UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION
www.flmb.uscourts.gov

In re: HILLSBOROUGH HOLDINGS CORP., *et al.*, Debtors.	Chapter 11 Case No. 8:89-bk-9715-KRM
HILLSBOROUGH HOLDINGS CORP., *et al.*, Plaintiffs, v. UNITED STATES OF AMERICA, Defendant.	Adv. No. 8:91-ap-313-KRM

PLAINTIFF'S MOTION FOR AN ORDER PURSUANT TO 28 U.S.C. § 1412 AND BANKRUPTCY RULE 7087 (A) TRANSFERRING ADVERSARY PROCEEDING TO THE BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF ALABAMA AND (B) GRANTING RELATED RELIEF

Hillsborough Holdings Corp. ("Hillsborough") hereby moves pursuant to section 1412 of title 28 of the United States Code and rule 7087 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") for entry of an order substantially in the form attached as Exhibit A (the "Proposed Order"), (a) transferring the above-captioned adversary proceeding to the United States Bankruptcy Court for the Northern District of Alabama (the "Alabama Bankruptcy Court") and (b) granting related relief. In support of this motion (the "Motion"), Hillsborough respectfully states as follows:

PRELIMINARY STATEMENT

1. More than 20 years ago, Hillsborough filed an adversary proceeding (the "Adversary Proceeding") against the federal government to resolve tax claims filed by the government and related tax disputes in its bankruptcy case. Though Hillsborough long ago emerged from bankruptcy and the bankruptcy cases of all of its affiliated debtors (collectively, with Hillsborough, the "Florida Debtors") have been closed, this Adversary Proceeding remains unresolved. Meanwhile, substantial tax refunds have accumulated as potential offsets to the tax liabilities at issue in the Adversary Proceeding. Those remain unresolved as well. As a result, there are now more than 30 years of disputed federal taxes between the government, the Florida Debtors, and the Debtors (as defined below), covering the years at issue in the Adversary Proceeding and the two decades of refund claims for subsequent years, many of which involve the same or related issues.

2. On July 15, 2015, the successor-in-interest to Hillsborough, Walter Energy Inc. ("Walter Energy"), and certain of its U.S. subsidiaries (collectively, with Walter Energy, the "Debtors") filed for chapter 11 relief in the Alabama Bankruptcy Court. By agreement with their key creditors, the Debtors currently have only six months to confirm a plan of reorganization, or to sell their assets if their reorganization efforts do not succeed. In that time, the Debtors must resolve, among other key claims, all of the federal government's tax claims.

3. Following a July 15, 2015 status conference before this Court, the Debtors circulated a form of stipulation to the Department of Justice providing for a consensual transfer of the Adversary Proceeding to the Alabama Bankruptcy Court without prejudice to either party. (A copy of the proposed form of stipulation is attached as Exhibit B.) Despite several indications that an agreed transfer likely would be achievable, on August 15th, the Department of Justice advised counsel to the Debtors that the government would oppose any such transfer. That

decision necessitated the filing of this Motion and the Debtors hereby request that this Court transfer the Adversary Proceeding to the Alabama Bankruptcy Court, so that all of the Debtors' disputed taxes for all relevant tax years can be addressed at once, in one forum, on an expedited basis.

JURISDICTION

4. This 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. The statutory predicates for the relief requested herein are section 1412 of title 28 of the United States Code ("Section 1412") and Bankruptcy Rule 7087.

BACKGROUND

A. The Adversary Proceeding and the Florida Bankruptcy Cases

5. On December 27, 1989, the Florida Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Middle District of Florida (the "Court"). On May 14, 1991, Hillsborough commenced the Adversary Proceeding to resolve the tax claims asserted by the IRS for the fiscal years ending 1983-1994. The Adversary Proceeding was unresolved when the companies prepared to emerge from bankruptcy. As such, on March 1, 1995, this Court approved a joint stipulation between Hillsborough and the government whereby the government withdrew its objections to the joint plan in exchange for certain commitments regarding the Adversary Proceeding. This Court confirmed the joint amended plan of reorganization on March 2, 1995, and the Florida Debtors emerged from bankruptcy on March 17, 1995.

6. Since that time, the company has fundamentally changed. While it traces its roots back to 1946 when Jim Walter began a homebuilding business in Tampa, Florida, today, Walter

Energy is a publicly-traded, multinational metallurgical coal mining company with operations across the United States, Canada and the United Kingdom. The Debtors are based in Alabama and have more than 2,300 employees in the U.S. alone. The Debtors no longer have any business operations in Florida. As a consequence of these business changes, the Debtors' base of operations is different; their creditors are different; and their employees are different. For all intents and purposes, the Debtors bear little resemblance to the Florida Debtors from 1989.

7. Throughout this business evolution, litigation in the Adversary Proceeding continued. In particular, five years ago, in 2010, this Court issued an opinion on certain disputed issues concerning straight line interest recognition and what the parties refer to as the "discount" issue, and directed the parties to submit an agreed order based upon those rulings. Adv. Proc. Dkt. No. 400. However, the parties were unable to finally resolve the relevant tax claims and no such order was submitted.

8. The parties' inability to reach agreement regarding a final order is due, in part, to the company's belief that it has become entitled to substantial tax benefits over the last 20 years, primarily in the form of tax refunds (the "Refunds"). Due to the pending Adversary Proceeding, the federal government has declined to release the Refunds that the company has claimed. The Refunds are significant. As a result, the company has consistently sought to resolve the Adversary Proceeding by simultaneously resolving its entitlement to the Refunds. Similarly, the company has sought to include in any resolution other disputed issues arising in the post-1995 tax years that relate back to the issues in dispute in the Adversary Proceeding (these issues, together with the issues in the Adversary Proceeding and the Refunds, collectively, the "Outstanding Tax Issues").

9. On June 24, 2015, the government filed a motion for final judgment (the "Final Judgment Motion"), seeking entry of an order approving a purported settlement between the parties regarding the Adversary Proceeding. Adv. Proc. Dkt. No. 439. Hillsborough objected to the Final Judgment Motion based, among other things, on certain procedural deficiencies with respect to the Motion and Hillsborough's denial that a settlement had been reached. *See* Adv. Proc. Dkt. No. 440. At a preliminary hearing on the Final Judgment Motion, the Court adjourned the matter to August 20, 2015, in light of the contemporaneous chapter 11 filings by Hillsborough's successor-in-interest.

B. The Chapter 11 Cases in the Alabama Bankruptcy Court

10. On July 15, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Alabama Bankruptcy Court. Their chapter 11 cases (the "Chapter 11 Cases") are being jointly administered before Judge Tamara O. Mitchell in the Alabama Bankruptcy Court as Case No. 15-02741.[1]

11. The Chapter 11 Cases are proceeding on an expedited schedule. Before the Petition Date, the Debtors and an unofficial committee of holders of first-lien secured debt executed a Restructuring Support Agreement ("RSA") that establishes milestones for the Chapter 11 Cases and imposes various conditions and requirements on the Debtors.[2] In particular, the RSA currently requires that the Alabama Bankruptcy Court confirm the Debtors' plan of reorganization by January 13, 2016. RSA ¶ 5(p). Generally speaking, if the Debtors fail to meet these milestones or satisfy certain conditions, the RSA requires the Debtors to immediately stop

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[1] 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 *Declaration of William G. Harvey in Support of First Day Motions* (the "First Day Declaration"), which was filed with the Alabama Bankruptcy Court on the Petition Date. A copy of the First Day Declaration is attached hereto as Exhibit C.

[2] The Debtors have filed a motion with the Alabama Court, seeking authorization to assume the RSA. That motion is scheduled for hearing on [DATE]. A copy of the RSA is attached hereto as Exhibit D.

efforts to confirm a plan of reorganization in favor of a sale of substantially all of the Debtors' assets under section 363 of the Bankruptcy Code.

12. Given the RSA's requirements, the Debtors must resolve their tax disputes with the government as quickly as possible. The Debtors have determined that the most efficient way to do so is to address all Outstanding Tax Issues – including those matters at issue in the Adversary Proceeding – at once, in a single forum. They believe it is appropriate and more efficient for the Alabama Bankruptcy Court to oversee that process.

RELIEF REQUESTED

13. By this Motion, Hillsborough seeks entry of an order, pursuant to Section 1412 and Bankruptcy Rule 7087, transferring the Adversary Proceeding to the Alabama Bankruptcy Court and granting related relief.

BASIS FOR RELIEF REQUESTED

A. Applicable Rules.

14. Bankruptcy Rule 7087 provides that a court "may transfer an adversary proceeding or any part thereof to another district pursuant to 28 U.S.C. § 1412 . . . ." Fed. R. Bankr. P. 7087. Section 1412, in turn, grants federal courts[3] broad discretion to "transfer a case or proceeding under title 11 to a district court for another district, in the interest of justice or for the convenience of the parties." 28 U.S.C. § 1412; *see also Alderwoods Grp., Inc.* v. *Garcia*, 682 F.3d 958, 973 (11th Cir. 2012). Because Section 1412 is phrased in the disjunctive, a court may transfer a case or proceeding either because doing so is in the interest of justice or because it

[3] As Judge Paskay explained in another transfer motion in the Florida Debtors' chapter 11 cases, although Section 1412 addresses the circumstances under which a district court – rather than a bankruptcy court – may transfer a proceeding, in light of the standing order of reference in place with respect to every district court in the country, it is proper for the bankruptcy court to consider such requests directly, and to transfer proceedings directly to another bankruptcy court. *In re Hillsborough Holdings Corp.*, 146 B.R. 1008, 1010 (Bankr. M.D. Fla. 1992). *See also In re A.R.E. Mfg. Co., Inc.*, 124 B.R. 912, 913-14 (Bankr. M.D. Fla. 1991) (noting that "due to the automatic reference under 28 U.S.C. § 157(b)(2)(A), the Bankruptcy Court is authorized to transfer venue pursuant to Bankruptcy Rule 7087 and 28 U.S.C. § 1412" and collecting cases so holding).

will serve the convenience of the parties. *See In re Three Rivers Co., LLC*, 2009 WL 6499339, at *1–2 (Bankr. N.D. Ga. Mar. 12, 2009); *In re Terry Mfg. Co. Inc.*, 323 B.R. 507, 509 (Bankr. M.D. Ala. 2005); *In re Bruno's, Inc.*, 227 B.R. 311, 324 (Bankr. N.D. Ala. 1998) (Mitchell, J.). Under either prong, the analysis is fact-intensive and subject to the court's broad discretion. *Id.*

15. While in practice these considerations overlap, courts have developed specific factors for each prong. "The 'interest of justice' component is a broad and flexible standard which must be applied on a case-by-case basis." *In re Manville Forest Prods. Corp.*, 896 F.2d 1384, 1391 (2d Cir. 1990). Under this prong, courts analyze the following factors:

- The efficiency and economics of estate administration;
- The presumption in favor of the "home court;"
- Judicial economy and efficiency;
- The ability to receive a fair trial;
- The state's interest in deciding local controversies within its borders; and
- The plaintiff's original choice of forum.

In re Terry Mfg., 323 B.R. at 510; *In re Bruno's*, 227 B.R. at 324–25.

16. In the bankruptcy context, courts consistently recognize that the most important factor under this prong is the efficient administration of a debtor's estate. *See, e.g., In re Bruno's*, 227 B.R. at 324 (collecting cases). Because the "speedy and economic administrative of cases is a paramount consideration in the bankruptcy process," bankruptcy courts generally presume that the court in which the bankruptcy cases are pending – referred to as the "home court" – is the proper venue for all related proceedings. *In re Vital Link Lodi, Inc.*, 240 B.R. 15, 19 (Bankr. W.D. Mo. 1999); *see also In re Manville*, 896 F.2d at 1390–1391; *In re Bruno's*, 227 B.R. at 326–27 (explaining that the home court presumption "was created in the case law based upon a conclusion reached by the majority of courts . . . that the most important factor to

consider in deciding whether to transfer the proceeding is the impact that transfer would have on the economic and efficient administration of the estate.").[4]

17. As an alternative, Section 1412 permits the transfer of a proceeding for the convenience of the parties. Under this prong, courts consider the following factors:

- Location and proximity of the parties and creditors;
- Ease of access to necessary proof;
- Convenience of witnesses, including their location and proximity;
- Location of the assets, including books and records;
- Availability of subpoena power for the unwilling witness; and
- Expenses related to obtaining witnesses.

In re Three Rivers, 2009 WL 6499339 at *3; *In re Bruno's*, 227 B.R. at 325.

B. Transfer of the Adversary Proceeding Satisfies the Interests of Justice.

18. Manifestly, transferring the Adversary Proceeding to the Alabama Bankruptcy Court will promote the economic and efficient administration of the Debtors' Chapter 11 Cases. As the most important factor for the interest of justice test, the efficient administration of the Chapter 11 Cases weighs heavily in favor of transferring the Adversary Proceeding.

19. As noted above, the RSA currently requires the Debtors to confirm a plan in approximately six months. Before confirmation, the Debtors must determine the total amount of its Administrative and Priority Claims (as those terms are defined in the RSA). That means that the Debtors must quickly determine whether any tax claims are entitled to priority treatment and, if so, promptly fix the allowed amount of any such claims. Thus, the Debtors intend to ask the Alabama Bankruptcy Court to undertake such a process, with a goal of reaching a single net

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[4] The home court presumption – and transfer requests made under Bankruptcy Rule 7087 – typically arise where a state court action is removed to the nearby district court after one party to the suit files for bankruptcy in another district. However, similar considerations should apply where, as here, there are two pending bankruptcy cases. *See, e.g.*, *In re Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey*, 149 B.R. 365 (Bankr. S.D.N.Y. 1993) (noting that Rule 7087 was the proper method for requesting a transfer of venue of an adversary proceeding from one bankruptcy court, where a partner of a law firm had filed for bankruptcy, to another bankruptcy court, where the law firm's bankruptcy case was pending).

number for claims allowance purposes. The Alabama Bankruptcy Court overseeing their Chapter 11 Cases is best suited to do so: it is the most familiar with the exigencies of the Chapter 11 Cases, and can conduct the tax litigation with a full understanding of the relative importance of these issues in the broader context of the Chapter 11 Cases.

20. Transferring the Adversary Proceeding will also promote efficiencies in the tax disputes themselves. Because many of the Outstanding Tax Issues relate to tax years *after* 1995, the Alabama Bankruptcy Court will, absent a settlement, necessarily be the court to adjudicate those issues. To do so, the Alabama Bankruptcy Court will need to gain familiarity with all aspects of the Debtors' prepetition taxes, including their ongoing disputes with the government. This Court cannot adjudicate the post-1995 tax years, because these issues arose after the earlier bankruptcy cases concluded and are not addressed by the Adversary Proceeding. Thus, unless the Adversary Proceeding is transferred, a single dispute over prepetition taxes will be divided into two, causing decisions by this Court over certain aspects of the issue to potential impact the outcome of the other half of the dispute pending before the Alabama Bankruptcy Court. This would be particularly problematic here, because many of the disputed tax years involve the same or closely related issues. Moreover, the Debtors expect that the liability for the years at issue in the Adversary Proceeding will be materially, if not completely, offset by the Refunds. In sum, judicial efficiency dictates transferring the Adversary Proceeding to the Alabama Bankruptcy Court so that it can adjudicate *all* of the Outstanding Tax Issues at once.

C. Transfer of the Adversary Proceeding Serves the Convenience of the Parties.

21. Alternatively, transferring the Adversary Proceeding to the Alabama Bankruptcy Court will be more convenient for the parties. This is true even if one ignores the obvious administrative and judicial efficiencies to be gained by addressing all of the Debtors' tax disputes with the federal government in one forum.

(i) Location of the parties

22. Alabama is more convenient than Florida given the location of the parties. The Debtors are headquartered in Alabama, and have substantial operations in the state. Many of their principal officers and employees, including those involved in tax matters, work out of the Alabama office. In contrast, the Debtors do not maintain an office in Florida, have no material assets or operations in Florida, and no officers of the company work from Florida. The defendant, on the other hand, is the federal government. Federal government agencies, including the Internal Revenue Service and the Department of Justice, have a significant presence in Birmingham. Moreover, the defendant's primary point of contact, an attorney at the Department of Justice who has been working on this matter, is based out of Washington, D.C. – not Tampa. Alabama is no less convenient than Florida for federal employees located in Washington, D.C.

(ii) Necessary proof, assets, and books and records

23. Alabama is more convenient than Florida given the location of any necessary proof and the parties' assets, books and records. Because Walter Energy's headquarters are in Alabama, documents, records, and other forms of proof relevant to the Outstanding Tax Issues are most likely in the custody of employees in Alabama. Additionally, the majority of the Debtors' assets in the United States are located in Alabama; there are no material assets in Florida.

(iii) Convenience of witnesses and related expenses

24. Alabama is more convenient than Florida given the location of most of the potential witnesses. Because the Adversary Proceeding has no factual ties to Florida, there are likely only a few witnesses in Florida. Thus, potential witnesses should not be harmed by transferring the Adversary Proceeding. In fact, the most likely witnesses would benefit from a transfer of the Adversary Proceeding to Alabama, namely, members of the Debtors' senior

management team, most of whom work out of the Debtors' Alabama headquarters. For them, the Alabama Bankruptcy Court is certainly more convenient, and for the estates, more cost effective. Finally, the Debtors anticipate that the other likely witnesses would be individuals from accounting firms not located in Florida who have been assisting the Debtors in their tax disputes with the government, or government employees located in Washington, D.C. Alabama is no less convenient for these individuals than Florida.

D. No Remaining Factor Favors Retaining the Adversary Proceeding in this Court.

25. Unlike many venue transfer requests, here, the current jurisdiction – the state of Florida – has no substantial interest in resolving the Adversary Proceeding. None of the disputed issues involve a matter of Florida law—or any state's law, for that matter. If any state has an interest in the outcome of this Adversary Proceeding and resolution of the Refunds, it is Alabama, where the Debtors have their headquarters and significant operations.

26. Furthermore, while the Florida Debtors originally chose this Court as the forum for the Adversary Proceeding, that choice was made 26 years ago. As noted, the company has undergone significant changes during that time, rendering the factors that led Hillsborough to file in Florida irrelevant. Indeed, the Adversary Proceeding is the only reason Hillsborough's chapter 11 remains open in Florida; transfer will enable Hillsborough to finally close that case, thus saving the company both time and money.

27. Finally, transferring the Adversary Proceeding to the Alabama Bankruptcy Court is consistent with the presumption that an adversary proceeding should proceed before the "home court" overseeing the bankruptcy cases. This presumption rests on the theory that, by maintaining control over all disputes that could have a material impact on the bankruptcy cases, that court is in the best position to control the chapter 11 cases and ensure a successful outcome. *See, e.g., In re Bruno's*, 227 B.R. at 326–27. Here, the federal tax disputes are central to the

success of these Chapter 11 Cases, given the magnitude of the asserted claims and the tight timeframe and other conditions imposed by the RSA.

CONCLUSION

Transferring the Adversary Proceeding to the Alabama Bankruptcy Court is in the interest of justice and is more convenient for the parties, and will greatly promote the economic and efficient administration of the Chapter 11 Cases. The Adversary Proceeding was commenced almost 25 years ago. Since then, new tax issues have arisen. The Debtors should not be required to address these issues on a piecemeal basis. Instead, they should resolve all of the Outstanding Tax Issues at once and in one forum, the Alabama Bankruptcy Court. For these reasons, and for all of the reasons set forth herein, the Debtors request that the Court transfer the Adversary Proceeding to the Alabama Bankruptcy Court.

WHEREFORE, Hillsborough respectfully requests that this Court (a) enter the Proposed Order granting the relief requested herein, and (b) grant Hillsborough such other and further relief as is just and proper.

Dated: August 18, 2015
Tampa, Florida

/s/ Scott A. Stichter
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- and -

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Counsel for the Plaintiff Hillsborough Holdings Corp.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and accurate copy of the foregoing *Plaintiffs' Motion for an Order Pursuant to 28 U.S.C. § 1412 and Bankruptcy Rule 7087 (A) Transferring Adversary Proceeding to the Bankruptcy Court for the Northern District of Alabama and (B) Granting Related Relief* has been furnished by the Court's CM/ECF System to all parties receiving electronic notice, and by U.S. Mail to:

Robert L. Welsh
Trial Attorney, Tax Division
U.S. Department of Justice
Post Office Box 14198
Ben Franklin Station
Washington, D.C. 20044

on this 18th day of August, 2015.

/s/ Scott A. Stichter
Scott A. Stichter (FBN 710679)

HHC-IRSLITI.1620162v3

EXHIBIT A

PROPOSED ORDER

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re: HILLSBOROUGH HOLDINGS CORP., *et al.*, Debtors.	Chapter 11 Case No. 8:89-bk-9715-KRM
HILLSBOROUGH HOLDINGS CORP., *et al.*, Plaintiffs, v. UNITED STATES OF AMERICA, Defendant.	Adv. No. 8:91-ap-313-KRM

ORDER PURSUANT TO 28 U.S.C. § 1412 AND BANKRUPTCY RULE 7087 (A) TRANSFERRING ADVERSARY PROCEEDING TO THE BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF ALABAMA AND (B) GRANTING RELATED RELIEF

Upon the motion (the "Motion")[1] of Hillsborough Holdings Corp. ("Hillsborough") for

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

an order, pursuant to Section 1412 and Bankruptcy Rule 7087, requesting that the Court transfer venue of the above-captioned adversary proceeding (the "Adversary Proceeding") to the Bankruptcy Court for the Northern District of Alabama (the "Alabama Bankruptcy Court"); and it appearing that jurisdiction is proper pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that the relief requested is in the best interests of the Debtors' estates, Hillsborough's estate, the Chapter 11 Cases, and all creditors and other parties-in-interest; and it appears that transfer of the Adversary Proceeding to the Alabama Bankruptcy Court will serve the interests of justice and the convenience of the parties; 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 Adversary Proceeding is hereby TRANSFERRED to the Alabama Bankruptcy Court, where the chapter 11 cases of the Debtors are presently proceeding under jointly-administered Case No. 15-02741 (Mitchell, J.).

3. Transfer of the Adversary Proceeding pursuant to Rule 7087 of the Federal Rules of Bankruptcy Procedure and Section 1412 is fair and appropriate under the circumstances, and will serve the interest of justice and the convenience of the parties.

4. The Clerk of the Court is directed and authorized to take all steps necessary to transfer the Adversary Proceeding and all of the associated docket entries therein to the Alabama Bankruptcy Court.

5. The parties are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

6. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

Scott A. Stichter is directed to serve a copy of this order on interested parties who are non-CM/ECF users and to file a proof of service within 3 days of entry of the order.

EXHIBIT B

PROPOSED FORM OF STIPULATION

DRAFT

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re: HILLSBOROUGH HOLDINGS CORPORATION, *et al.*, Debtors.	Case Nos. 89-9715-8P1 through 89-9746-8P1 and Case No. 90-11997-9P1
HILLSBOROUGH HOLDINGS CORP., *et al.*, Plaintiffs, v. UNITED STATES OF AMERICA, Defendant.	Adv. No. 8:91-ap-313-KRM

STIPULATION REGARDING TRANSFER OF ADVERSARY PROCEEDING PURSUANT TO F.R.B.P. 7087

Plaintiffs, Hillsborough Holdings Corp., *et al.* ("Plaintiffs" or "Debtors") and Defendant the United States of America ("Defendant" and, together with the Debtors, the "Parties") hereby stipulate and agree that:

WHEREAS, the Parties have been engaged in litigation and settlement discussions regarding the above-captioned adversary proceeding (the "Adversary Proceeding") presently pending before the Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Florida Bankruptcy Court");

WHEREAS, on July 15, 2015, the successors-in-interest to the Debtors filed chapter 11 petitions for relief (the "Chapter 11 Cases") in the Bankruptcy Court for the Northern District of Alabama, Southern Division (the "Alabama Bankruptcy Court");

WHEREAS, the Parties have agreed that the Adversary Proceeding should be transferred to the Alabama Bankruptcy Court, in which the Chapter 11 Cases are presently pending pursuant to Rule 7087 of the Federal Rules of Bankruptcy Procedure and 28 U.S.C. § 1412; and

WHEREAS, the Parties believe that transfer of the Adversary Proceeding to the Alabama Bankruptcy Court is fair and appropriate under the circumstances and in the interest of justice and will serve the convenience of the parties.

NOW, THEREFORE, the Plaintiffs and Defendant hereby agree as follows:

1. The Parties consent to transfer of the Adversary Proceeding captioned *Hillsborough Holdings Corp., et al.* v. *United States of America*, Adv. No. 8:91-ap-313-KRM, in its entirety (including all pending matters and motions therein), to the Alabama Bankruptcy Court in which district the Chapter 11 Cases are presently proceeding before the Bankruptcy Court for that district, under jointly-administered Case No. 15-02741 (Mitchell, J.).

