of all stakeholders. In contrast, the DIP Facility will enable the Debtors to preserve the value of their assets pending the closing of the Sale(s) and successfully conclude these cases. The DIP Facility is therefore in the best interests of the Debtors and all stakeholders and should be approved on an expedited basis.

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<sup>2</sup> Unless otherwise defined, all capitalized terms shall have the meanings provided in the DIP Motion.

## **JURISDICTION**

3. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. The Motion is a core proceeding under 28 U.S.C. § 157(b)(2). Venue of the Chapter 11 Cases and the Motion is proper before the Court under 28 U.S.C. §§ 1408 and 1409.

4. The statutory and legal predicates for the relief sought herein are section 105 of the Bankruptcy Code and Bankruptcy Rule 9006(c).

## **BACKGROUND**

5. On July 15, 2015 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned cases (collectively, the "Chapter 11 Cases"). The Debtors have continued in possession of their respective properties and to operate and maintain their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

6. On the Petition Date, this Court entered an order consolidating the Chapter 11 Cases for procedural purposes only.

7. The Bankruptcy Administrator for the Northern District of Alabama (the "Bankruptcy Administrator") has appointed two official committees in the Chapter 11 Cases -- a statutory committee of unsecured creditors (the "UCC") and a committee of retired employees pursuant to Bankruptcy Code sections 1114(c)(2) and 1114(d) (the "Section 1114 Committee").

8. Information regarding the Debtors' prepetition capital structure and indebtedness is contained in the *Debtors' Motion for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105, 361, 362, 363, 507 and 552, Bankruptcy Rules 2002, 4001, 6003, 6004 and 9014 (A) (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, and (III) Scheduling a Final Hearing; and (B) Granting Related Relief* [Docket

No. 42] (the “Cash Collateral Motion”) and *Declaration of William H. Harvey in Support of Chapter 11 Petitions and First Day Relief* [Docket No. 3] (“First Day Declaration”).

9. After a hearing on September 24, 2015, the Court entered the Amended Final Order (A) Authorizing Post-Petition Use of Cash Collateral, (B) Granting Adequate Protection to Post-Petition Secured Parties and (C) Granting Related Relief (as amended to date, the “Amended Final Cash Collateral Order”). See Docket No. 797; see also Docket Nos. 857, 1158 & 1612 (extending the term of Amended Final Cash Collateral Order through the earlier to occur of (x) the closing of the Stalking Horse Sale (defined below), (y) March 30, 2016 and (z) the termination by any party of the Asset Purchase Agreement). The Amended Final Cash Collateral Order authorizes the use of Cash Collateral and provides that, as of the Petition Date, the Prepetition Secured Parties held valid, properly perfected liens on all or substantially all of the Prepetition Collateral (each as defined therein). It further provides, among other things, adequate protection to the First Lien Creditors in the form of superpriority claims and superpriority liens on all of the Debtors’ pre- and postpetition collateral (the “Collateral”), subject to a Carve Out (as defined therein).

10. On November 5, 2015, the Debtors and Coal Acquisition LLC (the “Purchaser”), executed a stalking horse asset purchase agreement (the “Asset Purchase Agreement”) for the sale of substantially all of the Debtors’ Alabama coal operations to the Stalking Horse Purchaser, subject to higher or otherwise better offers (the “Stalking Horse Sale”). The Alabama coal operations – which include Jim Walter Resources, Inc.’s number 4 and 7 mines, related methane gas operations, and certain additional assets incidental thereto – comprise the Debtors’ principal underground mining businesses.

11. Shortly thereafter, the Debtors filed a motion (the “Sale Motion”) for approval of the Sale(s), including the Stalking Horse Sale, as well as related bidding procedures. On January 8, 2016, the Court entered the Sale Order.

12. As discussed in the DIP Motion, the Debtors' available and projected Cash Collateral alone is insufficient to continue the Debtors' operations until the Closing. Consequently, the Debtors need the additional liquidity contemplated by the DIP Facility to fund their working capital needs and pay the costs of administering these Chapter 11 Cases through the Closing.

### **BASIS FOR RELIEF REQUESTED**

13. Bankruptcy Rule 9006(c) provides that the Court, for cause shown, may in its discretion, with or without notice, reduce the notice period normally required for motions.