2. The Parties will take all appropriate steps to effectuate the terms of this Stipulation, including filing a motion to approve this Stipulation and request that the Florida Bankruptcy Court transfer the Adversary Proceeding.

3. Transfer of the Adversary Proceeding pursuant to Rule 7087 of the Federal Rules of Bankruptcy Procedure and 28 U.S.C. § 1412 is fair and appropriate under the circumstances, and will serve the interest of justice, the convenience of the parties, and promote judicial economy.

4. This Stipulation is subject to and conditioned upon the entry of an order of the Florida Bankruptcy Court (the "Court Order") approving the Stipulation and transferring the Adversary Proceeding. If the Stipulation is not approved and the Adversary Proceeding is not transferred, the Stipulation shall be null and void with no force or effect.

5. Upon entry of the Court Order, the Clerk of the Court shall be directed and authorized to take all steps necessary to transfer the Adversary Proceeding and all of the docket entries therein as set forth herein.

6. Upon entry of the Court Order, the status conference scheduled for August 20, 2015 before the Florida Bankruptcy Court in respect of the *United States' Motion for Entry of Judgment* [Dkt. No. 439] shall be removed from the Court's calendar, without prejudice to the right of the United States to request a hearing or status conference in respect of such motion from the Alabama Bankruptcy Court upon completion of the transfer.

7. This Stipulation embodies the entire agreement of the Parties in this matter and any statements, representations, promises, agreements or negotiations oral or otherwise between the Parties that are not included herein shall be of no force and effect.

8. This Stipulation shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

9. No waiver, modification or amendment of the terms of this Stipulation shall be valid or binding unless made in writing, signed by the party to be charged and then only to the extent as set forth in such written waiver, modification, or amendment.

10. The Parties may execute this Stipulation in whole or counterparts, and execution of counterparts shall have the same force and effect as if the parties had signed the same instrument. Signatures transmitted by facsimile shall have the same effect as original signatures.

11. The Court shall retain jurisdiction over any and all issues arising from or related to the implementation and interpretation of this Stipulation.

Dated: July [ ], 2015
Tampa, Florida

ON BEHALF OF THE DEBTORS/PLAINTIFFS:

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_____

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EXHIBIT C

FIRST DAY DECLARATION

Docket #0003 Date Filed: 7/15/2015

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

In re:	Chapter 11
WALTER ENERGY, INC., *et al.*,[1]	Case No. 15-____(__)
Debtors.	Joint Administration Requested

DECLARATION OF WILLIAM G. HARVEY
IN SUPPORT OF FIRST DAY MOTIONS

1. My name is William G. Harvey. I am over the age of 21 years. I am the Chief Financial Officer of Walter Energy, Inc. ("Walter Energy" and together with its U.S. subsidiaries who have filed for chapter 11 relief, the "Debtors" or "Walter US," and together with all of its subsidiaries, the "Company"). I have served in that capacity since July 9, 2012. Accordingly, I am familiar with the day-to-day operations of the Company, its business and financial affairs, books and records.

2. From 2007 to 2012, I served as Senior Vice President and Chief Financial Officer of Resolute Forest Products Inc. (formerly AbitibiBowater Inc.), a global forest products company

[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.

listed on the New York Stock Exchange and the Toronto Stock Exchange. Previously, I served in various executive capacities for over ten years at Bowater Inc., including as Executive Vice-President and Chief Financial Officer (from 2006 to 2007); as Senior Vice-President, Chief Financial Officer and Treasurer (from 2005 to 2006); and, prior to that, as Vice-President and Treasurer (1998 to 2005).

3. I submit this affidavit (the "First Day Declaration") in support of the Debtors' (a) voluntary petitions for relief under chapter 11 of title 11 of the U.S. Code (the "Bankruptcy Code"); (b) in support of the Debtors' petitions and contemporaneously filed request for relief in the form of motions and applications (the "First Day Motions"); and (c) to assist the Court and other interested parties in understanding the circumstances giving rise to the commencement of these chapter 11 cases.

4. The First Day Motions seek to allow the Debtors to perform and meet the obligations necessary to fulfill their duties as debtors-in-possession and minimize any adverse effects that filing for bankruptcy protection may have on their business. I am familiar with the contents of each First Day Motion (including the exhibits thereto) and believe that the relief sought in each First Day Motion: (a) is necessary to enable the Debtors to operate in chapter 11 with minimum disruption or loss of productivity or value; (b) constitutes a critical element in achieving a successful restructuring of the Debtors' operations and balance sheet; (c) best serves the Debtors' estates and creditors' interests; and (d) is, in those instances where the relief seeks immediate payment of prepetition amounts, necessary to avoid immediate and irreparable harm.

5. Except as otherwise indicated, all facts set forth in this First Day Declaration are based upon my personal knowledge, information supplied to me by other members of the Debtors' management and professionals, or learned from my review of relevant documents or based upon my

experience and knowledge of the Debtors' industry, operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this First Day Declaration.

6. On July 15, 2015 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"). The Debtors' Canadian and U.K. subsidiaries have not filed or commenced any insolvency or restructuring proceedings, either in the U.S. or elsewhere. Exhibit A attached hereto identifies the Debtors, the non-Debtor Canadian subsidiaries ("Walter Canada"), and the non-Debtor U.K. subsidiaries (as also defined below, "Walter U.K.").

I. Introduction and Overview

7. The Company is a leading producer and exporter of metallurgical coal for the global steel industry from underground and surface mines with mineral reserves located in the United States ("U.S."), Canada and the United Kingdom ("U.K."). The Company also extracts, processes, markets and possesses mineral reserves of thermal coal and anthracite coal, as well as producing metallurgical coke and coal bed methane gas.[2]

8. The Company traces its roots back to 1946 when Jim Walter began a homebuilding business in Tampa, Florida. Although initially focused on homebuilding, the company Mr. Walter founded later became Jim Walter Corporation and branched out into different businesses, including the 1972 development of four underground coal mines in the Blue Creek coal seam near Brookwood,

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[2] Metallurgical or "met" coal refers to the various grades of coal with suitable carbonization properties to make coke or to be used as a pulverized injection ingredient for steel manufacture.

Thermal coal is used by power plants and industrial steam boilers to produce electricity, steam or both. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

Anthracite coal is a hard natural coal containing few volatile hydrocarbons that burns slowly and gives intense heat almost without flame.

Alabama. In 1987, a group of investors that included Jim Walter formed a new company, subsequently named Walter Industries, Inc. and the following year completed a leveraged buyout of most of the businesses of Jim Walter Corporation.

9. In 1997, Walter Industries, Inc. began trading on the New York Stock Exchange (the "NYSE"). During 2008 and 2009, to focus on the operations related to mining, the Company closed its homebuilding business, among others and spun off its financing business. With its remaining businesses concentrated in coal and natural gas, the Company changed its name to Walter Energy, Inc. in April 2009.

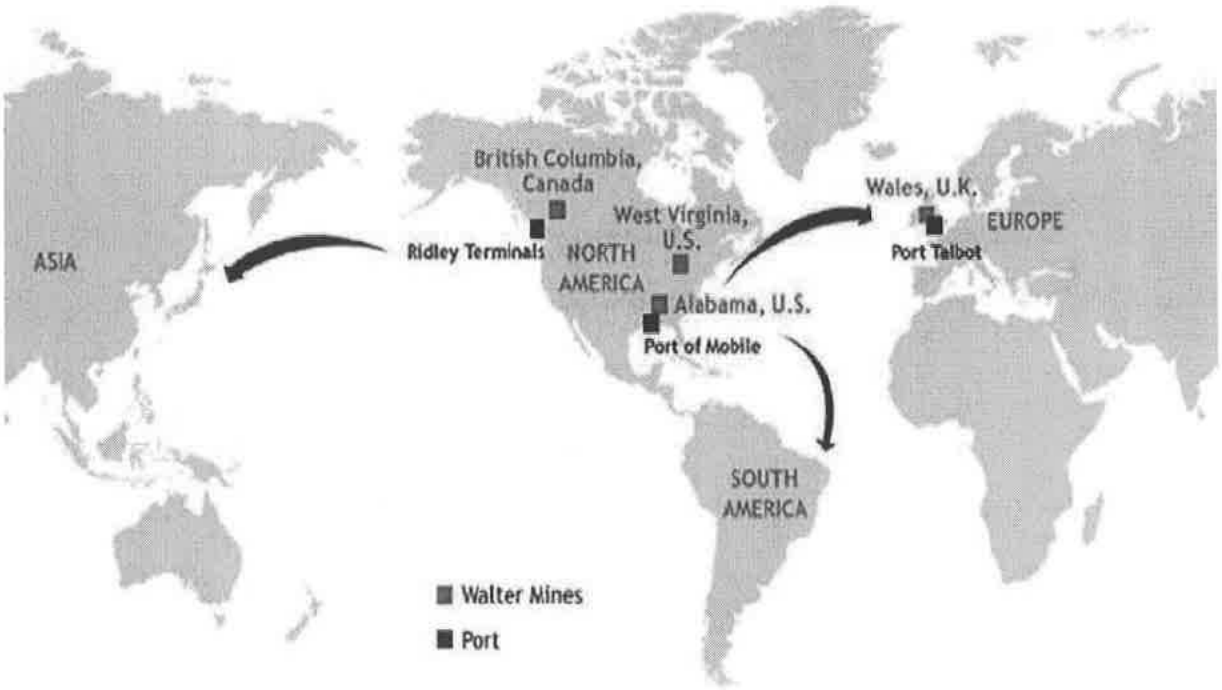
10. On April 1, 2011, the Company completed the acquisition of all the outstanding common shares of Western Coal Corp. ("Western Coal"). The acquisition included high-quality metallurgical coal mines in Northeast British Columbia (Canada), high-quality metallurgical coal and compliant thermal coal from mines in West Virginia (U.S.) and high-quality anthracite coal and compliant thermal coal from the mines in South Wales (U.K.). The acquisition of Western Coal substantially increased the Company's reserves available for future production, the majority of which is metallurgical coal and created a diverse geographical footprint with strategic access to high-growth steel-producing countries in both the Atlantic and Pacific basins.

11. On May 6, 2011, the Company acquired from a subsidiary of Chevron Corporation mineral rights to the Blue Creek metallurgical coal reserves to the northwest of its existing Alabama mines. The mineral leases form the core of the Blue Creek Energy Project, a planned new underground metallurgical coal mine. In addition, the Company acquired Chevron Corporation's existing North River thermal coal mine in Fayette and Tuscaloosa Counties and a barge load-out facility near the Port of Mobile terminal in Mobile, Alabama. The North River Mine closed in the

fourth quarter of 2013 when the Company completed mining its economically recoverable reserves and on August 25, 2014, the Company completed the sale of the Blue Creek coal terminal in Mobile.

II. Business Overview

12. The Company conducts its primary business – the mining and exporting of metallurgical coal for the steel industry – through two business segments: the U.S. Operations and the Canadian and U.K. Operations. The Company currently operates four active coal mines (one of which is partially idled), a coke plant and a coal bed methane extraction operation. The following map shows the major locations of the Company's mining operations and ports:



13. The following table lists the Company's mining assets, location and their status of operation:

Mine	Status of Operations	Location
Jim Walter No. 4	Production	Alabama
Jim Walter No 7	Production[3]	Alabama
Choctaw	Production	Alabama
Eagle	Idled	West Virginia
Maple	Partially idled	West Virginia
Tuscaloosa Resources Inc.	Idled	Alabama
Gauley Eagle	Idled	West Virginia
Wolverine's Perry Creek	Idled	Canada
Brazion's Brule	Idled	Canada
Brazion's Willow Creek	Idled	Canada
Aberpergym	Idled	U.K.

A. The U.S. Operations

14. The U.S. segment includes the operation of underground mines, surface mines, a coke plant and natural gas operations located in Alabama and underground and surface mining operations located in West Virginia.

(i) *Alabama Mining Operations*

15. The Debtors' mining operations in Alabama consist of two underground metallurgical coal mines in the Blue Creek coal seam (the No. 7 Mine and the No. 4 Mine) and one active and one idle surface mine, both of which produce metallurgical and thermal coal (the Choctaw Mine and Swann's Crossing Mine).

[3] As discussed below, the Company is taking steps to partially idle this mine.

16. The Alabama underground mining operations are headquartered in Brookwood, Alabama and, as of December 31, 2014, were estimated to have approximately 188.9 million metric tons of recoverable reserves between Birmingham and Tuscaloosa (inclusive of reserves associated with the Blue Creek Energy Project, described below). Operating at up to 1,400 to 2,000 feet below the surface, the No. 4 and No. 7 mines are two of the deepest underground coal mines in North America. The coal is mined using longwall extraction methods with development support from continuous mining sections. Mines No. 4 and No. 7 are located near Brookwood, Alabama and are serviced by CSX rail. Both mines also have access to the Debtors' barge load-out facility on the Black Warrior River.

17. In May 2011, the Debtors acquired mineral rights to approximately 68 million additional metric tons of recoverable Blue Creek metallurgical coal reserves located to the northwest of their No. 4 Mine. The related mineral leases are expected to form the core of the Blue Creek Energy Project, which is for the development of a new underground metallurgical coal mine that has an estimated life of 35 to 45 years.

18. In 2014, the Debtors operated one surface mine in Alabama. The Choctaw Mine is located near Parrish in Walker County, Alabama, which produces thermal and metallurgical coal. The mine has an onsite rail facility serviced by Norfolk Southern rail. Additionally, access to Highway 269 provides delivery access to local customers via truck.

19. On or about May 18, 2015, Jim Walter issued WARN Notices to all union (laborers or hourly employees) and all salaried employees at Jim Walter Resources Mine No. 7, and certain affected employees at the No. 5 preparation plant and the central shop, supply and management office. Jim Walter Resources is taking steps to partially idle Mine No. 7 West to reduce cash costs, running the longwall and one continuous miner section one shift per day.

(ii) *Alabama Coking Operations*

20. The Debtors also operate the Walter Coke Plant, located in Birmingham. The plant's major product line is metallurgical coke, which includes coke for furnace and foundry applications. Foundry coke is marketed to ductile iron pipe plants and foundries for use in producing castings for the automotive and agricultural equipment industries. Furnace coke is sold to the domestic steel industry for producing steel in blast furnaces. The Walter Coke Plant utilizes up to 120 coke ovens with a capacity to annually produce up to 400,000 tons of metallurgical coke and is the second-largest merchant foundry coke producer in the U.S.

(iii) *Alabama Methane Gas Operations*

21. The Debtors' Alabama natural gas operations extract and sell coal bed methane gas from the coal seams owned or leased by the Company and others. This business includes conventional gas wells, in-seam gas wells, pipeline infrastructure and related equipment located adjacent to their existing underground mining and coal bed methane business. These wells degasify methane from the Debtors' existing underground mines and the area where they intend to locate their new Blue Creek Energy Mine. As of December 31, 2014, the Debtors had 1,748 wells that produced approximately 11.2 billion cubic feet of natural gas in 2014. The degasification operations have improved mining operations and safety by reducing methane gas levels in the mines.

(iv) *West Virginia Mining Operations:*

22. Through the acquisition of Western Coal on April 1, 2011, the Debtors acquired four mines on two properties in West Virginia. The two properties are the Gauley Eagle and Maple properties and each has underground and surface mines. The mines produce both metallurgical and thermal coal. The Maple Coal mines are located in Fayette and Kanawha counties and the Gauley Eagle mines are located in Nicholas and Webster counties of West Virginia. These mines are

estimated to contain approximately 44.8 million metric tons of recoverable reserves within the Appalachian coal-producing region as of December 31, 2014.

23. The Maple underground coal mine operates in the Eagle coal seam and employs the room-and-pillar mining method with continuous miners to produce premium high volatile metallurgical coal, which is used in the steelmaking process. The Sycamore surface mine produces steam and metallurgical coal from thirteen seams of coal. The Maple underground mine was idled in June 2015.

24. The Gauley Eagle mine complex also consists of underground and surface operations. The underground mine also employs the room-and-pillar mining method to produce a semi-soft metallurgical coal, which is used in the steelmaking process or as a premium low-sulfur thermal coal. Coal produced at the Maple and Gauley Eagle surface mines is primarily sold in the thermal market. The Gauley Eagle underground mine and surface mine were idled in 2012 due to economic conditions and remained idle throughout 2013 and 2014.

B. Canadian Operations

25. The Canadian operations consist of three surface mines that produce metallurgical and low-volatile PCI coals in northeast British Columbia (the Wolverine Mine, the Brule Mine and the Willow Creek Mine). The Willow Creek mine was idled in April 2013, the Wolverine Mine was idled in April 2014 and the Brule Mine was idled in June 2014. The Company has continued to operate the preparation plant at the Willow Creek Mine to complete the processing of coal inventory that has already been mined. The Canadian mines are located adjacent to or near existing infrastructure established for the northeast British Columbia coalfields, including established rail and road networks that are available year-round. Coal produced from the mines is shipped by rail to a coal terminal facility at the Port of Prince Rupert, British Columbia. The Canadian operations are

estimated to have approximately 133.4 million metric tons of recoverable reserves as of December 31, 2014.

C. U.K. Operations

26. The U.K. operations consist of an underground development mine located in South Wales that produces anthracite coal, which can be sold as low-volatile PCI coal. Their underground operation is estimated to have approximately 15.5 million metric tons of recoverable reserves as of December 31, 2014.

27. The U.K. operations' primary activity has been the development and expansion of the Aberpergym underground coal mine located at Glynneath in the Neath Valley. In the fall of 2011, the Company stopped continuous mine development operations to focus on completing a new drift opening. The Company completed the upper section of the drift during 2012, but due to challenges related to an oversupply of coal and decreased demand, the Company took steps to reduce development spending in the U.K. mine until market conditions improve. This has slowed the development of the drift opening. The U.K. mine produces anthracite coal, which can be sold as a low-volatile PCI coal.

28. To further manage its liquidity, the Company has idled the U.K. operations. Towards that end, on or about June 5, 2015, the Company commenced a 30-day consultation period with the National Union of Mineworkers South Wales in connection with the Company's plans to idle the U.K. mine. On or about July 4, 2015, the majority of Energybuild's workers were rendered redundant, and the mine now retains only those employees necessary to keep the premises in safe, idled condition.

III. Prior Chapter 11 Cases

29. On December 27, 1989, the predecessor of Walter Energy, Hillsborough Holdings Corporation ("HHC") and most of its U.S. subsidiaries each filed a voluntary petition for

reorganization under Chapter 11 of Title 11 of the U.S. Bankruptcy Code (the "Prior Bankruptcy Proceedings") in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Florida Court"). HHC and its subsidiaries emerged from bankruptcy on March 17, 1995 pursuant to the Amended Joint Plan of Reorganization dated as of December 9, 1994, as modified on March 1, 1995 (as so modified, the "Consensual Plan"). Despite the confirmation and effectiveness of the Consensual Plan, the Florida Court continues to have jurisdiction over, among other things, the resolution of disputed prepetition claims against the Debtors and other matters that may arise in connection with or related to the Consensual Plan, including claims related to federal income taxes.

30. More specifically, in connection with the Prior Bankruptcy Proceedings, the Internal Revenue Service ("IRS") filed a proof of claim in the Florida Court (the "Proof of Claim") for a substantial amount of taxes, interest and penalties with respect to fiscal years ended August 31, 1983 through May 31, 1994. HHC filed an adversary proceeding in the Bankruptcy Court disputing the Proof of Claim (the "Adversary Proceeding") and the various issues have been litigated in the Florida Court. The Florida Court issued an opinion in June 2010 with respect to two of the disputed issues. The Florida Court instructed both parties to submit a final order addressing all issues that have been litigated for the tax years 1983 through 1995 in the Adversary Proceeding by late August 2010. At the request of both parties, the Florida Court granted an extension of time of 90 days from the initial submission date to submit the final order. Additional extensions of time to submit the proposed final order were granted in November 2010, February 2011, May 2011, September 2011, January 2013, May 2013 and December 2013. At the request of the IRS, in December 2013 the Florida Court granted an additional extension of time to submit the final order. As of

December 31, 2014, both parties were still reviewing the litigation issues in order to submit the final order.

31. On June 24, 2015, the United States filed a motion seeking entry of a final judgement in the case, alleging that the parties reached agreement on a settlement amount. The Debtors dispute these allegations, and the Prior Bankruptcy Proceedings remain open with respect to the IRS claim.

IV. Corporate Structure and Functions

32. The Debtors comprise an integrated enterprise group. A chart depicting the Company's organizational structure is attached as Exhibit B.

A. Legal Entity Overview – the Debtors

33. The following provides a brief summary of the principal Debtors

(i) *Mining: Jim Walter Resources, Inc.*

34. Jim Walter Resources, Inc. ("Jim Walter") runs and operates Mines No. 4 and No. 7, the Debtors' principal mining assets. It employs the majority of U.S. employees. Mine No. 4 produces high-quality metallurgical coal from the Blue Creek and Marry Lee coal seams; Mine No. 7 produces high-quality metallurgical coal from the Blue Creek coal seam. Jim Walter owns 50% of the stock of Black Warrior Methane Corp and 50% of the stock of Black Warrior Transmission Corp., two non-debtor corporations discussed in section IV.D below.

(ii) *Mining: Taft Coal Sales & Associates, Inc.*

35. The Walter Minerals Division operates one surface mine, the Choctaw Mine, located near Parrish in Walker County, Alabama, which produces thermal and metallurgical coal. Taft Coal Sales & Associates, Inc. ("Taft Coal") runs and manages the Choctaw Mine. Taft Coal is owned by Walter Energy's direct subsidiary, Walter Minerals. Walter Minerals also owns Tuscaloosa Resources, Inc., which runs and operates the Swann's Crossing Mine located in Tuscaloosa County,

near Brookwood, Alabama. The Swann's Crossing Mine produces both metallurgical and thermal coal, but is currently idled.

(iii) *Mining: Atlantic Development & Capital, LLC and Subsidiaries*

36. As part of the Western Coal acquisition mentioned above, the Company acquired four mines on two properties in West Virginia – the Gauley Eagle and Maple Properties, each of which has an underground mine, a surface mine and a coal preparation plant. Mines on these properties produce both metallurgical and thermal coal.

37. The Maple mines are in Fayette and Kanawha counties and the Gauley Eagle mines are in Nicholas and Webster Counties. Production at the Maple mines was recently curtailed due to weak market conditions.

38. The Gauley Eagle underground and surface mine were idled in 2012 and remained idle throughout 2013 and 2014. As of December 31, 2014, the Company determined that the idle Gauley Eagle operations, which contain approximately 13.7 million metric tons of recoverable reserves, met the criteria to be classified as "held for sale" and recorded an impairment charge of $28.5 million to reduce the carrying value of these assets to their fair value.

39. The metallurgical coal produced by the West Virginia operations is sold to domestic steel mills and merchant coke plants and international steel mills, while the thermal coal is sold domestically to eastern U.S. regional electrical power plants and industrial customers.

40. These mines are held and managed by subsidiaries of Jim Walter. Specifically, Atlantic Leaseco LLC runs and operates the Gauley Eagle Plant (currently idled) and Maple Coal Co. LLC runs and operates the Maple and Sycamore coal mines. Both subsidiaries are owned by Jim Walter's direct subsidiary, Atlantic Development & Capital, LLC, which is their 100% direct shareholder.

(iv) *Coke: Walter Coke, Inc.*

41. Walter Coke, Inc. runs and operates the Company's coking operations. Its roots can be traced back to 1881, when Sloss-Sheffield Steel and Iron Company first began producing pig iron in Birmingham, Alabama. The operation now consists of three coke batteries with a total of 120 slot ovens, which produce approximately 400,000 tons of metallurgical coke each year. The equipment used to remove coke from the ovens includes two complete oven pushing machines with enclosed cabs. A land-based pushing emissions control system serves to capture the emissions generated during a push and a modern biological treatment facility treats the plant's wastewater.

(v) *Natural Gas: Walter Black Warrior Basin, LLC*

42. Walter Energy acquired the assets of Walter Black Warrior Basin, LLC ("WBWB") from Highmount Exploration and Production, LLC in May 2010. WBWB operates 1,387 methane gas wells spread over 230,000 acres in Tuscaloosa and Walker Counties in central Alabama.

43. WBWB has entered into a Joint Operating Agreement with ConocoPhillips ("Conoco") and certain other third parties known as the "Whitson Coalbed Gas Prospect" that dates back to 1999. The purpose of the project was to enable the development of coalbed methane interests under various coal leases and coalbed methane leases. In its present state, the project provides that WBWB and Conoco have a 70 and 30 percent working interest respectively in the development and drilling of new gas wells in the applicable area of "mutual interest." Other parties to the Whitson Coalbed Gas Prospect include Atlas Resources, Saga Petroleum and Chevron USA.

44. WBWB is also party to a joint operating agreement with the Dominion Resources Black Warrior Trust (the "BW Trust"). The BW Trust is a fixed investment trust formed to hold overriding royalty interests on natural gas rights on 512 active wells in the Black Warrior Basin. WBWB owns and operates the wells with a 100% working interest, and receives a 20% revenue interest. The BW Trust has 0% working interest and receives 65% revenue interest. No additional

properties will be contributed or purchased by the BW Trust, which will deplete over time and ultimately terminate, among other things, at such time as the cash amounts received by the BW Trust on account of its royalty interests exceeds the administrative costs of maintaining the BW Trust.

(vi) *Other U.S. Subsidiaries*

45. Various of Walter Energy's other U.S. subsidiaries filed for chapter 11 protection. In May 2011, Walter Energy acquired mineral rights for approximately 68 million additional metric tons of recoverable Blue Creek metallurgical coal reserves located to the northwest of Jim Walter's No. 4 Mine. The related mineral leases are expected to form the core of the Blue Creek Energy Project, which is for the development of a new underground metallurgical coal mine that has an estimated life of 35 to 45 years. Blue Creek Energy Inc. owns the mineral leaseholds.

46. Other than Walter Energy Holdings, LLC ("Walter LLC"), the remaining Debtors comprise legacy entities dating back to the Jim Walter Homes era. They have no material assets or operations. Walter LLC is a financing entity created in connection with Walter Energy's acquisition of Western Coal Corp. in 2011, and is described in more detail in Section VI.G below.

B. Legal Entity Overview – Walter Canada

47. Walter Energy Canada Holdings, Inc. ("Canada Holdings"), a direct subsidiary of Walter Energy, is the Canadian holding company for the Debtors' Canadian operations. The Canadian operations consist of three surface mines: the Wolverine Mine, the Brule Mine and the Willow Creek Mine.

48. The Wolverine Mine, located approximately 15 miles south of Tumbler Ridge, British Columbia, is an open-pit metallurgical coal mine with a coal processing plant and a rail load-out facility capable of handling 2.0-2.5 million metric tons per year. The mine produces premium metallurgical coal. It is managed and operated by Wolverine Coal Partnership.

49. The Brule Mine is an open pit metallurgical coal mine and produces a premium low-volatile pulverized coal injection (PCI) product. Coal from Brule is transported by truck to the Willow Creek Mine for processing and shipping. The Brule Mine is managed and operated by Brule Coal Partnership.

50. The Willow Creek Mine is an open-pit metallurgical coal mine with a coal processing plant and a rail load-out facility. Walter Canada currently operates the Willow Creek Mine with Brule as a combined "Brazion Group." The Willow Creek Mine produces both metallurgical and coal used for pulverized injection purposes. The coal reserves are comprised of an estimated one-third metallurgical coal and two-thirds low-volatile pulverized coal (PCI). The Willow Creek Mine is managed and operated by Willow Creek Coal Partnership.[4]

51. The Wolverine Mine was idled in April 2014 and the Brazion mining operations were idled in June 2014. The Company continues to operate the preparation plant at the Willow Creek Mine to complete processing of coal inventory that has already been mined.

52. The Company owns a 50% interest in the Belcourt Saxon Coal Limited Partnership, which includes two multi-deposit metallurgical coal properties comprising approximately 28.5 million metric tons of recoverable reserves which are located approximately 40 to 80 miles south of the Wolverine Mine. Walter Canada also has interests in other undeveloped coal properties (*e.g.*, EB, Hermann, Mink). None of the Canadian entities is in an insolvency proceeding.

[4] Certain of the Willow Creek leaseholds are owned by Willow Creek Coal Partnership's subsidiary, Pine Valley Coal Ltd.

C. Legal Entity Overview – the U.K. Operations

53. The U.K. operation consists of the Aberpergym Mine, an underground development mine located near the town of Neath in South Wales. The mine produces anthracite coal, which can be sold as a low-volatile PCI coal and other products used for domestic purposes.

54. The Aberpergym Mine is held and operated by Energybuild Ltd., a U.K. company ("Energybuild"). Energybuild is indirectly owned by Energybuild Group Limited ("EB Group"), a U.K. holding company owned by a Canadian holding company, Cambrian Energybuild ULC. EB Group also owns other legacy subsidiaries in the U.K., none of which have material assets or operations. On or about June 5, 2015, the Company commenced a 30-day consultation period with the National Union of Mineworkers South Wales in connection with the Company's plans to idle the U.K. mine. On or about July 4, 2015, the majority of the Energybuild's workers were rendered redundant, and the mine now retains only those employees necessary to keep the premises in safe, idling condition. None of the U.K. companies is in an insolvency proceeding.

D. Non-Debtors

(i) *Black Warrior Methane Corp. and Black Warrior Transmission Corp.*

55. In 1979, Jim Walter began a pilot program to determine if it was economically feasible to degasify coal beds in advance of mining. Originally, five wells were drilled in the area of Jim Walter's No. 4 Mine, located near Brookwood, Alabama, for the test. The pilot project proved successful and, in 1981, Jim Walter and Enhanced Energy Resources formed the Brookwood Degasification Project.

56. In 1983, a new company, Black Warrior Methane Corp. ("Black Warrior Methane"), was formed to replace Enhanced Energy Resources as operator of the degasification project. Black Warrior Methane extracts methane gas from the Jim Walter No. 4 and No. 7 mines, rendering them

safe for mining. In addition, Black Warrior Transmission Corp., ("Black Warrior Transmission" and together with Black Warrior Methane, the "Black Warrior Companies") a separate company with a parallel corporate legacy, operates approximately 30 miles of high-pressure gas pipeline used to deliver the methane gas to third-party customers (Sonat Pipeline). The Black Warrior Companies exclusively service the Debtors' mines, degasifying and selling to third parties the methane gas that accumulates in Jim Walter's No. 4 and No. 7 mines, thereby rendering the mines safe for operation.

57. The Black Warrior Companies, along with Walter Black Warrior Basin ("WBWB"), one of the Debtors, degasify methane from Jim Walter's existing underground mines and the area where the Debtors' new Blue Creek Energy Mine will be located. As of December 31, 2014, together with WBWB, 1,748 wells produced approximately 11.2 billion cubic feet of natural gas in 2014. The degasification operations are critical to the mines' safe operations and have improved mining operations and safety by reducing methane gas levels in the Debtors' mines, while at the same time providing a source of revenue through the sale of extracted methane to third-party energy consumers. Without the Black Warrior Companies, the Debtors would need to contract with third-party providers to drill gas extraction wells and flare the gas, a more costly and less environmentally sound alternative.

58. Jim Walter Resources, Inc. and an unrelated third-party, ARP Production Company LLC ("ARP"), a subsidiary of Atlas Resource Partners, LP., each owns 50% of Black Warrior Methane and Black Warrior Transmission. In general, the Black Warrior Companies function as stand-alone corporations with two equal shareholders. They have their own boards of directors and for the most part perform their own accounting, cash management and banking, procurement and logistics and other functions. For sake of administrative convenience and to benefit from economies of scales, the Debtors perform certain back-office functions for the Black Warrior Companies for

which the Debtors get reimbursed. For example, the Debtors administer and pay the Black Warrior Companies' payroll and employees.

59. As noted above, the Black Warrior Companies sell the methane they extract to third parties. The Black Warrior Companies have two metered sales points through which they flow gas to customers. Each of the shareholders, Jim Walter and ARP, is entitled to receive the revenues from these sales points based on the actual gas volume flowing through to customers and various other factors. The Black Warrior Companies calculate the actual revenue due to each shareholder based on the differences in the volumes at each sales point, as well as differences in well participation (ARP does not participate in all of the wells), and remit a sales settlement adjustment to Jim Walter. The Black Warrior Companies also calculate the royalties due to Jim Walter for the Black Warrior Companies' use of certain Jim Walter mineral rights, and remit such amount to Jim Walter.

60. Jim Walter, in turn, calculates a monthly invoice to the Black Warrior Companies for payments made by Jim Walter on their behalf (including payroll for the Black Warrior Companies' employees and certain other vendor payments), as well as for direct charges to the Black Warrior Companies for services performed by Jim Walter (e.g., horizontal drilling and a management fee).

61. Based on the various amounts owed to and from the shareholders discussed above, as well as amounts due to third party vendors, revenues credited to ARP, and the maintenance of a $400,000 cash balance at the Black Warrior Companies, the Black Warrior Companies calculate a monthly cash call invoice for each of Jim Walter and ARP. Jim Walter and ARP then each remits its portion of the cash call to the Black Warrior Companies so that the companies can fund their third party payments and make payments back to Jim Walter under the invoices.

62. During the six months prior to the Petition Date, Jim Walter's monthly cash call obligations paid to the Black Warrior Companies, net of all amounts due by the Black Warrior Companies to Jim Walter, has averaged approximately $320,000.

(ii) *Belcourt Saxon Partnership*

63. In connection with the acquisition of Western Coal Corp., the Company acquired a 50% interest in the Belcourt Saxon Coal Limited Partnership ("Belcourt Saxon"). Belcourt Saxon owns two multi-deposit coal properties that are located approximately 40 to 80 miles south of the Wolverine Mine in northeast British Columbia. The joint venture was formed for the future exploration and development of surface coal mines. One of Walter Energy's indirect Canadian subsidiaries, Walter Canadian Coal Partnership owns the Company's 50% interest in Belcourt Saxon. The other 50% interest is owned by an unaffiliated third party, Peace River Coal Limited Partnership, a subsidiary of Anglo American plc.

(iii) *Cardem*

64. Cardem Insurance Co., Ltd. ("Cardem"), a Bermuda company, functions as the Debtors' captive insurance company. Cardem has historically issued insurance for the Debtors' legacy homebuilding and development business, including, for example, in the 1980s, when the Debtors had an active home-building business in Florida, for which Cardem wrote certain mortgage insurance policies.

65. Today, Cardem writes property and casualty insurance for the Company as a whole and also at times provided worker's compensation coverage for certain employee groups (past and present). Willis of Bermuda's Captive Management Services division ("Willis of Bermuda") manages Cardem. Since 2009, Cardem has written property insurance policies for the Debtors. The Debtors pay the premiums associated with such policies, plus a $500,000 mark-up (the "Mark-Up") to Cardem. The Debtors' insurance broker places the Debtors' property insurance policies into

reinsurance markets in London, Bermuda and the U.S. (such carriers, the "Reinsurers"), where 100% of the property insurance policies are reinsured. The Debtors' premium payments are then divided among the applicable Reinsurers and the Debtors pay a 3.5% commission to the insurance broker.

E. Centralized Management

66. Walter Energy manages its global operations centrally from its headquarters in Birmingham, Alabama ("Headquarters"). The Headquarters provide numerous administrative services to Walter US, Walter Canada and Walter U.K., including finance, tax, treasury, human resources, payroll, benefits and communications, information technology, legal, operations and health, safety and environment, among others.

67. More specifically:

- Finance. Walter Energy's Finance department is responsible for creating and maintaining company-wide accounting policies and performing accounting research for all of Walter Energy's subsidiaries. The finance department is also responsible for financial reporting, including SEC reporting and consolidations, forecasts, and budgets. Finally, the finance department is involved in creating and monitoring company-wide internal controls.

- Tax. Walter Energy's Tax department maintains all income tax items for the Walter Energy global operations, including financial reporting, regulatory filings and audit controversy settlement in the U.S. The Tax department also is responsible for directing and concluding regulatory filings, audit and other tax controversy efforts for Walter Canada, as well as restructuring and financial tax reporting activities associated with the Canadian entities. Finally, the Tax department directs and manages all U.S., U.K., Canadian and state and provincial financial tax reporting to manage the accuracy and timeliness of tax disclosures and financial filings in addition to all regulatory filings required in these jurisdictions.

- Treasury. Walter Energy's Treasury department is involved in the monitoring of bank accounts and cash needs daily; the borrowing and repayment of debt; funds transfers; intercompany payments; bank services management, administration and communications; and foreign exchange transactions for Walter's global operations. Walter Energy also provides risk management activities, including risk identification and development of risk retention and transfer solutions (*e.g.*, the design and management of various insurance programs). The department also

handles claims management, which includes managing pollution legal liability, general liability, automobile liability and property damage claims, as well as managing loss control activities.

- Human Resources ("HR"). Walter Energy's HR department provides various HR activities, including compensation, equity and benefits, payroll and other related services for the Debtors and Walter Canada. The benefits department handles the day-to-day administration of the U.S. benefits programs, including implementation, resolution of complex benefit questions, analysis, reporting, etc.

- Information Technology ("IT"). Walter Energy's IT department is responsible for the maintenance of Walter Energy's IT resources, which include servers, backups, software, contractor work and hardware maintenance.

- Legal. Walter Energy's Legal department supports the Debtors and their U.S. operations. However, certain legal personnel are involved in activities that provide either a global benefit or a direct benefit to Walter Canada or Walter U.K.

- Operations and Health, Safety and Environment. Walter Energy is primarily responsible for the Debtors' domestic operations, including self-insurance filings with state agencies and regulatory items related to maintenance program insurance.

64. In the normal course of business, the Debtors, Walter Canada, Walter U.K., 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 U.K., 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, tax, 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.

- Funding to Cardem and Walter U.K.: As described above, the Debtors have funded: (a) ordinary course payments to Cardem in exchange for insurance coverage and (b) shortfalls associated with the U.K. Subsidiaries' operating expenses. Both transactions are necessary to preserve value for all stakeholders.

F. Sourcing and Logistics

68. Walter Energy's centralized Sourcing department is involved in purchasing, ordering, warehousing and inventory management, as well the oversight of inventory management systems, for the Debtors. Walter Energy's Sourcing department provides assistance in the negotiation and implementation of global supply contracts for the Company in order to reduce cost and improve delivery and service.

69. Certain services are also provided to support Walter Canada and Walter U.K. directly. Prior to the idling of the Canadian mines, Walter Energy's sourcing personnel historically assisted with supplier selection and development, contract negotiations, competitive bid events and asset relocations.

70. Supplies used in the Debtors' business include petroleum-based fuels, explosives, tires, conveyance structure and fabric, ventilation supplies, lubricants and other raw materials, as well as spare parts and other consumables used in the mining process. The Debtors use third-party suppliers for a significant portion of their equipment rebuilds and repairs, drilling services and construction.

71. Walter Energy's logistics personnel are responsible for the daily management and coordination of the Debtors' transportation activities, which include both rail and port transportation.

Activities include negotiating and administrating contracts, operational oversight and management of staff, ports and railroads, as well as process management to improve efficiencies for all Debtors. The logistics department also provides analysis, forecasting, reporting and technical support associated with the transportation and inventory of coal.

G. Customers

72. The Company's primary business is the mining and exporting of metallurgical coal for the global steel industry. The Company's marketing strategy focuses on international markets mostly in Europe, South America and Asia, where it has a transportation cost advantage and where the Debtors' coal is in demand. The global economy and demand for steel are the major factors influencing the Debtors' business.

73. The Debtors' underground mining operations in Alabama primarily produce and export metallurgical coal for the global steel industry. The Debtors' other key products include thermal coal sold to electric utilities and industrials, anthracite, metallurgical coke, coalbed methane gas (*i.e.*, natural gas) and related products. Approximately 92% of the metallurgical coal sales from the Debtors' Alabama underground mining operations consist of sales to international customers. The Debtors' thermal coal is primarily marketed to industrial and electrical utility customers in the U.S., generally under annual and long-term contracts.

74. 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.

H. Sales and Marketing

75. Walter Energy's sales and marketing department manages sales of U.S. coal for the Debtors and also provides strategic marketing services for Walter Canada and Walter U.K. These activities include setting the global sales and marketing strategy for the Company, the development of new sales and marketing procedures and similar activities. Among other things, the Walter Energy sales and marketing personnel manage and oversee the integration of sales and marketing policies for the Debtors, including monitoring sales contracts, preparation of commercial invoices and assistance in securing new business and customers.

V. The Company's Workforce and Labor Obligations

76. Efficient coal mining that uses modern techniques and equipment requires skilled laborers who have both mining experience and proficiency, as well as qualified managers and supervisors. The Employees perform a variety of functions critical to the Debtors' operations, including, but not limited to, coal and methane gas extraction, sales, marketing, accounting, administration and management. The Debtors employ approximately 2,300 employees (collectively, the "U.S. Employees"), of which approximately 10 are part-time or seasonal workers, and most of whom work in Alabama and West Virginia. In addition, Walter Canada and Walter U.K. employ approximately 90 and 7 employees respectively (the "Canadian Employees" and "UK Employees" respectively, and together with the "U.S. Employees," the "Employees"). The Employees include about 700 salaried and 1,600 hourly individuals. Approximately 1,285 of the hourly Employees are represented by the United Mine Workers of America (the "UMWA") and 160 are represented by the United Steelworkers (the "USW"), all of whom are employed in Alabama.

77. The majority of employees of the Debtors' underground mining operations in Alabama are represented by the United Mine Workers of America. Normally, the Company's negotiations with the UMWA follow the national contract negotiated between the UMWA and the

Bituminous Coal Operators Association ("BCOA"). The Debtors' collective bargaining agreement currently in place with the UMWA ("UMWA CBA") expires on December 31, 2016. The employees of Walter Coke, the coking operation in Birmingham, Alabama, are represented by the USW and the current contract expires on December 6, 2015.

78. While the Company's Canadian operations are currently idled, during normal operations, a majority of Walter Canada's employees at the Wolverine and Willow Creek mining operations in Canada were also unionized. The Wolverine employees are represented by the United Steelworkers of America, Local 1-424 and the current collective bargaining agreement with the employees for that location expires on July 31, 2015. The employees at the Canadian Willow Creek mining operations are represented by Christian Labour Association of Canada ("CLAC"). The current collective bargaining agreement with CLAC for that location expired on November 30, 2014.Certain of the Debtors' subsidiaries participate in multiemployer pension and healthcare plan trusts established for UMWA-represented employees. Contributions to these funds could increase as a result of future collective bargaining with the UMWA, a shrinking contribution base as a result of the insolvency of other coal companies that currently contribute to these funds, and failure of the 1974 UMWA Pension Plan (the "1974 Pension Plan") to meet the Employee Retirement Income Security Act of 1974 ("ERISA") minimum funding requirements, lower than expected returns on pension fund assets, or other funding deficiencies.

79. All assets contributed to the 1974 Pension Plan are pooled and available to provide benefits for all participants and beneficiaries. As a result, contributions made by the Debtors benefit the employees of other employers. If the 1974 Pension Plan fails to meet ERISA's minimum funding requirements or fails to develop and adopt a rehabilitation plan, a nondeductible excise tax of five percent of the accumulated funding deficiency may be imposed on an employer's

contribution to this multi-employer pension plan. As a result of the 1974 Pension Plan entering "critical" status, the Pension Protection Act requires that a surcharge of up to 10% of the contributions otherwise required under the current collective bargaining agreement be contributed. This resulted in the Debtors' $5.50 per hour worked contribution rate under the UMWA CBA to increase to $6.05, effective July 1, 2015.

80. Additionally, as a result of the 1974 Pension Plan's "critical" status, Federal law requires pension plans to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. Under current law governing multi-employer defined benefit plans, if the Debtors withdraw from the 1974 Pension Plan or if the plan trustees were to terminate the 1974 Pension Plan, the plan would assess the Debtors withdrawal liability which would approximate the Debtors' proportionate share of the Plan's unfunded vested benefit liabilities at the time of the withdrawal. The 1974 Pension Plan would require Debtors to make annual payments of their withdrawal liability pursuant to a statutory formula intended to approximate the annual contributions the Debtors were required to make prior to the withdrawal. The Debtors' estimated withdrawal liability for the 1974 Pension Plan amounted to $661.2 million for a withdrawal occurring between July 1, 2014 and June 30, 2015. Data for determining the amount of Debtors' liability for a withdrawal occurring after June 30, 2015 is not available at this time.

81. The Debtors also provide a range of benefits to its employees and retirees, including pensions and postretirement healthcare (the "OPEB Obligations"). The Company records annual amounts relating to these plans based on calculations specified by generally accepted accounting principles, which include various actuarial assumptions. As of December 31, 2014, the Debtors'

estimated postretirement health care and life insurance plans' aggregate projected OPEB Obligations had a present value of approximately $598.4 million, which benefits are not required to be funded.

82. The Debtors are also responsible for portions of their workers' compensation benefits for work-related injuries. In addition, certain of the Debtors are responsible for medical and disability benefits for black lung disease under the Federal Coal Mine Health and Safety Act of 1969 and the Federal Mine Safety and Health Act of 1977, as amended and are self-insured for portions of this liability against black lung-related claims.

83. The Debtors are also obligated by statute to provide benefits to certain retirees who retired before October 1, 1994 under the Coal Industry Retiree Health Benefit Act of 1992, 26 U.S.C. § 9701 *et seq.* (the "Coal Act"). The Coal Act created two multiemployer benefit plans: (1) the United Mine Workers of America Combined Benefit Fund ("Combined Fund"), into which two former UMWA Benefit Trusts were merged and (2) the 1992 Benefit Plan. The Combined Fund provides medical and death benefits for all beneficiaries of the former UMWA Benefit Trusts who were actually receiving benefits as of July 20, 1992. The 1992 Benefit Plan provides medical and death benefits to UMWA retirees who were eligible for retirement on February 1, 1993 and who actually retired by September 30, 1994, and whose last UMWA-represented employer is out of business.

84. The Coal Act provides for the assignment of beneficiaries to a former employer, and that their former signatory employer or related companies pay a premium for each such beneficiary and dependent to the Combined Fund. The Debtors' contributions to the Combined Fund and the 1992 Plan for the years ended December 31, 2014, 2013 and 2012 were insignificant.

85. The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the National Bituminous Coal Wage Agreement (NBCWA) of 1993. This

plan provides healthcare benefits to orphan UMWA retirees who are not eligible to participate in the Combined Fund, the 1992 Benefit Plan, or whose last employer signed the 1993, or a later, NBCWA and subsequently goes out of business. Contributions to the trust under the UMWA CBA were $1.10 per hour worked by UMWA represented employees for the years ended December 31, 2014, 2013 and 2012. The Debtors' total contributions to the UMWA 1993 Benefit Plan in 2014, 2013 and 2012 were $3.6 million, $3.9 million and $4.2 million, respectively.

86. The 2011 NBCWA established the UMWA 2012 Retiree Bonus Account Trust and Plan. The UMWA Retiree Bonus Account Trust is a defined contribution plan that provides funding for single-sum payments to UMWA retirees in 2014, 2015 and 2016. Contributions to the trust under the UMWA CBA are currently $1.50 per hour worked by UMWA represented employees. If the trustees determine that there are not sufficient assets in the trust to pay the projected bonus amounts, the employer will be required to pay a "premium differential" to make up the difference to its retirees. The Debtors paid a premium differential of $147,415.78 to the Trust in November 2014. The Debtors' total contributions to the UMWA 2012 Retiree Bonus Account Trust in 2014, 2013 and 2012 were $5.1 million, $5.5 million and $5.7 million, respectively.

VI. Capital Structure

87. As of the Petition Date, the Debtors' principal funded debt obligations comprised: (a) the First Lien Credit Facility; (b) the 9.500% Senior Secured First Lien Notes; (c) the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes; (c) the 9.875% Senior Notes due 2020; and (d) the 8.500% Senior Notes due 2021, each of which is defined and described below.

88. The following table summarizes the principal amount of the Debtors' prepetition outstanding indebtedness:

Facility	Outstanding Indebtedness
First Lien Credit Facility	Term B Loan: $978.2 million Revolver: $ 73.0 million[5]
9.500% Senior Secured First Lien Notes due October 15, 2019	$970.0 million
11.0% / 12% Senior Secured Second Lien PIK Toggle Notes due 2020	$360.5 million
9.875% Senior Notes due 2020	$388.0 million
8.500% Senior Notes due 2021	$383.3 million
Total Funded Debt:	**$3,153.0 million**

A. First Lien Credit Facility

89. On April 1, 2011, Walter Energy, Inc., as U.S. Borrower and Walter Energy Canada Holdings, Inc. and Western Coal Corp.[6], as Canadian Borrowers (and together with the U.S. Borrower, the "Borrowers"), various parties as financial institutions party thereto as lenders (collectively, as may have changed from time to time, the "Bank Lenders") and Morgan Stanley Senior Funding, Inc., as Administrative Agent (in such capacity, the "Administrative Agent") entered into that certain credit agreement dated as of April 1, 2011 (such credit agreement and additional documents and ancillary agreements, as amended and supplemented from time to time, the "First Lien Credit Agreement"). The First Lien Credit Agreement provides for the making of loans to and the issuance of letters of credit ("Letters of Credit") for the account of, the U.S. Borrower and

[5] No revolving loans are currently outstanding, but there are approximately $73 million of outstanding commitments for letters of credit.

[6] Western Coal Corp. was the Canadian Borrower at the time the First Lien Credit Agreement and related documents were entered into. Through a series of restructurings described in Section VI.G, Western Coal Corp. was merged into Walter Canadian Coal Partnership.

the Canadian Borrowers. Specifically, the First Lien Credit Agreement provides for loans in the form of term and revolving loans. As of the Petition Date, under the First Lien Credit Agreement: (a) $978.2 million in term loans were outstanding (the "Term B Loan") and (b) $10.3 million foreign exchange adjusted revolving loan commitments were available (the "Revolver").