14. Cause exists for setting the DIP Motion for hearing on an expedited basis. The purpose of the DIP Motion and approval of the proposed DIP Facility is to provide sufficient liquidity to bridge the Debtors through a going concern sale of their core Alabama assets. The Debtors have an immediate need to access the liquidity provided by the DIP Facility and use cash collateral, to permit, among other things, the orderly continuation of the Debtors' businesses and the consummation of the Sale(s). Without this new liquidity, the Debtors' ability to successfully sell their assets will be jeopardized and the Debtors will be forced to cease their business operations and lose the going concern value of their businesses, to the detriment of all parties in interest.

15. The Debtors request that the DIP Motion be set for hearing on January 28, 2016 at 1:30 p.m. (prevailing Central Time). Bankruptcy Rule 4001(b)(2) provides that the "court may commence a final hearing on a motion for authorization to use cash collateral no earlier than 14 days after service of the motion." The Debtors filed and served the DIP Motion on January 14, 2016. Scheduling the hearing on January 28, 2016 will provide 14 days' notice of the DIP Motion and will not prejudice any parties in interest.

16. Accordingly, cause exists to set a hearing on the DIP Motion on an expedited basis.

## NOTICE

17. Notice of this Motion will be provided to: (a) the Bankruptcy Administrator; (b) counsel to the administrative agent for the Debtors' prepetition secured credit facility; (c) counsel to the indenture trustee of the Debtors' First Lien Notes; (d) counsel to the indenture trustee for the Debtors' Second Lien Notes; (e) counsel to the Steering Committee; (f) counsel to the Backstop Parties; (g) counsel to the Creditors' Committee; (h) counsel to the Retiree Committee; (i) the Internal Revenue Service; (j) the Securities and Exchange Commission; (k) the U.S. Environmental Protection Agency; (l) counsel to the United Mine Workers of America; (m) counsel to the United Steelworkers; (n) the United States Attorney for the Northern District of Alabama; and (o) all persons or 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.

## CONCLUSION

WHEREFORE, the Debtors respectfully request entry of the Proposed Order attached as Exhibit A granting the relief requested herein and such other and further relief as is just and proper.

*[Remainder of Page Intentionally Left Blank]*

Dated: January 14, 2016  
Birmingham, Alabama

BRADLEY ARANT BOULT CUMMINGS LLP

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

- and -

PAUL, WEISS, RIFKIND, WHARTON &  
GARRISON LLP

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

*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., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-02741-TOM11

Jointly Administered

**ORDER SETTING EXPEDITED HEARING ON DEBTORS' MOTION FOR AN ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN SENIOR SECURED POSTPETITION FINANCING, (B) AUTHORIZING CONTINUED POSTPETITION USE OF CASH COLLATERAL, (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES AND (D) GRANTING RELATED RELIEF**

Upon consideration of the motion (the "Motion")<sup>2</sup> of Walter Energy, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned chapter 11 cases (each a "Debtor" and, collectively, the "Debtors") for entry of an order (this "Order"), pursuant to Bankruptcy Code section 105 and Bankruptcy Rule 9006(c), setting an expedited hearing on the *Debtors' Motion for an Order (a) Authorizing the Debtors to Obtain Senior Secured Postpetition Financing, (b) Authorizing Continued Postpetition Use of Cash Collateral, (c) Granting Adequate Protection to Prepetition Secured Parties and (d) Granting Related Relief* (the "DIP Motion"); and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and

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

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the DIP Motion.

it appearing that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that adequate and proper notice of the Motion has been given and that no other or further notice need be given; and the legal and factual bases set forth in the Motion having established just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED that:

1. The Motion is GRANTED.
2. The DIP Motion is hereby set for a hearing on **January 28, 2016 at 1:30 p.m. (prevailing Central Time)** in Courtroom 3 located at the United States Bankruptcy Court for the Northern District of Alabama, Robert S. Vance Federal Building, 1800 Fifth Avenue North Birmingham, Alabama 35203, and the notice periods for the hearing on the foregoing motion are reduced accordingly.
3. Any objection to the DIP Motion shall be filed and served on counsel for the Debtors on or before **January 21, 2016 at 4:00 p.m. (prevailing Central Time)**.
4. The Debtors shall provide notice of such hearing by serving a copy of this Order on the service list identified in the DIP Motion.
5. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: January \_\_\_\_, 2016

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TAMARA O. MITCHELL  
UNITED STATES BANKRUPTCY JUDGE