90. *The Term B Loan.* The Term B Loan is guaranteed by all of Walter Energy's wholly-owned U.S. subsidiaries (other than certain Immaterial Subsidiaries (as defined in the First Lien Credit Agreement) and is secured on a first lien basis by a pledge of substantially all of the assets of Walter Energy and such wholly-owned U.S. subsidiaries. Specifically, on April 1, 2012, Walter Energy, Inc. and certain subsidiaries of Walter Energy, Inc. (collectively, the "U.S. Guarantors") and Morgan Stanley Senior Funding, Inc., as Collateral Agent (in such capacity, the "Collateral Agent"), entered into that U.S. Guaranty and Collateral Agreement (such agreement and additional documents and ancillary agreements, as amended and supplemented from time to time, the "U.S. Guaranty and Collateral Agreement"). Pursuant to the U.S. Guaranty and Collateral Agreement, the U.S. Borrower and each of the U.S. Guarantors jointly and severally, unconditionally and irrevocably, guaranteed to the Collateral Agent, for the benefit of the Bank Lenders, the prompt and complete payment and performance when due of all Obligations (as defined in the U.S. Guaranty and Collateral Agreement) of the Borrowers, including the Term B Loan and the Revolver (defined above). A list of the U.S. Guarantors is attached as Exhibit C.

91. Also pursuant to the U.S. Guaranty and Collateral Agreement, the U.S. Borrower and the U.S. Guarantors have pledged as security in favor of the Bank Lenders and the other Secured Creditors (as defined in the U.S. Guaranty and Collateral Agreement) to secure the Obligations (as defined in the U.S. Guaranty and Collateral Agreement) on a first lien basis, substantially all of the Debtors' assets, including:

- Substantially all personal property;
- All equity interests of U.S. subsidiaries owned by Walter Energy or any and each of the U.S. Guarantors;
- All equity interests in investments owned by Walter Energy or a U.S. Guarantor including the 50% beneficial equity interest owned by Jim Walter Resources, Inc. in Black Warrior Methane Corp. and Black Warrior Transmission Corp.;
- 66% of Walter Energy's equity interests in Walter Energy Canada Holdings, Inc. and certain other foreign subsidiaries; and
- Real property holdings including material mineral leaseholds in Alabama and elsewhere as well as property owned in fee simple.

92. *The Revolver*. The obligations of the Canadian Borrowers under the Revolver are guaranteed by all of the Canadian Borrowers' Canadian subsidiaries (other than certain immaterial subsidiaries) and are secured on a first lien basis by a pledge of substantially all of the assets of the Canadian Borrowers and such Canadian subsidiaries. Specifically, on July 31, 2012, Walter Energy Canada Holdings, Inc. and Walter Canadian Coal Partnership[7] and certain other subsidiaries of Walter Energy, Inc. (the "Canadian Guarantors") and Morgan Stanley Senior Funding, Inc., as Collateral Agent (in such capacity, the "Collateral Agent"), entered into that Amended and Restated Canadian Guaranty and Collateral Agreement (such agreement and additional documents and ancillary agreements, as amended and supplemented from time to time, the "Canadian Guaranty and Collateral Agreement"). Pursuant to the Canadian Guaranty and Collateral Agreement, each of the Canadian Borrowers and Canadian Guarantors jointly and severally, unconditionally and irrevocably, guaranteed to the Collateral Agent, for the benefit of the Bank Lenders, the prompt and complete payment and performance when due of all of the obligations of each of the Canadian

[7] As discussed above, Western Coal Corp. was merged into Walter Canadian Coal Partnership.

Borrowers and Canadian Guarantors, under the First Lien Credit Agreement and related obligations (the "Canadian Obligations"). A list of the Canadian Guarantors is attached as Exhibit D.

93. Also pursuant to the Canadian Guaranty and Collateral Agreement, the Canadian Borrowers and the Canadian Guarantors have pledged as security in favor of the Bank Lenders, to secure the obligations on the Canadian Revolver (including reimbursement obligations with respect to Letters of Credit issued on account of the Canadian Borrowers), on a first lien basis, substantially all of the Debtors' assets located in Canada, including:

- All personal property and related assets capable of being pledged under the *Personal Property Security Act* (British Columbia) or similar legislation of any other Canadian jurisdiction;
- All equity interests in Canadian subsidiaries owned by the Canadian Borrowers or any and each of the Canadian Guarantors;
- 70.98% of equity interests in the U.K. operations through a pledge of equity in Energy Build Group Limited, the parent company for the U.K. operations; and
- Real property holdings including mineral leaseholds as well as property owned in fee simple.

B. The 9.500% Senior Secured First Lien Notes

94. Pursuant to an indenture dated as of September 27, 2013, Walter Energy issued $970 million in aggregate principal amount of 9.500% senior secured notes with a maturity of October 15, 2019 (the "9.500% Senior Secured First Lien Notes"). The 9.500% Senior Secured First Lien Notes were issued on September 27, 2013, March 27, 2014 and July 14, 2014, under that certain Indenture dated as of September 27, 2013 for the 9.500% Senior Secured Notes due 2019. The 9.500% Senior Secured First Lien Notes have a cash coupon interest rate of 9.500% per annum, payable semi-annually in arrears on April 15 and October 15 of each year. The 9.500% Senior Secured First Lien Notes are guaranteed by all of Walter Energy's material U.S. subsidiaries (*i.e.*, the U.S. Guarantors) on a secured basis. The 9.500% Senior Secured First Lien Notes are secured by a first

priority lien in all or substantially all of the assets of Walter Energy and the U.S. Guarantors, including a 65% pledge from Walter Energy of its equity in Canada Holdings. The 9.500% Senior Secured First Lien Notes' first priority liens are of equal priority as and share *pro rata* with, the first priority liens granted to the Bank Lenders under the First Lien Credit Facility in the Debtors' U.S. assets. The rights of the Bank Lenders, the 9.500% Senior Secured First Lien Notes and the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes (defined below) are governed by that certain Amended and Restated Intercreditor Agreement among Walter Energy, Inc., the Other Grantors Party Thereto, Morgan Stanley Senior Funding, Inc., Union Bank, N.A. and Wilmington Trust, National Association dated March 27, 2014 (the "Intercreditor Agreement").

95. As of the Petition Date, the 9.500% Senior Secured First Lien Notes had a remaining principal balance of $970 million outstanding, plus accrued and unpaid interest of approximately $23 million.

C. 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes

96. Pursuant to an indenture dated as of March 27, 2014, Walter Energy issued $350 million in aggregate principal amount of 11.0%/12.0% senior second lien PIK toggle notes with a maturity of April 1, 2020 (the "11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes"). The 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes have a coupon interest rate of 11.0/12/0% per annum, payable semi-annually in arrears on April 1 and October 1 of each year. Interest is payable, at the election of Walter Energy, (a) entirely in cash ("Cash Interest"), or (b) with a combination of (i) 50% Cash Interest and 50% increasing the principal amount of the outstanding notes or issuing additional PIK notes ("PIK Interest") or (ii) 75% Cash Interest and 25% PIK Interest. The governing indenture requires that the first and final interest payments be paid with Cash Interest.

97. The 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes are guaranteed by all of Walter Energy's material U.S. Subsidiaries (*i.e.*, the U.S. Guarantors) on a secured basis. The 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes are secured by a second priority lien in all or substantially all of the assets of Walter Energy and the U.S. Guarantors, including a 65% pledge from Walter Energy of its equity in Walter Energy Canada Holdings, Inc. The rights of the Bank Lenders, the 9.500% Senior Secured First Lien Notes and the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes (defined below) are governed by the Intercreditor Agreement.

98. As of the Petition Date, the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes had a remaining principal balance of $360.5 million outstanding, plus accrued and unpaid interest of approximately $12 million.

D. The 9.875% Senior Notes due 2020

99. Pursuant to an indenture dated as of November 21, 2012, Walter Energy issued $500 million in aggregate principal amount of 9.875% senior unsecured notes with a maturity of December 15, 2020 (the "9.875% Senior Notes due 2020"). The 9.875% Senior Notes due 2020 have a cash coupon interest rate of 9.875% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 9.875% Senior Notes due 2020 are guaranteed by all of Walter Energy's material U.S. Subsidiaries (*i.e.*, the U.S. Guarantors) on an unsecured basis. The 9.875% Senior Notes due 2020 are unsecured and subordinate in right of payment to the First Lien Credit Facility, the 9.500% Senior Secured First Lien Notes and the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes. The 8.500% Senior Notes due 2021 are general unsecured senior obligations of Walter Energy and the U.S. Guarantors and rank *pari passu* in right of payment with all of Walter Energy's and the U.S. Guarantors' existing senior indebtedness, including the 8.500% Senior Notes due 2021.

100. As of the Petition Date, the 9.875% Senior Notes due 2020 had a remaining principal balance of $388 million outstanding, plus accrued and unpaid interest including penalty interest of approximately 22.5 million.

E. The 8.500% Senior Notes due 2021

101. Pursuant to an indenture dated as of March 27, 2013, Walter Energy issued $450 million in aggregate principal amount of 8.500% senior unsecured notes with a maturity of April 15, 2021 (the "8.500% Senior Notes due 2021"). The 8.500% Senior Notes due 2021 have a cash coupon interest rate of 8.500% per annum, payable semi-annually in arrears on April 15 and October 15 of each year. The 8.500% Senior Notes due 2021 are guaranteed by all of Walter Energy's material U.S. Subsidiaries (*i.e.*, the U.S. Guarantors) on an unsecured basis. The 8.500% Senior Notes due 2021 are unsecured and subordinate in right of payment to the First Lien Credit Facility, the 9.500% Senior Secured First Lien Notes and the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes. The 8.500% Senior Notes due 2021 are general unsecured senior obligations of Walter Energy and the U.S. Guarantors and rank *pari passu* in right of payment with all of Walter Energy's and the U.S. Guarantors' existing senior indebtedness, including the 9.875% Senior Notes due 2020.

102. As of the Petition Date, the 8.500% Senior Notes due 2021 had a remaining principal balance of $383.3 million outstanding, plus accrued and unpaid interest of approximately $8.1 million.

F. Walter Energy's Common Stock

103. Walter Energy is a publicly-traded company listed on the NYSE under the symbol "WLT." As of the Petition Date, there were 80,714,128 shares of Walter Energy common stock outstanding held by 32,853 beneficial holders, with a trading price of $0.16 /share on the NYSE. On July 8, 2015, Walter Energy received notice from the NYSE that the staff of the NYSE Regulation,

Inc. has determined to commence proceedings to delist the common stock of the Company from the NYSE. Trading of the Company's common stock on the NYSE was suspended prior to the opening of trading on July 8, 2015.

G. Western Coal Corp. Acquisition and Canadian Hybrid Financing

104. On December 2, 2010, Walter Energy, and Western Coal Corp. ("WCC"), a corporation formed under the laws of British Columbia, entered into an agreement pursuant to which Walter Energy agreed to purchase all of the issued and outstanding common shares of Western Coal Corp. (other than those shares already owned by Walter Energy, WCC or their affiliates) for $3.3 billion in cash and stock of Walter Energy (the "Acquisition"). In connection with financing the Acquisition, on March 28, 2011, Walter Energy formed Walter Energy Holdings, LLC ("Walter LLC"), a US limited liability company which has a single membership interest, and Walter Energy Canada Holdings, Inc. ("Canada Holdings"), a Canadian corporation. Walter LLC is not a special purpose or bankruptcy remote entity.

105. As part of the Acquisition financing, the parties entered into a series of transactions, each of which occurred on April 1, 2011 (the "Hybrid Financing") under which Walter Energy, in substance, advanced approximately $2 billion in cash to Canada Holdings to enable Canada Holdings to purchase WCC in exchange for Walter Energy's right to receive a specified number of common shares of Canada Holdings in the future. The various agreements create U.S. and Canadian tax efficiencies.

106. The Hybrid Financing steps specifically include:

(i) Canada Holdings issued a $2 billion 10-year interest-only term note to Walter Energy (the "Secured Promissory Note") in exchange for $2 billion of cash. The Secured Promissory Note bears interest at a variable rate equal to three-month London Interbank Offered Rate ("LIBOR") plus 450 basis points ("bp"). The interest will be payable, at Canada Holdings' option, in either cash or common shares of Canada Holdings.

(ii) Walter LLC entered into a forward subscription agreement (the "Subscription Agreement") with Canada Holdings, pursuant to which Walter LLC agreed to subscribe for 928,998 shares of Canada Holdings' common shares for an aggregate subscription price equal to the principal amount of the Secured Promissory Note (i.e., $2 Billion) on the maturity date of the Secured Promissory Note.

(iii) Walter Energy agreed to make contributions to Walter LLC to purchase shares under a capital support agreement (the "Capital Support Agreement") to enable Walter LLC to satisfy its obligations under the Subscription Agreement.

(iv) Walter Energy provided a Guarantee (the "Guarantee") to Canada Holdings of Walter LLC's performance of its obligations under the Subscription Agreement.

(v) Canada Holdings used the proceeds from the Secured Promissory Note and newly issued Walter Energy common stock to carry out the Acquisition on April 1, 2011.

107. Since its issuance, Canada Holdings has paid interest on the Secured Promissory Note in shares of Walter Energy, or cash, as permitted under the agreements.

VII. Events Leading to the Chapter 11 Cases

108. Since 2011, metallurgical coal prices have declined dramatically due to several external pressures, including greatly reduced Chinese import demand, significantly increased sources of seaborne supply and the strength of the U.S. dollar against other currencies in coal producing countries, such as Australia. Prices for both thermal and metallurgical coal declined steadily from 2011 through 2014. The decline intensified in early 2015, with spot prices for metallurgical coal falling below US$110 per metric ton, down from $330 per metric ton in Q2 of 2011. Today's benchmark metallurgical coal price for Q3 of 2015 recently settled at $93 per metric ton.

109. Confronted with declining metallurgical coal prices, the Debtors' management focused their energies on reducing costs and preserving liquidity. Among other things, in 2012, management reduced SG&A and capital expenditures by 20% ($32 million) and 10% ($45 million), and idled the Gauley Eagle mine in West Virginia. In 2013, the Debtors further reduced SG&A and

capital expenditures by 25% ($33 million) and 61% ($238 million) and idled the Willow Creek mines in Canada. In addition, the Debtors idled or closed the North River, Reid School and Swann's Crossing mines in Alabama. The Debtors also reduced the cash cost of sales per metric ton by 14% and reduced cash dividends by 92%. In 2014, management further reduced SG&A and capital expenditures by 28% ($28 million) and approximately 40% ($61 million), while idling the remaining Canadian mining operations. The Debtors sold the Blue Creek Coal Terminal for $25 million, brought the cash cost of sales down per metric ton by 13% and reduced cash dividends to a nominal amount. In 2015, the Debtors terminated dividends entirely and implemented additional programs to lower costs, which included reductions to the Debtors' workforce and management, and the successful renegotiation of a take-or-pay contract with one of the Debtors' terminal operators. Most recently, the Debtors announced steps to partially idle the Jim Walter Resources No. 7 mine, which is expected to result in millions of dollars or annual savings, and fully idled the U.K. mines and Maple underground mine in West Virginia.

110. Despite these efforts, the burden on the Debtors of their funded debt obligations and labor-related liabilities has become unsustainable. The Debtors suffer from crippling legacy labor costs, principally in the form of medical benefits and pension obligations, as well as insupportable hourly labor costs. With cash reserves of approximately $270 million as of June 30, 2015, the Debtors continue to suffer substantial losses from operations despite the far-reaching cost cuts already taken. As such, the Debtors risk exhausting their liquidity by the end of 2015, given the declining metallurgical coal environment, over $3 billion in debt, annual interest expense of $264 million, and the weight of the Company's labor costs and legacy retiree obligations.

111. Recognizing the mounting risks and uncertainties that it faced, the Company retained Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss") and Bradley, Arant, Boult

Cummings LLP ("Bradley Arant") as its legal advisors, Blackstone Advisory Services L.P. ("Blackstone") as investment banker, and AlixPartners LLC as restructuring advisor, to assist the Company with developing responses to the worsening situation.

112. In late March 2015, an unofficial committee of holders of First Lien Claims (the "Steering Committee") retained Akin, Gump, Strauss, Hauer and Feld LLP ("Akin Gump") as legal advisor, and Lazard Frères & Co. LLC ("Lazard" and together with Akin Gump, the "Steering Committee Advisors") as financial advisor. Thereafter, the Debtors opened an "advisors' only" electronic data site for the Steering Committee Advisors containing extensive financial, legal and corporate diligence materials, and with the guidance and direction of the Company's Board of Directors, engaged with the Steering Committee Advisors regarding a comprehensive restructuring of the Debtors.

113. On April 15, 2015, as negotiations continued with the Steering Committee Advisors on a restructuring, the Company elected to enter the 30-day grace period under its 9.500% Senior Secured First Lien Notes and 8.500% Senior Unsecured Notes. Ultimately, however, more time was needed to negotiate a consensual resolution and, as a result, on or about May 15, the Debtors paid the interest on their 9.500% Senior Secured First Lien Notes and 8.500% Senior Unsecured Notes.

114. While making continued progress with the Steering Committee Advisors, the Debtors simultaneously explored other options. Advisors for certain unsecured noteholders approached the Debtors to explore restructuring alternatives, entered into a non-disclosure agreement with the Debtors, and conducted diligence thereafter. However, the Debtors' continued operating losses, lack of sufficient unencumbered assets, and limited flexibility under their secured debt documents

precluded the development of a meaningful alternative transaction to the one pursued with the First Lien Creditors.

115. The Company and its Advisors ultimately reached an agreement in principle with the Steering Committee and its Advisors on the terms of a restructuring (the "Restructuring") that (a) contemplates a consensual debt-to-equity conversion of over $1.8 billion of the Company's prepetition secured debt pursuant to a prenegotiated chapter 11 plan (the "Plan"); and (b) permits the Debtors' consensual use of the Prepetition Secured Parties' (as defined in the Cash Collateral Motion) cash collateral for no more than seven (7) months to allow the Debtors to pursue confirmation of the Plan, while simultaneously pursuing a sale of the Company to the holders of First Lien Claims, subject to higher and better offers (the "Section 363 Sale"). In the event that the Debtors are unable to confirm a Plan or certain events specified in the RSA (defined below) occur while the Debtors are pursuing the Plan, the Debtors will seek to effectuate the Section 363 Sale.

116. The Debtors are rapidly losing cash, even excluding interest expenses. Thus, a successful Restructuring demands more than just the elimination of funded debt. To confirm the Plan, the Debtors must obtain material concessions from the UMWA and USW and otherwise reduce their existing and legacy labor and OPEB obligations. While the Debtors will strive to reach a consensual resolution with the UMWA regarding these essential concessions, the Debtors may need to seek judicial relief to obtain such relief through the procedures and processes provided for in sections 1113 and 1114 of the Bankruptcy Code (collectively, the "1113/1114 Process") if no consensual resolution results.

117. The terms of the Restructuring are set forth in a Restructuring Support Agreement (the "Restructuring Support Agreement" or "RSA") executed by the Debtors and the Steering

Committee.[8] Pursuant to the RSA, the Debtors will pursue confirmation of the Plan. However, if the Debtors fail to meet certain case milestones, the Debtors are required to abandon the Plan process and pursue a Section 363 Sale. Such milestones include, without limitation:

- The Debtors must commence the 1113/1114 Process by making an initial proposal to the UMWA by August 12, 2015 and to the USW by August 26, 2015;
- The Debtors must commence the 363 Sale Process by August 19, 2015;
- The Debtors must achieve the necessary cost savings that are acceptable to the Debtors and Majority Holders (as defined in the RSA) through the 1113/1114 Process, either through negotiations with the unions and retirees, or by rejection under section 1113 of the Bankruptcy Code and termination or modification of retiree benefits under 1114 of the Bankruptcy Code, by December 9, 2015;
- This Disclosure Statement must be approved by the Bankruptcy Court by October 28, 2015; and
- The Plan must be confirmed by the Bankruptcy Court by January 13, 2015.

In addition, the RSA sets forth various events which, if they occur, will cause the RSA to terminate immediately.

118. The Debtors' consensual use of the prepetition lenders' cash collateral ("Cash Collateral") lies at the core of the Restructuring. Without the ability to use cash collateral, Debtors cannot operate. To use Cash Collateral, the Debtors must operate pursuant to a budget (the "Cash Collateral Budget") and otherwise comply with the terms of the order authorizing the use of Cash Collateral (the "Cash Collateral Order"). The Cash Collateral Order and Budget are attached to and are more fully described below and in the motion seeking entry of the Cash Collateral Order (the

[8] The RSA is attached to and described more fully in the contemporaneously filed motion to assume the RSA.

"Cash Collateral Motion"). Notably, the Debtors' ability to use Cash Collateral terminates upon the occurrence of certain triggering events, including:

- Conversion or dismissal of the chapter 11 cases;
- Failure to comply with the Cash Collateral Budget;
- Termination of the RSA; and
- Confirmation of the Plan or consummation of the Section 363 Sale.

119. The Debtors believe that the Plan maintains the Company as a viable going-concern and positions the Company to weather the currently depressed met coal market. As negotiations with the Steering Committee continued, the Debtors elected to enter the 30-day grace period under its 9.500% Senior Secured First Lien Notes and 8.500% Senior Unsecured Notes. Accordingly, before the expiration of the grace period on July 15, 2015, the Debtors commenced these Chapter 11 Cases to pursue and consummate the Restructuring.

VIII. First Day Motions

120. Concurrently with the filing of their chapter 11 petitions, the Debtors filed the First Day Motions. The Debtors have reviewed the payments requested in the First Day Motions with counsel to the Steering Committee, and all relief sought therein, including all payments, transfers and transactions, is subject to and in accordance with Interim Cash Collateral Order. The Debtors respectfully request that this Court grant each of the First Day Motions with respect to each of the Debtors. I believe that each First Day Motion constitutes a critical piece of the Debtors' successful and smooth transition into chapter 11. Collectively, the First Day Motions maximize value for the Debtors' estates and stakeholders by reducing unnecessary disruption and minimizing any negative impact of the Chapter 11 Cases on the Debtors' businesses and operations.

121. The Debtors respectfully refer the Court to the individual First Day Motions for a more detailed description of the requested relief and relevant facts related thereto. I have read each of the First Day Motions and the descriptions and facts contained therein are complete and accurate. To the extent that this Declaration and the provisions of any of the First Day Motions are inconsistent, the terms of the First Day Motions shall control. Capitalized terms that are used in this Section VIII but not otherwise defined herein have the meanings ascribed to them in the applicable First Day Motion.

A. Administrative Motions

(i) *The Debtors' Emergency Motion to Set Expedited Hearings on First Day Motions* ***("Expedited First Day Hearing Motion")***

122. The Debtors seek entry of an order setting the First Day Motions for expedited hearing and granting them related relief. The Debtors seek an expedited hearing on the First Day Motions because it will best enable the Debtors to smoothly transition into the chapter 11 process. Granting the hearing on an expedited basis will minimize potential disruptions to the Debtors' operations by allowing the Debtors to continue operating in the ordinary course, including by allowing the Debtors to honor their employee payroll obligations.

123. I am informed by counsel that the First Day Motions request relief that is common in restructurings of the size and complexity of the Chapter 11 Cases. Scheduling the hearing on the First Day Motions on an expedited basis will benefit the Debtors, the Debtors' creditors and all parties in interest.

(ii) *The Debtors' Motion for an Order Directing Joint Administration of the Debtors' Chapter 11 Cases* ***("Joint Administration Motion")***

124. The Debtors seek entry of an order directing joint administration of these cases for procedural purposes only, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

125. The Debtors intend to operate their business and to manage their properties as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code. In that regard, the Debtors anticipate that numerous notices, applications, motions and other filings in these Chapter 11 Cases will affect more than one of the Debtors. Moreover, as described more fully below, the Debtors' financial affairs and operations are highly integrated. Many of the motions, hearings and orders in these Chapter 11 Cases will affect each Debtor and its respective estate. Accordingly, joint administration of these cases for procedural purposes will reduce fees and costs, avoid needless duplicative filings and enable a more efficient and economical administration of the Chapter 11 Cases. Joint administration relieves the Court from the burden of entering duplicative orders and maintaining duplicative files. Notably, creditors' rights will not be adversely affected as this Motion seeks only administrative, not substantive, consolidation of the estates. Creditors thus maintain their ability to file claims against specific Debtor estates.

126. I believe that the relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors and all other parties in interest and is necessary to achieve a successful and smooth transition into chapter 11. On behalf of all the Debtors, I respectfully submit that the Court should grant the Joint Administration Motion.

(iii) *The Debtors' Motion for an Order (A) Authorizing the Debtors to File a Consolidated List of 50 Largest Unsecured Creditors; (B) Waiving the Requirement to File a List of Creditors, and (C) Establishing Procedures for Notifying Creditors of the Commencement of the Debtors' Chapter 11 Cases* ***("Consolidated Top 50 and Matrix Motion")***

127. The Debtors seek entry of an order authorizing the Debtors to (a) file a consolidated mailing matrix on behalf of all Debtors and (b) file a consolidated list of 50 largest unsecured creditors. The Debtors determined that the most effective way for ensuring a committee of unsecured creditors that fairly represents the Debtors' creditor pool would be to file a consolidated list of the fifty largest unsecured creditors.

128. As discussed above, the Debtors are centrally managed from their Birmingham headquarters. The Debtors are affiliates with integrated assets and operations and their receivables and payables generally run through Walter Energy's cash management system. They employ a consolidated and centralized cash management system for the entire corporate enterprise. Consistent with their centralized cash management and accounting organization, the Debtors' receivables are routinely transferred from subsidiary accounts to Walter Energy's main concentration bank accounts, from which most disbursements are routinely made on behalf of Walter Energy and its various subsidiaries. The Debtors' accounts payable are frequently paid from Walter Energy's bank accounts and the transactions are likewise recorded through intercompany accounting entries.

129. Given the Debtors' centrally managed and integrated accounting and cash management functions, a Consolidated Matrix and Consolidated Fifty Largest List best and most efficiently reflect the Debtors' obligations and provide the most efficient and effective means of noticing the Debtors' stakeholders. The Debtors' employees and professionals would have had to divert significant resources and effort to identify and reconcile which claims should be asserted against which Debtor. Because the Consolidated Fifty Largest List fairly represents the Debtors' largest creditors, it suffices to appoint an unsecured creditors committee. Indeed, by using a Consolidated Fifty Largest List, the Bankruptcy Administrator can quickly appoint an unsecured creditors committee that can evaluate the enterprise's assets, liabilities and operations and can assess the Debtors' restructuring proposal as the Debtors' circumstances require.

130. I respectfully submit that the relief requested in the Consolidated Top 50 and Matrix Motion is in the best interests of the Debtors' estates, their creditors and all parties in interest and constitutes a critical element to achieving a smooth transition into chapter 11. I respectfully submit that the requested relief be granted as to all Debtors.

(iv) *The Debtors' Motion Pursuant to 11 U.S.C. §§ 102 and 105(a) and Bankruptcy Rules 2002(m) and 9007 Seeking Authority to Implement Certain Notice and Case Management Procedures* ***("Case Management Motion")***

131. The Debtors seek entry of an order authorizing the Debtors to implement certain procedures to assist with the administration of the Chapter 11 Cases, including: (a) set procedures for the filing and service of notices, motions, applications, exhibits and objections and responses related thereto; (b) establish standards for notices of hearing and agenda letters; (c) establish mandatory procedures for scheduling hearings and objection deadlines; and (d) limit matters that are required to be heard by the Court.

132. The Debtors also seek authorization to (a) with the Court's permission and cooperation, schedule omnibus hearing dates; (b) serve documents by email on certain parties in interest; (c) establish a website to provide interested parties with access to certain documents filed in these Chapter 11 Cases; and (d) use a claims and noticing agent to maintain a data site of documents and effect their appropriate distribution.

133. The requested case management procedures will maximize the efficiency and orderliness of administering these Chapter 11 Cases and reduce the costs arising from traditional case management procedures. The requested relief also limits the administrative burdens and costs on all parties associated with preparing for hearing and serving and mailing documents. Finally, the Debtors' requested relief will enable the Debtors, their personnel and their professionals to organize and prioritize the numerous tasks attendant to these cases.

134. I believe that the Case Management Motion requests relief that serves the best interests of the Debtors' estates, their creditors and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition into chapter 11. I respectfully submit that the requested relief be granted as to all Debtors.

(v) *The Debtors' Motion for an Order (A) Granting the Debtors an Extension of Time Within Which to File Schedules and Related Documents, and (B) Waiving the Requirements to File Lists of Equity Security Holders and Provide Notice to Equity Security Holders* ***("SOFAs / Schedules Extension / Waiver Motion")***

135. The Debtors seek entry of an order (a) extending the time within which the Debtors must file their Schedules and Statements through and include August 28, 2015, without prejudice to the Debtors' ability to request additional extensions or waivers for cause shown and (b) waiving the requirements to file lists of equity security holders and provide notice to equity holders.

136. The Debtors are part of a global enterprise with integrated and diverse businesses. In the ordinary course of their operations, the Debtors have entered into hundreds, if not thousands, of contracts and other commercial relationships. Because of the size and scope of the Debtors' businesses, the complexity of their financial affairs and the numerous business matters incident to the commencement of the Chapter 11 Cases, the Debtors do not anticipate they will be able to complete the schedules of assets and liabilities, schedules of current income and expenditures, statements of executory contracts and unexpired leases and statements of financial affairs within the fourteen days that Bankruptcy Rule 1007(c) provides.

137. The Debtors' accounting and legal personnel will need to address numerous critical operational matters in the early days of these Chapter 11 Cases in order to effect a smooth transition into the chapter 11 process, thereby maximizing estate value. The requested extension will allow the Debtors and their personnel to focus on these operating exigencies for the benefit of all creditors and parties in interest.

138. Further, the Debtors believe that preparing a list of Walter Energy's equity security holders with last-known addresses and sending notices to all parties will be extremely expensive and time-consuming and that, to the extent equity security holders are entitled to distributions from the Debtors' estates, those parties will be provided with notice of the bar date and, therefore, will not be

prejudiced. I believe that waiving the requirement to file a list of equity security holders will help the Debtors make a smooth transition into chapter 11 and, therefore, maximize the value of the Debtors' estates to the benefit of creditors and all parties in interest.

139. I believe that the SOFAs/Schedules Extension Motion requests relief that serves the best interests of the Debtors' estates, their creditors and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition into chapter 11. I respectfully submit that the requested relief be granted as to all Debtors.

B. Operational Motions Requesting Immediate Relief

140. The Debtors seek a variety of relief related to their operations that will facilitate a smooth transition into chapter 11, minimize disruptions to the business from the restructuring and maximize the value of the estates for the benefit of stakeholders.

(i) *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 and Local Rule 4001-2 (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* ***("Cash Collateral Motion")***

141. The Debtors seek entry of an order (i) authorizing the use of "cash collateral" as that term is defined in section 363 of the Bankruptcy Code, including any and all cash of any kind in which the Prepetition Secured Parties have a Lien or other security interest (the "Cash Collateral"), (ii) granting adequate protection to the Prepetition Secured Parties (as defined in the Cash Collateral Order), (iii) modifying the automatic stay imposed under section 362 of the Bankruptcy Code to the extent necessary to permit the Debtors to implement the terms of the Cash Collateral Orders; (iv) scheduling a final hearing for approval of the Final Order; and (v) and granting related relief.

142. As described in detail in the Cash Collateral Motion, the Debtors ability to access and use cash is essential to ensuring continued operations during these Chapter 11 cases. In the normal

course of business, the Debtors use cash on hand and cash flow from operations and other sources to fund working capital and capital expenditures to operate their business. Specifically, the Debtors require access to the Prepetition Collateral, including Cash Collateral, to, among other things, satisfy payroll, pay suppliers, meet overhead, pay utility expenses, make adequate protection payments and pay professionals. Absent access to the Cash Collateral, the Debtors will not have adequate unencumbered cash on hand to pay these critical expenses. Ensuring that the Debtors have sufficient working capital on hand will allow the Debtors to preserve and maintain the going concern value of the business, thus enhancing the prospects for a successful reorganization under chapter 11 of the Bankruptcy Code.

143. The Debtors are seeking to use Cash Collateral of the Prepetition Secured Parties on a consensual basis to fund their operations throughout these Chapter 11 cases. To that end, the Debtors successfully engaged in good faith, arms-length negotiations to reach a consensual agreement regarding the terms of the use of Cash Collateral during these Chapter 11 cases with the Steering Committee.

144. In exchange for the use of Cash Collateral and to ensure that the Prepetition Secured Parties are adequately protected, the Debtors propose: (a) with respect to the First Lien Secured Parties (as defined in the Cash Collateral Motion), granting replacement liens on all Postpetition Collateral (as defined in the Cash Collateral Order), paying interest in cash when due at the applicable non-default rate, pursuant to the terms of the applicable first lien debt documents, and granting superpriority administrative expense claims against the Debtors on account of any diminution in value under section 507(b) of the Bankruptcy Code; and (b) with respect to the Second Lien Secured Parties, granting Junior Adequate Protection Liens and Junior Superpriority Claims (both as defined in the Cash Collateral Motion), subject to the Intercreditor Agreement. The Debtors

also seek the establishment of a "carve out" on the terms set forth in the Cash Collateral Order. As described above and in the Cash Collateral Motion, the Debtors' use of Cash Collateral terminates upon the occurrence of certain triggering events and the Debtors are required to use Cash Collateral in compliance with the terms of the Cash Collateral Order and related Budget.

145. The Debtors submit that the protections proposed in the Cash Collateral Motion and the fact that the use of Cash Collateral will enable the Debtors to preserve value by continuing to operate in the ordinary course of business should adequately protect the Prepetition Secured Creditors from any diminution in the value of their respective interests in the Prepetition Collateral, including Cash Collateral.

146. For the reasons set forth above and in the Cash Collateral Motion, the relief requested in the Cash Collateral Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(ii) *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 Post-Petition Intercompany Claims, and (V) Authorizing the Continuation of Certain Intercompany Transactions; and (B) Granting Related Relief* ***("Cash Management Motion")***

147. The Debtors seek entry of an order (i) authorizing and approving the Debtors to continue using their existing cash management system; (ii) 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..

148. As described in more detail in the Cash Management Motion, 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.

149. 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. 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"). The Company uses a sophisticated software system to manage its cash and to track intercompany accounting.

150. 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.

(i) *The Debtors' Bank Accounts and Flow of Funds*

151. 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.

152. 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 and (c) used to satisfy operational needs and invest in liquid assets such as mutual funds.

153. 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").[9] Receipts from the

[9] As of the Petition Date, the Debtors are in the process of moving 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.

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").

154. Three of the Debtors with less active commercial operations – Blue Creek Energy, Inc. ("Blue Creek"), Walter Land Company, Walter Minerals – do not bank with BofA or JPMorgan and collect receipts in operating accounts at Regions Bank. These receipts are automatically swept to the Master Regions Disbursement Account (described below).

155. 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 Bank, from which the disbursements are made (the "Master Regions Disbursement Account").[10] Because Regions Bank 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 upcoming payments for two weeks.

156. 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 Bank and then paid to third parties or (b) paid directly to third parties from the Master Regions Disbursement Account at Walter Energy. The Debtor subsidiaries typically make disbursements by check, whereas Walter Energy generally makes payments by ACH transfer on its own or 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 are added to each entity's respective intercompany balances.

[10] Disbursements for debt service are paid directly from the Master Concentration Accounts.

157. 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 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.

158. 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.

159. Investments. Funds not required by the Debtors in the near term are typically maintained in investment accounts.[11] 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; investments cannot be made for 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. Over the month of May 2015, the Debtors' investments have had an average daily balance of $200 million and have virtually all been invested in money market mutual funds.

(ii) *West Virginia*

160. The Debtors that own and operate West Virginia mines – Atlantic Development and Capital LLC, Atlantic Leasco LLC and Maple Coal Co. LLC – maintain separate accounts at Branch Banking & Trust Corp. ("BB&T"). Receipts collected in operating accounts maintained by Atlantic Leaseco LLC and Maple Coal Co. LLC are automatically swept into a concentration account at 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.

[11] Treasury may also concentrate funds in the Master Concentration Accounts and Master Disbursement Account to minimize banking and transactional fees.

(iii) *Walter Canada*

161. 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. As described below, the Debtors incur costs on behalf of Walter Canada for shared corporate expenses.

(iv) *Walter U.K.*

162. The Company operates its U.K. mine through Energybuild Ltd., ("Energybuild" and together with the other U.K. subsidiaries, the "U.K. Subsidiaries" or "Walter U.K."), the sole operating subsidiary in the U.K. The U.K. Subsidiaries continue operating in the ordinary course of their business and are not in any insolvency or restructuring proceedings in any jurisdiction. Energybuild maintains a bank account in the United Kingdom with Lloyd's Bank. Other than the shared expenses incurred by Walter Energy and which are charged to its subsidiaries through the Company's intercompany transfer pricing policies, Walter U.K. generally funds its own operations. However, when Energybuild generates insufficient revenue to cover operating expenses, Walter Energy has funded Walter U.K. through intercompany funding. Such funding has averaged approximately $1 million during the 6 months prepetition.

(v) *Bermuda*

163. 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 for insurance premiums and shared corporate expenses incurred by the Debtors on behalf of Cardem are necessary to preserve the value of the Debtors.

164. Under the circumstances, maintenance of the Cash Management System is in the best interest of the Debtors' estates. The basic structure of the Cash Management System constitutes the Debtors' ordinary and usual business practices and the Cash Management System is consistent with

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

165. Any disruption to the Debtors' current cash management procedures 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 that would inevitably be associated with any substantial disruption in the Cash Management System will facilitate the Debtors' efforts in this regard.

166. For the reasons set forth above and in the Cash Management Motion, the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(iii) *The Debtors' Motion for (I) (A) an Order Authorizing, But Not Directing, the Debtors to Pay Certain Prepetition Wages, Compensation, Workers Compensation and Employee Benefits and to Maintain Employee Benefit Programs and Pay Related Administrative Obligations and (B) a Supplemental Order Authorizing, But Not Directing, the Debtors to Pay Certain Bonus and Severance Obligations; (II) Authorizing and Directing Applicable Banks and Other Financial Institutions to Process and Pay All Checks Presented for Payment and to Honor All Funds Transfer Requests Made by the Debtors Relating to the Foregoing; and (III) Granting Related Relief* ***("Wages Motion")***

167. The Debtors seek entry of an order (i) authorizing, but not directing, the Debtors, in accordance with their stated policies and in the ordinary course of business, to: (a) pay all prepetition employee wages, salaries and certain other payments owed to employees, including holiday pay and other paid time off, (b) honor workers' compensation obligations, (c) make contributions to prepetition benefit programs and continue such programs, (d) make all payments for which prepetition payroll withholding deductions (including, but not limited to, payroll taxes) were made, (e) reimburse all prepetition employee business expenses and (f) pay and maintain certain of the Debtors' ordinary course bonus programs for non-insider Employees; (ii) authorizing, but not directing, the Debtors to continue payment of wages, compensation and employee benefit programs in the ordinary course of business and to pay other costs and expenses relating to the foregoing as described more fully below; (iii) authorizing and directing applicable banks and other financial institutions to honor and pay all checks and transfers drawn on the Debtors' bank accounts to make the foregoing payments; and (iv) granting related relief.

168. The Debtors also request entry of a supplemental order, to be considered at the final hearing scheduled in these cases, authorizing (but not directing) the Debtors (i) to continue their severance policy and to make payments thereunder and to make cash payments with respect to outstanding paid time off obligations owing to any Employee as of the date of the Employee's termination and (ii) to pay and maintain the Debtors' ordinary course quarterly bonus program.

169. In addition, the Black Warrior Companies employ approximately twelve individuals. Because the Black Warrior Companies exclusively service the Jim Walter mines, employees of the Black Warrior Companies are routinely at the mine sites. In addition, the Black Warrior Companies' headquarters are located close to the Jim Walter mining operations. Given the close proximity of the businesses and the relatively low number of employees employed by the companies (the "BW Employees") for sake of administrative ease and efficiency, and to benefit from economies of scale, the BW Employees are integrated into Jim Walter's payroll system. Accordingly, the Debtors make payroll and benefit payments to the BW Employees, which amounts are expensed to the Black Warrior Companies and are repaid by the Black Warrior Companies.

170. I have reviewed the Wages Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete. As described in more detail in the Wages Motion, the Debtors seek authority to pay and honor their prepetition obligations to their Employees, including paying the BW Employees, in the ordinary course of their business, including by satisfying wage and other compensation-related obligations, paying employee withholding taxes and employer taxes (including but not limited to federal, state, employment and other payroll and withholding taxes), honoring holiday pay and other paid time off obligations, continuing the Debtors' workers' compensation program, maintaining employee benefits and honoring employee benefits obligations that the Debtors have traditionally provided in the ordinary course of business, continuing garnishment and Payroll Deductions (defined below) and reimbursing Employees for business expenses. The Debtors also seek authority to continue the programs, plans and policies related thereto postpetition.

171. To ensure that the Debtors continue operations without interruption, to preserve value for the estates and to maximize the value of the business as a going concern, the Debtors must

continue to pay their Employees, the BW Employees and the Canadian Employees certain prepetition wages, salaries, other cash and non-cash compensation, employee benefits and reimbursable expenses. The majority of the Employees rely on their compensation, benefits and reimbursement of expenses to satisfy their daily living expenses. Consequently, they will be exposed to significant financial difficulties if the Debtors are not permitted to honor obligations for unpaid compensation, benefits and reimbursable expenses. Moreover, if the Debtors are unable to satisfy such obligations, Employee morale and loyalty will be jeopardized at a time when Employee support is critical. In the absence of such payments, members of the Debtors' workforce may seek alternative employment opportunities. The Debtors' workforce is necessary to maintain the safety and integrity of the mining operations. Mining operations require highly-skilled and specialized miners and managers. A loss of skilled talent of this kind would hinder the Debtors' ability to meet their customer obligations, may diminish customer confidence in the Debtors and may impair the safety of the mines.

172. For the reasons set forth above and in the Wages Motion, the relief requested in the Wages Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(iv) *The Debtors' Motion for an Order Authorizing Debtors to Continue Prepetition Customer Programs and Granting Related Relief* ***("Customer Programs Motion")***

173. The Debtors seek entry of an order authorizing the Debtors to continue their ordinary course prepetition customer program and to honor prepetition obligations to their customers in connection therewith. I have reviewed the Customer Programs Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

174. As described in more detail in the Customer Programs Motion, the Debtors' marketing strategy focuses on international markets located in Europe, South America and Asia, areas where it has a transportation cost advantage and where the Debtors' coal is in demand. More specifically, the Debtors' underground mining operations in Alabama primarily produce and export metallurgical coal for the global steel industry. The Debtors' other key products include thermal coal and industrial coal, anthracite, metallurgical coke, coalbed methane gas (*i.e.,* natural gas) and related products. Approximately 92% of the metallurgical coal sales from the Debtors' Alabama underground mining operations consist of sales to international customers. The Debtors' thermal coal is primarily marketed to industrial and electrical utility customers in the U.S., generally under long-term contracts.

175. 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 for certain Products (the "Rebate Program" and, together with the Quality Adjustment Program and the Demurrage Program, the "Customer Programs").[12]

176. 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 its most

[12] The terms of these Customer Programs are memorialized in the Company's contracts with their customers (collectively, the "Customer Agreements").

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.

177. 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.

178. Moreover, if the Debtors are not allowed to honor their Customer Programs, the Debtors' customers may lose confidence in the Debtors, their product and their reliability. Notably, the Debtors' product – coal – is a commodity. As a result, the relationships and trust between the Debtors and their customers prove critical to maintaining 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, the Debtors believe that the 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.

179. The Debtors submit that 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 depend 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 as a result of the commencement of these cases 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, which could lead to the erosion of the Debtors' market share position with respect to their Products.

180. For the reasons set forth above and in the Customer Programs Motion, the relief requested in the Customer Programs Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(v) *The Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing (I) the Debtors to Pay Prepetition Claims of Certain Critical Vendors and Foreign Vendors and (II) Financial Institutions to Honor and Process Related Checks and Transfers; and (B) Granting Related Relief* ***("Critical Vendor Motion")***

181. The Debtors seek an entry of an order (a) granting them the authority in their sole discretion, but not requiring them, to pay all or a portion of those prepetition obligations of certain Critical Vendors and foreign vendors, subject to an interim and final cap, (b) authorizing the Debtors to pay, in their sole discretion, the prepetition claims of certain critical vendors and foreign vendors and granting related relief; (c) authorizing banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay the foregoing and (d) granting related relief. I have reviewed the Customer Programs Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

182. As described in greater detail in the Critical Vendor Motion, the Debtors use a variety of supplies and vendors in their businesses, including petroleum-based fuels, explosives, tires, conveyance structure, ventilation supplies, lubricants and other raw materials as well as spare parts and other consumables used in the mining process. The Debtors use third-party suppliers for a significant portion of their equipment rebuilds and repairs, drilling services and construction. While substitute suppliers may exist for some of the Debtors' suppliers and service providers, the Debtors' mining operations use modern techniques and equipment that depend on highly specialized materials and skilled service to maintain in safe operating condition. Moreover, the Debtors operate in a highly specialized, highly regulated and highly-competitive industry. The unique nature of the coal mining industry leaves coal mining companies with few options (and often no practical option) when shopping for specialized vendors. Certain suppliers and service providers at various venues are simply the only options available to the Debtors. As a result, the Debtors' business depends upon

maintaining uninterrupted supply relationships with certain specialized critical vendors, suppliers, service providers and similar entities.

183. More specifically, the Debtors rely on their machinery suppliers and vendors to provide the necessary equipment needed for the Company's operations. The Debtors also rely on suppliers of certain products necessary to develop and maintain the infrastructure of the mines. Such equipment and supplies are typically only available from sole-source suppliers. Replacement vendors and suppliers, even if available, may result in substantially higher costs for the Debtors. In addition, the Debtors rely on two entities, BW Methane and BW Transmission (as defined below), to extract coalbed methane gas from the Debtors' underground mines at Jim Walter. Methane degasification is a critical service mandated by regulatory authorities to ensure the safety of the Debtors' mine workers. As a result, if the requested relief is not granted and certain essential trade vendors refuse to continue to supply goods and services to the Debtors post-petition, the Debtors may be unable to continue portions of their operations, thereby endangering the Debtors' successful reorganization and substantially harming all creditors.

184. For the reasons set forth above and in the Critical Vendor Motion, the relief requested in the Critical Vendor Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors

(vi) *The Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing (I) Payment of Certain Prepetition Claims of Shippers, Storage Providers and Service Providers and (II) Financial Institutions to Honor and Process Related Checks and Transfers; and (B) Granting Related Relief* ***("Possessory Liens Motion")***

185. The Debtors seek entry of an order (a) authorizing but not requiring the Debtors to pay, in their sole discretion, the prepetition labor, shipping and delivery charges owed to Shippers,

Storage Providers and Service Providers (each as defined below) that the Debtors determine, in their sole discretion, to be necessary or appropriate to obtain the release of goods, raw materials, parts, components, materials, equipment or other items (collectively, the "Products") held by any such Freight Carrier, Storage Provider or Service Provider, subject to an interim and final cap; (b) authorizing the Debtors' banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay the foregoing; and (c) granting related relief. I have reviewed the Possessory Liens Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

186. As more specifically described in the Possessor Liens Motion, in the operation of their businesses, the Debtors use and make payments to common carriers, shippers, barge, trucking and rail transport companies, freight and port terminal operators, entities that own and operate pipelines and other third-party service providers (collectively, the "Shippers") that transport, ship and otherwise facilitate the movement of the Debtors' products, including metallurgical coal, steam coal and coal bed methane gas. The Debtors also use and make payments to bailees, coal yards, storage facilities and storage providers (collectively, the "Storage Providers"), that store the Debtors' metallurgical coal at various stages of the Debtors' supply and delivery process. Finally, the Debtors use and make payments to mechanics, contractors and other service providers (collectively, the "Service Providers" and, together with the Shippers and Storage Providers, the "Lien Claimants") that repair, maintain and service essential machinery and equipment used in the Company's businesses.

187. The Debtors typically depend on overland conveyor, trucks, rail or barges to transport their Products. Disruption of any of these transportation services, whether due to weather-related problems, strikes or lock-outs, accidents, transportation delays or other events could impair the

Debtors' ability to supply their products to their customers, thereby resulting in lost sales and reduced profitability. Transportation costs represent a significant portion of the total cost of delivering coal to the customer. Overall price increases in the Debtors' transportation costs could make the Debtors' coal less competitive with the same or alternative products from competitors with lower transportation costs.

188. All of the Debtors' metallurgical mines are served by a single rail carrier. In addition, the majority of the metallurgical coal produced by the Debtors' Alabama underground mining operations is exported and to coal customers through the state-run docks at the Port of Mobile, Alabama. Cost-effective alternatives to the port are limited. An interruption of rail or port services could significantly limit the Debtors' ability to operate and, to the extent that alternate sources of port and rail services are available, could increase transportation and port costs significantly.

189. Coal producers like the Debtors are typically responsible for transporting their coal from their mines to an export coal-loading facility. Exported coal is usually sold at the loading port, with the buyer responsible for further transportation from the port to the buyer's location. As a result, managing coal transportation costs proves essential to maximize coal revenue. The Debtors' Alabama mines are conveniently located near both river barge load-out facilities and CSX railroad transportation, both of which provide direct access to the Port of Mobile, minimizing the Debtors' transportation costs.

190. The Debtors rely heavily on certain Shippers and Storage Providers to transport and store the metallurgical coal and methane gas for delivery to their customers. Metallurgical coal produced by the No. 4 and No. 7 mines in Alabama is stored at the mine until it is loaded for transport by trucking companies or the CSX railroad to the Port of Mobile. Transport to the Port of Mobile proceeds in one of two ways: (a) from mine to rail to port or (b) from mine to truck to barge

to port. Once the coal reaches the Port of Mobile, it is stored in the coal yard until it is loaded for shipment to the Debtors' customers.

191. The Debtors' coking operations at Walter Coke, Inc. ("Walter Coke") utilize third-party barge operators, trucking and railroad companies to transport both (a) the coke and coke by-products produced by Walter Coke to its customers and (b) certain amounts of coal purchased by Walter Coke for use in its coke ovens.

192. Similarly, the Debtors' West Virginia mines use third-party trucking companies to transport the metallurgical coal to two river docks, where it is stored pending shipment by barge to the Debtors' customers (including both outside customers and Walter Coke). In connection with the Debtors' coal bed methane gas production, methane gas extracted from the Debtors' mine at Walter Black Warrior Basin ("WBWB") is injected directly into the transmission pipeline owned and operated by a third party for transmittal to the purchaser of the gas.

193. The services provided by the Shippers and Storage Providers are essential to the day-to-day operation of the Debtors' businesses. In 2014, the Debtors produced 7.6 million metric tons of metallurgical coal in the U.S. The Debtors produce coal at a high volume on a daily basis and rely on the Shippers and Storage Providers to transport and store the coal efficiently and continuously to meet customer demand. Accordingly, at any given time, there are numerous shipments from the Debtors' mines en route to the ports used by the Debtors, where the Debtors' coal is stored in the ports' coal yards until it is loaded for international shipment.

194. Any disruption to the Debtors' supply network would have an immediate negative impact on the Debtors' businesses. Fast and efficient transportation is necessary for the Debtors' successful operations, not only to avoid a back-up of excess inventory, but also to maximize the revenue from the coal shipments. Metallurgical coal produced at the Debtors' underground mines

has a small particle size, which degrades over time as it absorbs moisture from exposure to weather elements. The Debtors' coal contracts with their customers include penalties for moisture content above certain agreed-upon thresholds. Accordingly, any delay caused by a disruption in the Debtors' supply network would not only cause an excess coal build-up at the Debtors' mining sites, but would also reduce the value of the coal already produced.

195. If the freight and storage charges are not paid, the Shippers and Storage Providers may refuse to perform additional services for the Debtors. In many cases, the Debtors' Shippers and Storage Providers are "sole source" providers and cannot be replaced. For example, CSX, the Debtors' main rail carrier in Alabama is the sole North American Class 1 rail company with operational lines convenient to the Debtors' operations. The Debtors also are dependent on the operators of the key dock, port and rail terminals, which in nearly all instances are the only practicable, cost-effective means of transporting the Debtors' coal to their customers. If the Debtors were unable to locate replacements for these key Shippers and Storage Providers, the Debtors would very quickly deplete inventories at the ports and be unable to fulfill customer requirements. Given the highly-competitive market in which the Debtors operate, missing customer requirements could cause customers to seek alternative sources of supply, causing irreparable harm to the Debtors' business. Even if the Debtors were able to replace certain Shippers and Storage Providers (and in certain instances replacements are likely not available), the Debtors would incur significant additional expenses for replacement service providers, which the Debtors believe would vastly exceed the prepetition amounts sought to be paid in this Motion. Accordingly, the Debtors seek to pay the prepetition amounts owed to the Shippers and Storage Providers with respect to the goods in transit.

196. The Debtors may also owe prepetition amounts to the Service Providers, many of which may be able to assert trade or mechanics' liens over the Debtors' essential parts, machinery and other equipment. To ensure safe and orderly working conditions at their mines, the Debtors must repair or replace machine parts and make on-the-spot repairs to mining machinery with little or no notice. Interruptions incurred as a result of failing to obtain necessary equipment and parts would cause some portions of the Debtors' operations to cease, which would cause immediate and substantial economic harm to the Debtors and erode their valuable customer base.

197. The Debtors also rebuild certain key machinery and equipment at specified intervals to extend the useful life of the highly-specialized and expensive mining equipment. Many of the machines and parts that the Debtors use are only available through a sole-source or at best, a handful of suppliers. Moreover, because of the strict regulatory regime in which the Debtors operate and the heightened safety standards to which mining operations are subject, many of the machines and parts the Debtors use and the Service Providers themselves, must receive regulatory approval as part of the Debtors' permitting and licensing process. In addition to the regulatory requirements that some Service Providers must satisfy, the Debtors have cultivated through the years valuable long-term relationships with their Service Providers to achieve maximum efficiency and effectiveness in dealing with the Debtors' highly-customized equipment. A sudden switch to new suppliers – the quality and turn-around time of which may be untested – at the very least will generate unnecessary inefficiencies and expenses, but could also disrupt normal mining operations.

198. For the reasons set forth above and in the Possessory Liens Motion, the relief requested in the Possessory Liens Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to

avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(vii) *The Debtors' Motion for an Order (A) Authorizing (I) Debtors to Pay Certain Prepetition Taxes, Governmental Assessments and Fees, and (II) Financial Institutions to Honor and Process Related Checks and Transfers; and (B) Granting Related Relief* ***("Taxes Motion")***

199. The Debtors seek entry of an order (i) authorizing but not directing the Debtors, in their sole discretion, to pay certain covered taxes and fees ,whether asserted or accrued before or after the Petition Date and (ii) authorizing banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay such Covered Taxes and Fees. I have reviewed the Taxes Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

200. As the Taxes Motion describes in more depth, in the ordinary course of their normal businesses, the Debtors collect, withhold and/or incur (a) production taxes, (b) excise taxes, (c) environmental and safety fees and assessments, (d) sales taxes and use taxes, (e) employment taxes and (f) franchise, privilege and property taxes, as well as other taxes, fees and charges (all such taxes, fees and charges, collectively, the "Covered Taxes and Fees").[13] The Debtors remit Covered Taxes and Fees to various federal, state and local governments, including taxing and licensing authorities (collectively, the "Governmental Authorities").

201. Covered Taxes and Fees are remitted by the Debtors through checks and electronic transfers that are processed through the Debtors' disbursement banks and other financial institutions (the "Disbursement Banks"). The Covered Taxes and Fees are paid monthly, bimonthly, quarterly or

[13] The Debtors also incur taxes based on or measured by their net income (including, but not limited to, the federal corporate income tax, state income taxes and related interest and penalties), but no relief is sought with respect to the payment of such taxes.

annually to the respective Governmental Authorities, depending on the given Covered Taxes or Fees and Governmental Authority to which they are paid.

202. I have been advised by counsel that many of the Covered Taxes and Fees collected prepetition are not property of the Debtors' estates and must for that reason be turned over to the Governmental Authorities. I have further been advised that, to the extent that they are not actually the property of the Governmental Authorities, such taxes may well give rise to priority claims. The Debtors also seek to pay prepetition Covered Taxes and Fees to prevent Governmental Authorities from taking actions that might interfere with the Debtors' successful reorganization, including by blocking the receipt or renewal of permits required for the Debtors' continued operations or possibly subjecting directors, officers and other employees to personal liability in connection with nonpayment of Covered Taxes and Fees. Actions against the Debtors' directors, officers and other employees would distract key personnel, whose full-time attention to the Debtors' reorganization efforts is required and may cause potential business disruptions. Any such business disruptions may erode the Debtors' customer base and negatively impact these Chapter 11 Cases.

203. Some federal and state statutes prevent the issuance of certain mining permits to an entity if it or certain related entities have outstanding delinquent penalties or assessments for violations of certain environmental or other laws or regulations. Non-payment of such penalties or assessments could preclude the receipt or renewal of permits required for the Debtors' continued operations and thus could interfere with their successful reorganization.

204. Payment of certain of the prepetition Covered Taxes and Fees is critical to the Debtors' continued, uninterrupted operations and to avoid immediate and irreparable harm to the Debtors' estates. Non-payment of the Covered Taxes and Fees may cause certain Governmental Authorities to take precipitous action, including but not limited to conducting audits, filing liens,

pursuing payment of Covered Taxes and Fees from the Debtors' directors, officers and other employees and seeking to lift the automatic stay, any of which would disrupt the Debtors' day-to-day operations and could potentially impose significant costs and burdens on the Debtors' estates. Prompt payment of the Covered Taxes and Fees will avoid these unnecessary and potentially costly governmental actions.

205. For the reasons set forth above and in the Taxes Motion, the relief requested in the Taxes Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(viii) *The Debtors' Motion for entry of Interim and Final Orders (A) (I) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Adequate Assurance of Payment, and (IV) Setting a Final Hearing Related Thereto; and (B) Granting Related Relief* ***("Utilities Motion")***

206. The Debtors seek entry of an order (a) prohibiting the Debtors' utility service providers from altering, refusing or discontinuing utility services on account of unpaid prepetition invoices; (b) deeming the Debtors' utility service providers adequately assured of future performance; (c) establishing procedures for determining additional adequate assurance of future payment and authorizing the Debtors to provide adequate assurance of future payment of the Debtors' utility service providers; (d) setting a final hearing related thereto; and (e) granting related relief. I have reviewed the Utilities Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

207. As described in more detail in the Utilities Motion, in connection with the operation of their business and their facilities and the management of their properties, the Debtors obtain

water, sewer, electricity, gas, telephone, waste disposal and similar utility products and services from various utility companies. The Debtors filed the Utilities Motion requesting that this Court (a) approve the Debtors' proposed form of adequate assurance of postpetition payment to the Utility Companies, as that term is used in section 366 of the Bankruptcy Code; (b) approve procedures for resolving any objections by the Utility Companies relating to the Proposed Adequate Assurance; and (c) prohibit the Utility Companies from altering, refusing or discontinuing service to or discriminating against the Debtors, because such Utility Services are critical to the Debtors' going-concern value. The Proposed Adequate Assurance will consist of, for each Utility Company, a deposit into a newly created, interest-bearing, segregated account equivalent to approximately one half (1/2) of one month of Utility Services. Based on the average monthly cost of the Utility Services, the aggregate of all such deposits will be approximately $1.8 million.

208. The Debtors' reorganization efforts depend on the continued provision of utility services uninterrupted after the expiration of the stay period mandated by section 366 of the Bankruptcy Code. If the Utility Services are discontinued or altered, even briefly, the Debtors' ability to continue operations could be jeopardized. Such a result could potentially impair the Debtors' reorganization effort and, ultimately, the value of the Debtors' business. In my opinion, it is critical that Utility Services continue uninterrupted during the Chapter 11 Cases. I believe that the procedures the Debtors have proposed for the Utility Companies adequately protect the Utility Companies' rights that I have been advised are provided to the Utility Companies under the Bankruptcy Code, while also protecting the Debtors' need to continue to receive, for the benefit of its estate, the Utility Services upon which its business depends.

209. For the reasons set forth above and in the Utilities Motion, the relief requested in the Utilities Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue

to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(ix) *The Debtors' Motion for an Order, Pursuant to Sections 105(a), 363(b), 363(c) and 1107(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004(h) (A) Authorizing the Debtors to (I) Continue Insurance Policies and Agreements Relating Thereto, and (II) Honor Certain Prepetition Obligations in Respect Thereof; and (B) Granting Related Relief* ***("Insurance Motion")***

210. The Debtors seek entry of an order (i) authorizing the Debtors to (a) continue insurance policies and agreements relating thereto and (b) honor certain prepetition obligations in respect thereof; and (ii) granting related relief. I have reviewed the Insurance Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

211. As the Insurance Motion describes in more depth, in the ordinary course of their operations, the Debtors maintain workers' compensation, directors and officers liability, fiduciary, crime, umbrella and excess liability and various other liability, property, pollution and automobile insurance programs with respect to their domestic and foreign operations, described in part below (collectively, the "Insurance Programs"). The Insurance Programs include both self-insured programs and ones obtained from several different insurance carriers (the "Insurance Carriers") pursuant to the insurance contracts. The Insurance Programs cover the Debtors' multiple business lines and various mines and plants.

212. To preserve the value of the estates and the Debtors' business, the Debtors must maintain the Insurance Programs in the ordinary course of their business on an uninterrupted basis. This includes renewing the Insurance Programs in accordance with the same practices and procedures that were in effect before the Petition Date and to pay all premiums (including taxes), deductibles, claims, broker fees and all other obligations arising under or in connection with the

Insurance Programs (collectively, the "Insurance Obligations") relating to the periods before and after the Petition Date.

213. The nonpayment of any premiums (including taxes), related fees, deductibles, claims or other obligations under any of the Insurance Programs could result in one or more of the Insurance Carriers increasing future insurance premiums, declining to renew the Insurance Programs or refusing to enter into new Insurance Policies. Moreover, if the Insurance Policies lapse without renewal, the Debtors risk being exposed to substantial liability at a later date to the detriment of all parties-in-interest. Finally, maintenance of the Insurance Policies is necessary to provide adequate protection of the Debtors' prepetition secured lenders' collateral.

214. For the reasons set forth above and in the Insurance Motion, the relief requested in the Insurance Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

(x) *The Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Continue and Renew Their Surety Bond Program and (B) Granting Related Relief* ***("Surety Bond Program Motion")***

215. The Debtors seek entry of an order authorizing the Debtors to maintain, continue and renew, in their sole discretion, their surety bonds and related obligations owed to the surety bond issuers and other third parties (the "Surety Bond Program") on an uninterrupted basis and in accordance with the same practices and procedure as were in effect before the Petition Date (including, but not limited to, the maintenance of cash collateral) and granting related relief. I have reviewed the Surety Bond Program Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

216. As described in more detail in the Surety Bond Program Motion, the Debtors require authorization (i) to pay all amounts arising under the Surety Bond Program due and payable after the Petition Date and (ii) to renew or obtain new surety bonds as needed in the ordinary course of business, including, but not limited to, as may be required by law or judicial authority. If the requested relief is not granted and the Surety Bond Program lapses or terminates, the Debtors' operations could be severely affected, thereby endangering the Debtors' successful reorganization and substantially harming all creditors.

217. For the reasons set forth above and in the Surety Bond Program Motion, the relief requested in the Surety Bond Program Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption so as to avoid immediate and irreparable harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

C. Tax Motions Requesting Immediate Relief

218. The Debtors seek to enforce the automatic stay by implementing court-ordered procedures intended to protect the Debtors' estates against the possible loss of valuable tax benefits that could flow from inadvertent stay violations.

(i) *The Debtors' Motion for an Order (A) Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in the Debtors' Estates; and (B) Granting Related Relief* ***("NOL Trading Motion")***

219. The Debtors seek entry of an order authorizing the Debtors to establish notification procedures and approve restrictions regarding the ownership (as it relates to tax consequences under the Internal Revenue Code) and certain transfers of Walter Energy's common stock. I have reviewed the NOL Trading Motion, am familiar with the facts set forth therein and believe the facts to be accurate and complete.

220. As described in more detail in the NOL Trading Motion, the Debtors have incurred and are currently incurring, significant NOLs and NOL carryforwards for U.S. federal income tax purposes totaling approximately $550 million, and NOLs for U.S. federal alternative minimum tax purposes totaling approximately $425 million. These NOLs and other tax attributes could translate into potential future federal income tax savings for the Debtors.

221. The Debtors' NOLs are a valuable asset because the Debtors generally can carry forward their NOLs to offset their future taxable income and tax liability, thereby potentially freeing up funds to meet working capital requirements and service debt. In particular, the NOLs may be available to the Debtors to offset taxable income generated by transactions completed during the course of the Chapter 11 Cases.

222. I have been advised that the Debtors' ability to use their tax attributes, however, could be severely limited under Section 382 of title 26 of the U.S. Code as a result of the trading and accumulation of their equity interests prior to consummation of a chapter 11 plan. The Debtors thus seek to preclude certain transfers of their equity interests and to monitor and possibly object to other changes in the ownership of their equity interests, so that the Debtors can preserve their tax attributes where trading may jeopardize their ability to use of their NOLs under Section 382.

223. For the reasons set forth above and in the NOL Trading Motion, the relief requested in the NOL Trading Motion is in the best interests of the Debtors' estates and is necessary to avoid an irrevocable loss of the Debtors' tax attributes and the resulting harm to the Debtors' estates. I respectfully submit that the requested relief be granted as to all Debtors.

D. Professional Retention Application

(i) *The Debtors' Application for an Order Authorizing the Employment, Retention and Appointment of Kurtzman Carson Consultants LLC as Claims and Noticing Agent and Administrative Advisor for the Debtors Nunc Pro Tunc to the Petition Date* ***("KCC Applications")***

224. The Debtors seek entry of an order appointing KCC, LLC ("KCC") to act as the claims and noticing agent in order to assume full responsibility for the distribution of notices and the maintenance, processing and docketing of proofs of claim filed in the Chapter 11 Cases. The Debtors have obtained and reviewed engagement proposals from two other court-approved claims and noticing agents to ensure selection through a competitive process. Moreover, based on all engagement proposals obtained and reviewed, I believe that KCC's rates are competitive and reasonable given KCC's quality of services and expertise. Accordingly, on behalf of the Debtors, I respectfully submit that the KCC Retention Application should be granted.

Conclusion

225. For the reasons stated herein and in each of the First Day Motions filed concurrently or in connection with the commencement of these cases, I respectfully request that each of the First Day Motions be granted in its entirety, together with such other and further relief as this Court deems just and proper.

[*Remainder of Page Intentionally Left Blank*]

I certify under penalty of perjury that, based upon my knowledge, information and belief as set forth in this Declaration, the foregoing is true and correct.

Date: July 15, 2015

Name: William G. Harvey
Title: Chief Financial Officer of Walter Energy, Inc. and its Subsidiaries

EXHIBIT A

Debtors	Non-Debtor Subsidiaries (Canada)	Non-Debtor Subsidiaries (U.K. and Other)
Walter Energy, Inc.	Walter Energy Canada Holdings, Inc.	Energybuild Group Limited
Atlantic Development and Capital, LLC	Walter Canadian Coal Partnership	Energybuild Holdings Ltd.
Atlantic Leaseco, LLC	Wolverine Coal ULC	Energybuild Opencast Ltd.
Blue Creek Coal Sales, Inc.	Wolverine Coal Partnership	Energybuild Mining Ltd.
Blue Creek Energy, Inc.	Brule Coal ULC	Energybuild Ltd.
J.W. Walter, Inc.	Brule Coal Partnership	Mineral Extraction and Handling Ltd.
Jefferson Warrior Railroad Company, Inc.	Cambrian Energybuild Holdings ULC	Black Warrior Methane Corp.
Jim Walter Homes, LLC	Willow Creek Coal ULC	Black Warrior Transmission Corp.
Jim Walter Resources, Inc.	Willow Creek Coal Partnership	Cardem Insurance Co. Ltd.
Maple Coal Co., LLC	Pine Valley Coal Ltd.	
Sloss-Sheffield Steel & Iron Company	0541237 BC, Ltd.	
SP Machine, Inc.	Belcourt Saxon Coal Ltd.	
Taft Coal Sales & Associates, Inc.	Belcourt Saxon Coal Limited Partnership	
Tuscaloosa Resources, Inc.		
V Manufacturing Company		
Walter Black Warrior Basin LLC		
Walter Coke, Inc.		

Walter Energy Holdings, LLC		
Walter Exploration & Production LLC		
Walter Home Improvement, Inc.		
Walter Land Company		
Walter Minerals, Inc.		
Walter Natural Gas, LLC		

EXHIBIT B

CORPORATE CHART

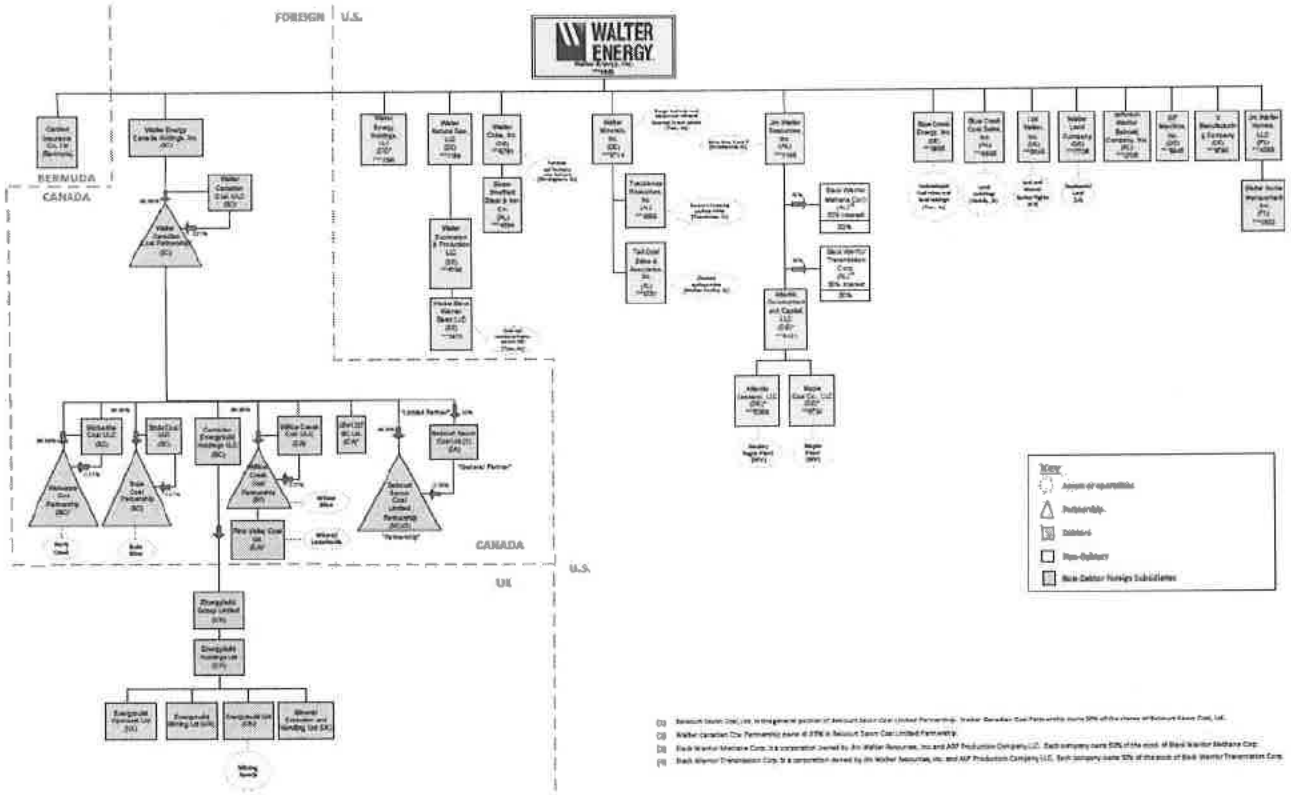


EXHIBIT C

U.S. GUARANTORS

Walter Energy, Inc.*

Walter Energy Holdings, LLC

Blue Creek Coal Sales, Inc.

J.W. Walter, Inc.

Jim Walter Resources, Inc.

Taft Coal Sales & Associates, Inc.

Tuscaloosa Resources, Inc.

Walter Black Warrior Basin LLC

Walter Coke, Inc.

Walter Exploration & Production LLC

Walter Land Company

Walter Minerals, Inc.

Walter Natural Gas, LLC

Maple Coal Co., LLC

Atlantic Development and Capital, LLC

Atlantic Leaseco, LLC

* Walter Energy, Inc. does not guarantee its own obligations; guarantees Canadian Revolver and U.S. Guarantor obligations only.

EXHIBIT D

CANADIAN GUARANTORS[+]

Willow Creek Coal ULC

Willow Creek Coal Partnership

Pine Valley Coal Ltd.

0541237 B.C. Ltd.

Wolverine Coal ULC

Wolverine Coal Partnership

Brule Coal Partnership

Brule Coal ULC

Walter Canadian Coal Partnership

Walter Canadian Coal ULC

Cambrian Energybuild Holdings ULC

Walter Canadian Coal Partnership[*]

[+] Canadian Guarantors guarantee only the obligations incurred under the Canadian Revolver.

[*] Walter Canadian Coal Partnership does not guarantee its own obligations.

limited to (a) set off and apply immediately any and all amounts in accounts maintained by the Debtors against the Adequate Protection Obligations and Prepetition Obligations owed to the Prepetition Secured Parties and otherwise enforce rights against the Collateral for application towards the Adequate Protection Obligations and Prepetition Obligations; (b) take any and all actions necessary to take control of the Prepetition Collateral and/or the Collateral, including any Cash Collateral; and (c) take any other actions or exercise any other rights or remedies permitted under this Interim Order, the Prepetition Debt Documents or applicable law to effect the repayment and satisfaction of the Adequate Protection Obligations and Prepetition Obligations owed to the Prepetition Secured Parties. The rights and remedies of the Prepetition Secured Parties specified herein are cumulative and not exclusive of any rights or remedies that they may otherwise have. The only permissible basis for the Debtors, the Creditors' Committee (if any), the Bankruptcy Administrator or any other party to contest, challenge or object to an Enforcement Notice shall be solely with respect to the validity of the Termination Event(s) giving rise to such Enforcement Notice (*i.e.* whether such Termination Events validly occurred and have not been cured or waived in accordance with this Interim Order). The automatic stay pursuant to Bankruptcy Code section 362 shall be automatically terminated at the end of the Notice Period, without further notice or order of the Court, unless the Prepetition Secured Parties elect otherwise in a written notice to the Debtors, and the Prepetition Secured Parties shall be permitted to exercise all rights and remedies, including with respect to the Collateral (including, without limitation, any Cash Collateral), set forth in this Interim Order, the Prepetition Debt Documents and the Intercreditor Agreement, and as otherwise available at law without further order or application or motion to the Court, and without restriction or restraint by any stay under Bankruptcy Code sections 362 or 105 or otherwise.

14. *Perfection of Adequate Protection Liens.*

(a) The Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee and the 2L Notes Collateral Agent are each hereby authorized, but not required, to file or record financing statements, intellectual property filings, mortgages, notices of lien or similar instruments in any jurisdiction in order to validate and perfect the liens and security interests granted to it hereunder. Whether or not the Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee or the 2L Notes Collateral Agent, each in its respective sole discretion, chooses to file such financing statements, intellectual property filings, mortgages, notices of lien or similar instruments, such liens and security interests shall be deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute, subordination, contest, attack, objection, recoupment, defense, setoff, counterclaim, avoidance, recharacterization, reclassification, reduction, disallowance, recovery, disgorgement, attachment, "claim" (as defined in the Bankruptcy Code), impairment, subordination (whether equitable, contractual or otherwise) or other challenge of any kind pursuant to the Bankruptcy Code or applicable nonbankruptcy law as of the date of entry of this Interim Order. If the Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee or the 2L Notes Collateral Agent determines to file any financing statements, notices of liens or similar instruments, the Debtors will cooperate and assist in any such filings as reasonably requested by the Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee or the 2L Notes Collateral Agent, as applicable, and the automatic stay shall be modified to allow such filings.

(b) The Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee or the 2L Notes Collateral Agent, may, each in its respective discretion, cause a certified copy of this Interim Order to be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby authorized to accept such certified copy of this Interim Order for filing and recording.

(c) The Debtors shall execute and deliver to the Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the 1L Notes Collateral Agent, the Second Lien Trustee or the 2L Notes Collateral Agent all such agreements, financing statements, instruments and other documents as each such party may reasonably request to evidence, confirm, validate or perfect the Adequate Protection Liens.

(d) Notwithstanding anything to the contrary in the Motion or this Interim Order, for purposes of this Interim Order, in no event shall the Collateral include or the Adequate Protection Liens granted under this Interim Order attach to, any lease, license, permit, contract, or agreement (including any operating and joint venture agreements) or other property right, to which any Debtor is a party, or any of such relevant Debtor's rights or interests thereunder, if and for so long as the grant of such security interest would constitute or result in: (i) the abandonment, invalidation, unenforceability, or other impairment of any right, title, or interest of any Debtor therein, or (ii) a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, agreement, or other property right pursuant to any provision thereof, unless, in the case of each of clauses (i) and (ii), the applicable provision is rendered ineffective by applicable non-bankruptcy law or the Bankruptcy Code (such leases, licenses, contracts or agreements, or other property rights are collectively referred to as the "Specified

Contracts"); provided that the foregoing shall not preclude any counterparty to a Specified Contract from an opportunity to be heard in this Court on notice with respect to whether applicable non-bankruptcy law or the Bankruptcy Code renders such provision ineffective. Notwithstanding the foregoing, the Adequate Protection Liens shall in all events attach to all proceeds, products, offspring, or profits from all sales, transfers, dispositions, or monetizations of any and all Specified Contracts.

15. *Preservation of Rights Granted Under this Interim Order.*

(a) Notwithstanding any order dismissing any of these Chapter 11 Cases under Bankruptcy Code section 1112 or otherwise entered at any time, (i) the Superpriority Claims, the other administrative claims granted pursuant to this Interim Order, the Carve-Out and the Adequate Protection Liens shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order until all Adequate Protection Obligations and the Carve Out shall have been paid and satisfied in full (and such Superpriority Claims, the other administrative claims granted pursuant to this Interim Order, the Carve Out and the Adequate Protection Liens shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing the claims, liens and security interests referred to in clause (i) above.

(b) If any or all of the provisions of this Interim Order are hereafter reversed, modified, vacated or stayed, such reversal, stay, modification or vacatur shall not affect: (i) the validity, priority or enforceability of any Adequate Protection Obligations incurred prior to the date of the entry of an order granting such reversal, stay, modification or vacatur (the "Reversal Order"); or (ii) the validity, priority or enforceability of the Adequate Protection Liens securing such Adequate Protection Obligations. Notwithstanding any such reversal, stay, modification or

vacatur, any use of the Collateral (including the Cash Collateral) or any Adequate Protection Obligations incurred by the Debtors hereunder, as the case may be, prior to the date of the entry of the Reversal Order shall be governed in all respects by the original provisions of this Interim Order, and (x) the First Lien Secured Parties shall be entitled to all of the rights, remedies, privileges and benefits granted in Bankruptcy Code section 363(m) with respect to all uses of the Collateral (including the Cash Collateral) and such First Lien Adequate Protection Obligations for periods prior to the date of the entry of the Reversal Order and (y) subject to the Intercreditor Agreement, the Second Lien Trustee and the Second Lien Noteholders shall be entitled to all of the rights, remedies, privileges and benefits granted in Bankruptcy Code section 363(m) with respect to all uses of the Collateral (including the Cash Collateral) (other than Collateral constituting setoff rights of the First Lien Secured Parties) and all Second Lien Adequate Protection Obligations for periods prior to the date of the entry of the Reversal Order.

(c) Except as expressly provided in this Interim Order, the Adequate Protection Obligations, the Superpriority Claims and all other rights, claims, security interests and remedies of the Prepetition Secured Parties granted by the provisions of this Interim Order shall survive, and shall not be modified, impaired or discharged by the entry of an order (i) converting any of these Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, dismissing any of these Chapter 11 Cases or by any other act or omission or (ii) confirming a plan of reorganization in any of the Chapter 11 Cases, and, pursuant to section 1141(d)(4) of the Bankruptcy Code, the Debtors have waived any discharge as to any remaining Adequate Protection Obligations; provided that any plan of reorganization or liquidation approved in accordance with the RSA, or otherwise with the consent of the Steering Committee in its sole discretion, shall supersede and replace the terms of the Interim Order upon its effectiveness in

accordance therewith. The terms and provisions of this Interim Order shall continue in these Chapter 11 Cases, in any successor cases if these Chapter 11 Cases cease to be jointly administered, or in any superseding chapter 7 cases under the Bankruptcy Code, and the Adequate Protection Liens, Superpriority Claims, other administrative claims granted pursuant to this Interim Order, and all other rights, claims, security interests and remedies of the Prepetition Secured Parties granted by the provisions of this Interim Order shall continue in full force and effect as provided herein.

16. *Effect of Stipulations on Third Parties*. The stipulations, releases and admissions contained in this Interim Order, including in paragraph 5 hereof, shall be binding upon the Debtors and any successor thereto in all circumstances. The stipulations, releases and admissions contained in this Interim Order, including in paragraph 5 hereof, shall be binding upon all other parties in interest, including the Creditors' Committee (if any) or any chapter 7 or chapter 11 trustee appointed or elected for any of the Debtors (a "Trustee"), unless and to the extent (a) the Creditors' Committee (if any) or any other party in interest other than any Debtor (including any Trustee), in each case, after obtaining requisite standing, has duly filed an adversary proceeding challenging in whole or part the validity, enforceability, priority or extent of the Prepetition Obligations or the liens on the Prepetition Collateral securing the Prepetition Obligations held by or on behalf of the Prepetition Secured Parties or otherwise asserting or prosecuting any Avoidance Actions, recharacterization, subordination, "lender liability", or any other claims, counterclaims or causes of action, objections, contests or defenses (collectively, the "Claims and Defenses") against the Prepetition Secured Parties in connection with any matter related to the Prepetition Obligations, or the Prepetition Collateral or the Prepetition Liens by no later than the later of (i) in the case of any such adversary proceeding filed by a party in interest

with requisite standing other than the Creditors' Committee, seventy-five (75) days after the date of entry of the Interim Order, (ii) in the case of any such adversary proceeding filed by the Creditors' Committee (if any), sixty (60) days after the appointment of the Creditors' Committee (if any), and (iii) any such later date agreed to in writing by the Steering Committee and the Administrative Agent, First Lien Trustee or Second Lien Trustee, as applicable, each in its sole discretion (the time period established by the later of the foregoing clauses (i), (ii) and (iii), the "Challenge Period"), and (b) an order is entered by a court of competent jurisdiction and becomes final and non-appealable in favor of the plaintiff sustaining any such challenge or claim in any such duly filed adversary proceeding. If no such adversary proceeding is timely filed prior to the expiration of the Challenge Period by the Creditors' Committee or a party in interest, in any case which has been granted the appropriate standing, without further order of this Court: (x) the Prepetition Obligations shall constitute allowed claims, not subject to counterclaim, setoff, subordination, recharacterization, defense, avoidance, contest, attack, objection, recoupment, reclassification, reduction, disallowance, recovery, disgorgement, attachment, "claim" (as defined in the Bankruptcy Code), impairment, subordination (whether equitable, contractual or otherwise) or other challenge of any kind pursuant to the Bankruptcy Code or applicable nonbankruptcy law, for all purposes in these Chapter 11 Cases and any subsequent chapter 7 cases; and (y) the Prepetition Obligations, the Administrative Agent's, the First Lien Trustee's and the Second Lien Trustee's respective Prepetition Liens on the Prepetition Collateral and the respective Prepetition Secured Parties in such capacity shall not be subject to any other or further challenge and any party in interest shall be forever enjoined and barred from seeking to exercise the rights of the Debtors' estates or taking any such action, including any successor thereto (including any estate representative or a Trustee, whether such Trustee is

appointed or elected prior to or following the expiration of the Challenge Period). If any such adversary proceeding is timely filed by a party in interest with appropriate standing prior to the expiration of the Challenge Period, the stipulations and admissions contained in this Interim Order, including in paragraph 5 hereof, shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on any Creditors' Committee and any other Person (as defined in the Credit Agreement), including any Trustee, except as to any such findings and admissions that were expressly and successfully challenged in such adversary proceeding. Nothing in this Interim Order vests or confers on any Person, including a Creditors' Committee (if any) or Trustee, standing or authority to pursue any cause of action belonging to the Debtors or their estates.

17. *Reservation of Rights of the Prepetition Secured Parties and the Steering Committee*.

(a) Notwithstanding any other provision in this Interim Order to the contrary, this Interim Order is without prejudice to, and does not constitute a waiver, expressly or implicitly, or relinquishment, of the Prepetition Secured Parties' or the Steering Committee's respective rights with respect to any person or entity, or with respect to any other collateral owned or held by any person or entity. The rights of the Prepetition Secured Parties and the Steering Committee, respectively, are expressly reserved and entry of this Interim Order shall be without prejudice to, and does not constitute a waiver, expressly or implicitly, or relinquishment, of:

(i) the Prepetition Secured Parties' or the Steering Committee's respective rights to bring or be heard on any matter brought before this Court;

(ii) the Prepetition Secured Parties' or the Steering Committee's respective rights under the Prepetition Debt Documents, the Bankruptcy Code or applicable nonbankruptcy law, including, without limitation the rights,

if any, to (v) request modification of the automatic stay, (w) sell or foreclose on any Collateral under applicable law, (x) request dismissal of any of the Chapter 11 Cases, conversion of any of the Chapter 11 Cases to a case under chapter 7, or appointment of a chapter 11 trustee, examiner or receiver, (y) propose, subject to the provisions of Bankruptcy Code section 1121, a chapter 11 plan; or (z) take any action specified in paragraph 11(k) above;

(iii) the Prepetition Secured Parties' or the Steering Committee's respective rights to seek any other or supplemental relief in respect of the Debtors;

(iv) the Administrative Agent's and the First Lien Trustee's rights, and subject to the Intercreditor Agreement, the Second Lien Trustee's right, to seek modification of the grant of adequate protection provided under this Interim Order so as to provide different or additional adequate protection; or

(v) any other respective rights, claims, or privileges (whether legal, equitable, or otherwise) of the Prepetition Secured Parties or the Steering Committee;

(b) Nothing contained herein shall be deemed a finding by the Court or an acknowledgement by the Prepetition Secured Parties or the Steering Committee, respectively, that the adequate protection granted herein does in fact adequately protect the Prepetition Secured Parties against the Diminution in Value of their interests in the Prepetition Collateral.

18. *Compliance with the Prepetition Debt Document Covenants*. Unless otherwise agreed to by the Steering Committee in its sole discretion, notwithstanding the Debtors' additional reporting requirements and obligations set forth in paragraph 11 hereof, the Debtors shall comply in all respects with all of the reporting requirements set forth in Section 9.01 (except for clauses (d) and (e)) of the Credit Agreement.

19. *Prepetition Intercreditor Agreements*. Nothing in this Interim Order shall amend or otherwise modify the terms and enforceability of the Intercreditor Agreement, which shall remain in full force and effect. The rights of the Prepetition Secured Parties shall at all times remain subject to the Intercreditor Agreement and any other applicable intercreditor agreements.

20. *506(c) Waiver*. Subject to the entry of a Final Order, except to the extent of the Carve-Out, no costs or expenses of administration of the Chapter 11 Cases, which have been or may be incurred in any of the Chapter 11 Cases at any time shall be charged against or recovered from any Prepetition Secured Party, any of the Prepetition Obligations, any of their respective claims, or the Collateral pursuant to Bankruptcy Code sections 105(a) or 506(c), or otherwise, without the prior written consent of the affected Administrative Agent, First Lien Trustee or Second Lien Trustee and the Steering Committee, each in its sole discretion, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the Prepetition Secured Parties or their respective representatives.

21. *No Marshaling/Application of Proceeds*. The Administrative Agent, the First Lien Trustee and the Second Lien Trustee, as applicable, shall be entitled to apply the payments or proceeds of the Collateral in accordance with this Interim Order and the provisions of the Prepetition Debt Documents and the Intercreditor Agreement, and in no event shall any of the Prepetition Secured Parties be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Collateral or otherwise.

22. *Limitation on Use of Collateral*. For the avoidance of doubt, the Debtors shall not be allowed to use the Cash Collateral to pay fees and expenses of any Professional Person retained by a Creditors' Committee or any other statutory committee in excess of the Committee Monthly Cap; provided that any unused amounts may be carried forward to a subsequent month.

23. *Binding Effect; Successors and Assigns*. The provisions of this Interim Order, including all findings herein, shall be binding upon all parties in interest in these Chapter 11 Cases, including the Prepetition Secured Parties, any Creditors' Committee, the Debtors and their respective successors and assigns (including any Trustee hereinafter appointed or elected

for the estates of any of the Debtors, an examiner appointed pursuant to Bankruptcy Code section 1104, or any other fiduciary appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors) as provided herein. The protections afforded to the Prepetition Secured Parties under this Interim Order and any actions taken pursuant thereto, shall survive the entry of an order dismissing any or all of the Chapter 11 Cases or converting any or all of the Chapter 11 Cases into a case(s) under chapter 7 of the Bankruptcy Code, and the Adequate Protection Liens and the Superpriority Claims shall continue in the Chapter 11 Cases, in any such successor case(s) or after any such dismissal. Except as otherwise provided herein, the Adequate Protection Liens and the Superpriority Claims shall maintain their priorities as provided in this Interim Order and the Final Order, and not be modified, altered or impaired in any way by any other financing, extension of credit, incurrence of indebtedness, or any conversion of any of the Chapter 11 Cases into a case(s) pursuant to chapter 7 of the Bankruptcy Code or dismissal of any of the Chapter 11 Cases, or by any other act or omission until the Prepetition Obligations are indefeasibly paid in full in cash (and any letters of credit cash collateralized in accordance with the terms of the First Lien Credit Documents).

24. *Limitation of Liability.* In permitting the use of the Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Interim Order, subject to entry of the Final Order, the Prepetition Secured Parties shall not be deemed to be in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 29 U.S.C. §§ 9601 et seq. as amended, or any similar federal or state statute), nor shall they owe any fiduciary duty to any of the Debtors, their creditors or estates, or shall

constitute or be deemed to constitute a joint venture or partnership with any of the Debtors. Furthermore, nothing in this Interim Order shall in any way be construed or interpreted to impose or allow the imposition upon the Prepetition Secured Parties of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors and their respective affiliates (as defined in Bankruptcy Code section 101(2)).

25. *No Modification of Interim Order.* Each Debtor irrevocably waives any right to seek any amendment, modification or extension of this Interim Order without the prior written consent of the Steering Committee and the Administrative Agent, each in its sole discretion, and no such consent shall be implied by any action, inaction or acquiescence of the Steering Committee or the Administrative Agent.

26. *Priorities Among Prepetition Secured Parties.* Notwithstanding anything to the contrary herein or in any other order of this Court, in determining the relative priorities and rights of the Prepetition Secured Parties (including, without limitation, the relative priorities and rights of the Prepetition Secured Parties with respect to the adequate protection granted hereunder), such relative priorities and rights shall continue to be governed by the Prepetition Debt Documents and the Intercreditor Agreement.

27. *Rights of Administrative Agent.* Nothing in this Interim Order shall be construed to limit or affect the Administrative Agent's right to request instructions from the Required Lenders (as defined in the Credit Agreement) in accordance with Section 12.04 of the Credit Agreement. It being understood that since the Steering Committee constitutes the Required Lenders and can therefore direct the Administrative Agent in taking actions in connection with the Credit Agreement, in any instance in this Interim Order where the Administrative Agent is indicated as having given its consent, as the Steering Committee has also given its consent in

such case, the Administrative Agent shall be deemed to have given its consent at the direction of the Required Lenders.

28. *No Waiver*. This Interim Order shall not be construed in any way as a waiver or relinquishment of any rights that the Prepetition Secured Parties may have to bring or be heard on any matter brought before this Court.

29. *Automatic Stay Modified*. The automatic stay shall be modified or lifted to the extent necessary to allow the relevant Prepetition Secured Parties or the Majority Holders, as applicable, to provide any notices to the Debtors as contemplated by and in accordance with this Interim Order or the RSA, as applicable.

30. *Rights Preserved*. Notwithstanding anything herein to the contrary, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly the Prepetition Secured Parties' or the Steering Committee's right to seek any other or supplemental relief in respect of the Debtors, including the right to seek additional adequate protection.

31. *Effectiveness*. This Interim Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon entry hereof, and there shall be no stay of execution of effectiveness of this Interim Order. To the extent that any finding of fact shall be determined to be a conclusion of law it shall be so deemed and vice versa.

32. *Controlling Effects of Interim Order*. To the extent of any conflict between or among (a) the Motion, any other order of this Court, or any other agreements, on the one hand, and (b) the terms and provisions of this Interim Order, on the other hand, unless such term or provision herein is phrased in terms of "as defined in" or "as more fully described in" or "as provided in" or words to that effect with respect to the Prepetition Debt Documents, the terms

and provisions of this Interim Order shall govern. This Interim Order shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry hereof, notwithstanding the possible application Bankruptcy Rules 6004(g), 7062, 9014, or otherwise, and the Clerk of this Court is hereby directed to enter this Interim Order on this Court's dockets in the Chapter 11 Cases.

33. *Final Hearing*. The Final Hearing is scheduled for _____, 2015 at _____ _.m., prevailing Central time, before this Court. The Debtors shall promptly mail or otherwise serve copies of this Interim Order (which shall constitute adequate notice of the Final Hearing) to the parties having been given notice of the Interim Hearing, and to any other party that has filed a request for notices with this Court and to any Creditors' Committee. Any party in interest objecting to the relief sought at the Final Hearing shall serve and file written objections; which objections shall be served upon (a) the Debtors, 3000 Riverchase Galleria, Suite 1700, Birmingham, AL 35244, Attn: Earl Doppelt; (b) proposed counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attn: Kelley A. Cornish and Stephen J. Shimshak; (c) proposed co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, AL 35203, Attn: Patrick Darby; (d) counsel to any statutory committee appointed in these Chapter 11 Cases; (e) counsel to the Steering Committee, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036, Attn: Ira S. Dizengoff and Kristine Manoukian, and Akin Gump Strauss Hauer & Feld LLP, 1333 New Hampshire Ave, N.W., Washington, DC 20036, Attn: James Savin; (f) co-counsel to the Steering Committee, Burr Forman LLP, 420 North 20th Street, Suite 3400, Birmingham, AL 35203, Attn: Michael L. Hall; (g) counsel to the Administrative Agent and the Credit Agreement Collateral Agent, White & Case LLP, 1155

and provisions of this Interim Order shall govern. This Interim Order shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry hereof, notwithstanding the possible application Bankruptcy Rules 6004(g), 7062, 9014, or otherwise, and the Clerk of this Court is hereby directed to enter this Interim Order on this Court's dockets in the Chapter 11 Cases.

33. *Final Hearing*. The Final Hearing is scheduled for _____, 2015 at _____ _.m., prevailing Central time, before this Court. The Debtors shall promptly mail or otherwise serve copies of this Interim Order (which shall constitute adequate notice of the Final Hearing) to the parties having been given notice of the Interim Hearing, and to any other party that has filed a request for notices with this Court and to any Creditors' Committee. Any party in interest objecting to the relief sought at the Final Hearing shall serve and file written objections; which objections shall be served upon (a) the Debtors, 3000 Riverchase Galleria, Suite 1700, Birmingham, AL 35244, Attn: Earl Doppelt; (b) proposed counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attn: Kelley A. Cornish and Stephen J. Shimshak; (c) proposed co-counsel to the Debtors, Bradley Arant Boult Cummings LLP, One Federal Place, 1819 Fifth Avenue North, Birmingham, AL 35203, Attn: Patrick Darby; (d) counsel to any statutory committee appointed in these Chapter 11 Cases; (e) counsel to the Steering Committee, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036, Attn: Ira S. Dizengoff and Kristine Manoukian, and Akin Gump Strauss Hauer & Feld LLP, 1333 New Hampshire Ave, N.W., Washington, DC 20036, Attn: James Savin; (f) co-counsel to the Steering Committee, Burr Forman LLP, 420 North 20th Street, Suite 3400, Birmingham, AL 35203, Attn: Michael L. Hall; (g) counsel to the Administrative Agent and the Credit Agreement Collateral Agent, White & Case LLP, 1155

Avenue of the Americas, New York, NY 10036, Attn: Scott Greissman and Elizabeth Feld; (h) any co-counsel to the Administrative Agent and the Credit Agreement Collateral Agent; (i) counsel to the First Lien Trustee and the 1L Notes Collateral Agent, Ropes & Gray LLP, 1211 Avenue of the Americas, New York, NY 10036-8704, Attn: Mark R. Somerstein; (j) counsel to the Second Lien Trustee and the 2L Notes Collateral Agent; (k) the Office of the Bankruptcy Administrator for the Northern District of Alabama, 1800 5th Avenue North, Birmingham, AL 35203, Attn: Jon Dudeck; (l) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002; and (m) the United States Attorney for the Northern District of Alabama, in each case to allow actual receipt by the foregoing no later than _____, 2015 at 4:00 p.m. (prevailing Central Time).

34. *Jurisdiction.* This Court shall retain jurisdiction to enforce the terms of this Interim Order and to adjudicate any and all matters arising from or related to the interpretation or implementation of this Interim Order.

Dated: _____, 2015

_____
United States Bankruptcy Judge

EXHIBIT A

Initial Budget

Walter Energy, Inc. and Domestic Subsidiaries
Cash Collateral Budget

(Amounts in USD)

	1	2	3	4	5	6	7	8	9	10	11	12	Total
Actual / Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	for
Week Ending	7/18/15	7/25/15	8/1/15	8/8/15	8/15/15	8/22/15	8/29/15	9/5/15	9/12/15	9/19/15	9/26/15	10/3/15	12 Weeks
TOTAL NET CASH FLOW													
Receipts													
Sales/AR Receipts	$ 10,844,222	$ 15,024,788	$ 18,727,363	$ 12,585,487	$ 15,645,125	$ 15,402,161	$ 5,956,529	$ 4,358,090	$ 10,743,138	$ 15,994,156	$ 23,583,227	$ 13,187,610	$ 162,051,895
Other	200,000	575,000	970,000	3,000	300,000	575,000	190,000	1,008,272	-	106,250	200,000	980,000	5,107,522
Total Cash Receipts	**11,044,222**	**15,599,788**	**19,697,363**	**12,588,487**	**15,945,125**	**15,977,161**	**6,146,529**	**5,366,362**	**10,743,138**	**16,100,406**	**23,783,227**	**14,167,610**	**167,159,417**
Disbursements													
Payroll, Benefits & Pension	(6,331,258)	(5,695,298)	(7,292,681)	(5,722,640)	(7,483,164)	(3,345,640)	(7,495,664)	(3,905,289)	(7,060,189)	(6,297,764)	(4,536,189)	(6,797,764)	(71,963,540)
Leases, Taxes, Utilities, Fuel, Insurance	(1,394,453)	(577,000)	(1,227,145)	(3,345,140)	(2,295,615)	(969,600)	(587,753)	(3,916,145)	(696,809)	(2,092,836)	(959,000)	(3,806,753)	(21,868,249)
Freight & Royalties	(6,125,550)	(2,753,000)	(2,534,071)	(2,426,025)	(5,384,014)	(2,924,500)	(2,542,221)	(2,522,479)	(2,495,560)	(4,765,760)	(2,850,935)	(2,136,025)	(39,460,140)
Other Expenditures	(652,712)	(13,482,552)	(16,547,260)	(9,315,901)	(2,571,463)	(2,504,010)	(3,579,217)	(2,660,096)	(2,409,086)	(2,967,733)	(4,932,558)	(6,422,468)	(68,045,056)
Total Disbursements[1]	**(14,503,973)**	**(22,507,850)**	**(27,601,157)**	**(20,809,706)**	**(17,734,256)**	**(9,743,750)**	**(14,204,855)**	**(13,004,009)**	**(12,661,644)**	**(16,124,093)**	**(13,278,682)**	**(19,163,010)**	**(201,336,985)**
TOTAL NET CASH FLOW[2]	**$ (3,459,751)**	**$ (6,908,062)**	**$ (7,903,794)**	**$ (8,221,219)**	**$ (1,789,131)**	**$ 6,233,411**	**$ (8,058,326)**	**$ (7,637,648)**	**$ (1,918,506)**	**$ (23,687)**	**$ 10,504,544**	**$ (4,995,400)**	**$ (34,177,568)**
Cash Collateral Budget Metrics													
Cumulative Totals													
Total Disbursements	(14,503,973)	(37,011,822)	(64,612,979)	(85,422,685)	(103,156,941)	(112,900,691)	(127,105,546)	(140,109,556)	(152,771,200)	(168,895,293)	(182,173,975)	(201,336,985)	
Total Net Cash Flow	(3,459,751)	(10,367,813)	(18,271,607)	(26,492,826)	(28,281,957)	(22,048,546)	(30,106,872)	(37,744,520)	(39,663,026)	(39,686,713)	(29,182,168)	(34,177,568)	

Notes:

[1] Although permitted pursuant to the terms of the Cash Collateral Order, the figures above exclude (i) adequate protection payments, (ii) fees and expenses of professionals retained outside the ordinary course of business, (iii) the Debtors' use of the Cash Collateral to collateralize any new, replaced or renewed letters of credit, surety bonds or workers' compensation obligations in each case, that have been consented to by the Steering Committee in its sole discretion and (iv) key employee retention payments approved by both the Steering Committee and the Court that are approved to be paid pursuant to the Approved Budget and the Cash Collateral Order.

[2] Budget assumes continuation of ordinary course transactions between the Debtors and Non-Debtor Affiliates Black Warrior Methane and Black Warrior Transmission.

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Walter Energy - Domestic Capital Expenditures Budget

$ in 000s

	2015						2016	
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Cumulative
Capital Expenditures	8,460	6,044	4,551	3,315	4,514	5,739	8,273	40,897

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EXHIBIT E

JOINDER

The undersigned ("***Transferee***") hereby acknowledges that it has read and understands the Restructuring Support Agreement, dated as of [●] (the "***Agreement***"), by and among Walter Energy, Inc. on behalf of itself and its wholly-owned direct and indirect subsidiaries listed on Exhibit A to the Agreement (collectively, the "***Company***"), and the holders of First Lien Claims against the Company, and agrees to be bound by the terms and conditions thereof, and shall be deemed a "Joining Party" and "Holder Party" under the terms of the Agreement. The Transferee hereby makes the representations and warranties of the Holder Parties set forth in Section 2 of the Agreement to the other parties thereto. This Joinder shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflict of laws that would require the application of the law of any other jurisdiction. Capitalized terms not otherwise defined in this Joinder shall have the meanings assigned to such terms in the Agreement.

Date Executed: _____

TRANSFEREE

Name of Institution: _____

By: _____
Name: _____
Its: _____
Telephone: _____
Facsimile: _____

First Lien Lender Claims

$ _____

First Lien Noteholder Claims

$ _____

Second Lien Claims

$ _____

Unsecured Claims

$ _____

NOTICE ADDRESS:

e-mail: [_____]

with a copy to (which shall not constitute notice):

e-mail: [_____]

EXHIBIT D

RSA

EXECUTION VERSION

RESTRUCTURING SUPPORT AGREEMENT

This restructuring support agreement (together with all exhibits, annexes, and schedules hereto, in each case as may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof, this "***Agreement***"), dated as of July 15, 2015 is by and among: (i) Walter Energy, Inc., a Delaware corporation ("***Walter***"), on behalf of itself and its wholly-owned direct and indirect subsidiaries listed on Exhibit A attached hereto (together with Walter, the "***Company***"), (ii) the undersigned holders of First Lien Claims (as defined below) (the "***Initial Holders***"), and (iii) each Joining Party (as defined below) (such Joining Parties, together with the Initial Holders, the "***Holder Parties***"), in connection with (i) that certain Credit Agreement dated as of April 1, 2011 (as amended, restated, amended and restated, waived, supplemented or otherwise modified from time to time, the "***First Lien Credit Facility***"), by and among Walter, as the U.S. borrower, Western Coal Corp. and Walter Energy Canada Holdings, Inc., as the Canadian borrowers, the lenders from time to time party thereto (such lenders, the "***First Lien Lenders***"), and Morgan Stanley Senior Funding, Inc., as administrative agent (in such capacity, the "***First Lien Agent***") and (ii) that certain Indenture for 9.50% Senior Secured Notes due 2019 dated as of September 27, 2013 (as amended, waived, supplemented or otherwise modified from time to time, the "***First Lien Indenture***"), among Wilmington Trust, National Association ("***Wilmington Trust***"), as successor trustee and collateral agent to Union Bank, N.A. (the "***First Lien Trustee***"), Walter, as issuer, and certain subsidiaries of Walter, as guarantors, pursuant to which Walter issued those certain 9.50% Senior Secured Notes to the holders thereof (such holders, the "***First Lien Noteholders***" and together with the First Lien Lenders, the First Lien Agent, the First Lien Trustee, the Second Lien Noteholders (as defined below) and the Second Lien Trustee (as defined below), the "***Prepetition Secured Parties***"). Claims of the First Lien Lenders under the First Lien Credit Facility are referred to herein collectively as the "***First Lien Lender Claims***", and claims of the First Lien Noteholders under the First Lien Indenture are referred to herein collectively as the "***First Lien Noteholder Claims***" (together with the First Lien Lender Claims, the "***First Lien Claims***").

The Company and each Holder Party are collectively referred to herein as the "***Parties***" and each individually as a "***Party***." This Agreement shall become effective, and each Party shall be bound by the terms of this Agreement, as of the date the Company and each of the Initial Holders have executed and delivered a signature page to this Agreement (such date, the "***Execution Date***").

In consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Proposed Restructuring.

The Company and the Holder Parties have agreed to implement a restructuring for the Company (the "***Restructuring***") in accordance with, and subject to the terms and conditions set forth in, this Agreement and the restructuring term sheet attached hereto as Exhibit B (including any schedules, annexes and exhibits attached thereto, each as may be modified in accordance with the terms hereof, the "***Restructuring Term Sheet***"), which Restructuring Term Sheet is expressly incorporated herein by reference and made part of this Agreement as if fully set forth herein. The Restructuring requires pursuing, on a parallel basis, consummation of (i) a joint "pre-negotiated" chapter 11 plan of reorganization which shall be consistent with the provisions of the Restructuring Term Sheet (such plan, together with any exhibits, schedules, attachments or appendices thereto, in each case as may be amended, supplemented or otherwise modified from time to time in accordance with the terms herein and therein, the "***Plan***"), which Plan shall be in form and substance acceptable to the Company and the Holder Parties holding 55% or more in principal amount of the First Lien Claims held by the Holder Parties as of the time of such determination; provided that such Holder Parties holding 55% or more in

principal amount include at least four (4) unaffiliated Holder Parties (the "***Majority Holders***"), and provided further that with respect to any of (X) approval of any provisions of the Restructuring Documents dealing with the corporate governance of the Company from and after the effective date of the Plan or of documents relating to the corporate governance of the purchaser from and after the consummation of the 363 Sale, including but not limited to board composition, affiliate and/or related party transaction limitations/protections, voting rights, pre-emptive rights, tag-along/drag-along rights and transfer restrictions or (Y) any financing(s) or funding(s) (whether debt or equity) obtained or arranged for (in whole or in part) by the Company in the form of debtor-in-possession or similar financing(s), or by the reorganized Company or purchaser in the 363 Sale prior to, upon or in connection with the closing of a Restructuring, then in any case of (X) or (Y) the Majority Holders shall include 55% or more in principal amount of the First Lien Claims held by the Holder Parties as of the time of such determination and at least four (4) unaffiliated Holder Parties (which must also include at least three (3) unaffiliated Holder Parties who are Initial Holders), or (ii) if a Triggering Event (as defined below) has occurred and written notice thereof has been delivered by the Majority Holders in accordance with Section 13 hereof, and in the absence of an unresolved Triggering Event Dispute (as defined below), the Company shall abandon the Plan process and solely pursue a sale of substantially all of the assets of the Company (collectively, the "***Assets***") pursuant to sections 105, 363 and 365 of the Bankruptcy Code on the terms and conditions set forth in this Agreement, the sale term sheet attached hereto as Exhibit C (the "***Sale Term Sheet***"), which Sale Term Sheet is expressly incorporated herein by reference and made part of this Agreement as if fully set forth herein, and otherwise acceptable to the Company and the Majority Holders (the "***363 Sale***"), it being understood that the Parties shall, prior to such event, pursue a 363 Sale in accordance with this Agreement together with pursuing the Plan. In order to effectuate the Restructuring, the Company shall commence, in accordance with the terms of this Agreement, voluntary "pre-negotiated" cases (the "***Chapter 11 Cases***") under chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***") in the United States Bankruptcy Court for the Northern District of Alabama (the "***Bankruptcy Court***"). The documents related to or otherwise utilized to implement or effectuate the Restructuring (collectively, the "***Restructuring Documents***") shall include, among others: (i) the Plan, the related disclosure statement in form and substance acceptable to the Company and the Majority Holders (such disclosure statement, together with any exhibits, schedules, attachments or appendices thereto, in each case as may be amended, supplemented or otherwise modified from time to time in accordance with the terms herein and therein, the "***Disclosure Statement***"), and any other documents and/or agreements relating to the Plan and/or the Disclosure Statement, including (A) a motion seeking approval of the Disclosure Statement, the procedures for the solicitation of votes in connection with the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code (the "***Solicitation***"), the forms of ballots and notices and related relief (such motion, together with all exhibits, appendices, supplements, and related documents, the "***Disclosure Statement Motion***"), (B) a proposed order of the Bankruptcy Court approving the Disclosure Statement Motion (together with all exhibits, appendices, supplements and related documents, the "***Disclosure Statement Order***"), (C) a proposed order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129 (together with all exhibits, appendices, supplements and related documents, the "***Confirmation Order***") and (D) any organizational and governance documents for the reorganized Company, including without limitation, certificates of incorporation, certificate of formation or certificate of limited partnership (or equivalent organizational documents), bylaws, limited liability company agreements, identity of proposed members of the reorganized Company's board of directors, limited partnership agreements (or equivalent governing documents) and registration rights agreements (collectively, the "***Governance Documents***"); (ii) a 3-year business plan for the Company (the "***Business Plan***"); (iii) a motion seeking the assumption of this Agreement pursuant to section 365 of the Bankruptcy Code authorizing, among other things, the payment of certain fees, expenses and other amounts hereunder, and granting related relief (the "***RSA Assumption Motion***"), and an order approving the RSA Assumption Motion (the "***RSA Order***"); (iv) all documents in connection with the 363 Sale, including, without limitation, the "stalking horse" asset purchase agreement (together with any disclosure schedules, bills of sale, assumption agreements and any other exhibits,

documents or agreements attached thereto or delivered or executed in connection therewith, the "***Stalking Horse APA***") in connection with a credit bid by the First Lien Agent (on behalf of the First Lien Lenders) and the First Lien Trustee (on behalf of the First Lien Noteholders) for the purchase of the Assets; (v) a motion (the "***Sale Motion***") for entry of (X) an order (the "***Bidding Procedures Order***") (1) authorizing the Company's entry into the Stalking Horse APA, (2) approving bidding procedures to be used and bid protections to be provided in connection with the 363 Sale, (3) setting the dates for the submission of bids, the auction (if any) and the hearing on the approval of the 363 Sale and approving all notices related thereto, and (4) authorizing certain procedures related to the assumption and assignment of executory contracts and unexpired leases, and (Y) an order (the "***Sale Order***") (1) authorizing the 363 Sale, (2) authorizing the assumption and assignment of certain related executory contracts and unexpired leases, and (3) granting related relief; (vi) the Bidding Procedures Order; (vii) the Sale Order; (viii) such other definitive documentation relating to a recapitalization or restructuring of the Company as is necessary or desirable to consummate the Restructuring; (ix) any documentation relating to the use of cash collateral, including a motion seeking authority to use cash collateral and an interim order (the "***Interim Cash Collateral Order***"), in the form attached hereto as Exhibit D, and a final order (the "***Final Cash Collateral Order***" and together with the Interim Cash Collateral Order, the "***Cash Collateral Orders***"), approving same, which Cash Collateral Orders shall, without limitation, provide the Prepetition Secured Parties adequate protection for the use of their cash collateral as described in the Interim Cash Collateral Order; and (x) any other agreements, instruments, pleadings, orders and/or documents that are filed by debtors and debtors in possession in the Chapter 11 Cases (including any exhibits, amendments, modifications or supplements made from time to time thereto). Each of the Restructuring Documents shall be consistent in all respects with, and shall contain, the terms and conditions set forth in this Agreement, and shall otherwise be in form and substance acceptable to the Company and the Majority Holders; provided, however, that notwithstanding the foregoing, the Governance Documents shall be acceptable only to the Majority Holders.

2. Representations of the Holder Parties and the Company. Each of the Holder Parties, severally and not jointly, and the Company (subject to necessary Bankruptcy Court approval) hereby represents and warrants that, as of the Execution Date, the following statements are true, correct and complete:

(a) It has all requisite corporate, partnership, limited liability company or similar authority to execute this Agreement and carry out the transactions contemplated hereby and perform its obligations contemplated hereunder; and the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized by all necessary corporate, partnership, limited liability company or other similar action on its part.

(b) The execution, delivery and performance by such Party of this Agreement does not and shall not (i) violate (A) any provision of law, rule or regulation applicable to it or (B) its charter or bylaws (or other similar governing documents) or (ii) with respect to the Company only, conflict with, result in a breach of or constitute a default under (with or without notice or lapse of time or both) any contractual obligation to which it is a party or it or its assets are bound, in each case, other than any such violation, conflict, breach or default with respect to which a waiver has been obtained prior to the Execution Date and which waiver has not been subsequently revoked.

(c) This Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(d) The execution and delivery by such Party of this Agreement does not require any authorization of, filing with, registration of or before, consent from, approval of or other action by or notice to any federal, state or other governmental authority or regulatory body, in each case, other than any such authorization, filing, registration, consent, approval, action or notice which has been obtained, provided, or otherwise satisfied prior to the Execution Date and which authorization, filing, registration, consent, approval, action, or notice has not been subsequently revoked.

(e) If such Party is a Holder Party, such Holder Party (i) either (A) is the sole legal and beneficial owner of (1) the First Lien Lender Claims, (2) the First Lien Noteholder Claims, (3) the claims of the holders of those certain 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes (the "***Second Lien Noteholders***") issued by Walter pursuant to that certain Indenture for 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes due 2019 dated as of March 27, 2014 (the "***Second Lien Indenture***") among Wilmington Trust, as trustee and collateral agent (the "***Second Lien Trustee***"), Walter, as issuer, and certain subsidiaries of Walter, as guarantors, (the "***Second Lien Claims***"), (4) the claims of the holders of those certain 9.875% Senior Notes issued by Walter pursuant to that certain Indenture for 9.875% Senior Notes due 2020 dated as of November 21, 2012 among Union Bank, N.A. ("***Union Bank***"), as trustee, and certain subsidiaries of Walter party thereto (the "***9.875% Unsecured Claims***"), and/or (5) the claims of the holders of those certain 8.50% Senior Notes issued by Walter pursuant to that certain Indenture for 8.50% Senior Notes due 2021 dated as of March 27, 2013 (the "***Unsecured Indenture***" and, together with the First Lien Credit Facility, the First Lien Indenture and the Second Lien Indenture, the "***Debt Documents***") among Union Bank, as trustee, and certain subsidiaries of Walter party thereto (together with the 9.875% Unsecured Claims, the "***Unsecured Claims***"), set forth below its name on the signature page hereof (or the Joinder (as defined below)), in each case, free and clear of any and all claims, liens and encumbrances (other than those imposed by securities laws applicable to unregistered securities), or (B) has sole investment and voting discretion with respect to such First Lien Claims, Second Lien Claims and/or Unsecured Claims in respect to matters relating to the Restructuring contemplated by this Agreement and has the power and authority to bind the beneficial owner(s) of such First Lien Claims, Second Lien Claims and/or Unsecured Claims to the terms of this Agreement and (ii) has full power and authority to act on behalf of, vote and consent to matters concerning such First Lien Claims, Second Lien Claims and/or Unsecured Claims in respect to matters relating to the Restructuring contemplated by this Agreement and dispose of, convert, assign and transfer such First Lien Claims, Second Lien Claims and/or Unsecured Claims (with respect to each Holder Party, all of such First Lien Lender Claims, First Lien Noteholder Claims, Second Lien Claims and/or Unsecured Claims under clauses (A) and (B) and any additional First Lien Lender Claims, First Lien Noteholder Claims, Second Lien Claims and/or Unsecured Claims it owns, has such control over from time to time, or acquires after the Execution Date, collectively, its "***Participating Claims***"). Further, such Holder Party has made no prior written assignment, sale, participation, grant, conveyance, or other transfer of, and has not entered into any other written agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interests in such Participating Claims that are subject to this Agreement, the terms of which written agreement are, as of the date hereof, inconsistent with the representations and warranties of such Holder Party herein or would render such Holder Party otherwise unable to comply with this Agreement and perform its obligations hereunder.

(f) If such party is a Holder Party, such Holder Party (i) has such knowledge and experience in financial and business matters of this type that it is capable of evaluating the merits and risks of entering into this Agreement and of making an informed investment decision, and has conducted an independent review and analysis of the business and affairs of the Company that it considers sufficient and reasonable for purposes of entering into this Agreement and (ii) is an "accredited investor" (as defined by Rule 501 of the Securities Act of 1933, as amended).

3. Agreements of the Holder Parties

(a) From the Execution Date until the date that is the earlier of (i) the effective date of the Plan, (ii) the consummation of the 363 Sale and (iii) the termination of this Agreement pursuant to Section 6 (such date, the "***End Date***") and subject to the terms and conditions hereof and except as the Company and the Majority Holders may expressly release a Holder Party in writing from any of the following obligations, each Holder Party:

(i) hereby agrees, prior to the occurrence of a Triggering Event, not to propose, file, support or vote for any restructuring, refinancing, workout, plan of arrangement, plan of reorganization or other recapitalization transaction for the Company other than the Restructuring;

(ii) hereby agrees, prior to the occurrence of a Triggering Event, to vote (when solicited to do so after receipt of a Disclosure Statement approved by the Bankruptcy Court and by the applicable deadline for doing so) its Participating Claims in favor of the Plan and not to change or withdraw such votes;

(iii) shall not, prior to the occurrence of a Triggering Event, object to, or vote any of such Participating Claims to reject or impede, the Plan, support directly or indirectly any such objection or impediment or otherwise take any action or commence any proceeding to delay, impede, interfere or oppose, or to seek any modification of the Plan or any Restructuring Documents;

(iv) shall not, except to the extent expressly contemplated under this Agreement, including, without limitation, by the Cash Collateral Orders, direct the First Lien Agent, the First Lien Trustee, the Second Lien Trustee, or the Collateral Agents to exercise any right or remedy for the enforcement, collection, or recovery of any of the Participating Claims, and any other claims against, or interests in, the Company;

(v) hereby agrees to support the Sale Motion, entry into the Stalking Horse APA, and to instruct the First Lien Agent and the First Lien Trustee, as applicable, in connection with the applicable credit bid for the Assets in connection with the 363 Sale; and

(vi) without limiting the consent, approval or other rights contained herein, hereby agrees, in its capacity as a holder of Participating Claims, to (A) (1) support and complete the Restructuring and all other actions contemplated in connection therewith and under the Restructuring Documents and (2) exercise any and all necessary and appropriate rights in its capacity as a holder of Participating Claims in furtherance of the Restructuring and the Restructuring Documents, and (3) use reasonable best efforts to obtain any and all governmental, regulatory, and/or third-party approvals (including, as applicable, Bankruptcy Court approvals) required for the Restructuring, if any, (B) use reasonable best efforts to cause the milestones set forth in Section 6 to be satisfied so as

to not allow a Support Termination Event (as defined below) to occur (provided that such obligation shall continue after a Triggering Event with respect to milestones related to the 363 Sale), and (C) not take any actions, or fail to take any actions, where such taking or failing to take actions would be, in either case, (i) inconsistent with this Agreement or the Restructuring Documents or (ii) otherwise inconsistent with, or reasonably expected to prevent, interfere with, delay or impede the implementation or consummation of, the Restructuring.

Notwithstanding the foregoing, nothing in this Section 3(a) shall require any Holder Party to (A) incur any expenses, liabilities or other obligations, or agree to any commitments, undertakings, concessions, indemnities or other arrangements that could result in expenses, liabilities or other obligations to any Holder Party or (B) provide any information that it determines, in its discretion, to be sensitive or confidential.

(b) The Parties agree that this Agreement does not constitute a commitment to, nor shall it obligate any of the Parties to, provide any new financing or credit support.

(c) Subject to Section 3(f), each Holder Party agrees that, from the Execution Date until the End Date, it shall not sell, assign, grant, transfer, convey, hypothecate or otherwise dispose of any Participating Claims, or any option thereon or any right or interest (voting or otherwise) in any or all of its Participating Claims, except to a party that (i) is a Holder Party; provided, however, that any such Participating Claims shall automatically be deemed to be subject to the terms of this Agreement, or (ii) executes and delivers a Joinder (as defined below) to Akin Gump Strauss Hauer & Feld LLP ("***Akin Gump***") and the Company prior to the relevant sale, assignment, grant, transfer, conveyance, hypothecation or other disposition. With respect to any transfers effectuated in accordance with clause (ii) above, (A) such transferee shall be deemed to be a Holder Party for purposes of this Agreement, subject to Section 3(e), and (B) the Company shall be deemed to have acknowledged such transfer.

(d) This Agreement shall in no way be construed to preclude any Holder Party from acquiring additional Participating Claims; provided, however, that any such additional Participating Claims shall automatically be deemed to be subject to all of the terms of this Agreement and each such Holder Party agrees that such additional Participating Claims shall be subject to this Agreement. Each Holder Party agrees to provide to Akin Gump and the Company notice in accordance with Section 13 hereof of the acquisition of any additional Participating Claims within three (3) business days of the consummation of the transaction acquiring such additional Participating Claims.

(e) Any person that receives or acquires a portion of the Participating Claims pursuant to a sale, assignment, grant, transfer, conveyance, hypothecation or other disposition of such Participating Claims by a Holder Party hereby agrees to be bound by all of the terms of this Agreement (as such terms may be amended from time to time in accordance with the terms hereof) (any such person, together with each holder of Participating Claims that becomes a Holder Party pursuant to Section 19, each a "***Joining Party***") by executing and delivering to Akin Gump and the Company a joinder in the form attached hereto as Exhibit E (the "***Joinder***"). The Joining Party shall thereafter be deemed to be a "Holder Party" and a party for all purposes under this Agreement and all of the First Lien Claims, Second Lien Claims and Unsecured Claims then held by such Joining Party shall be deemed Participating Claims hereunder, and such Joining Party shall have the consent or approval rights of, and be deemed to be, a Holder Party for all purposes under this Agreement. Each Joining Party shall indicate, on the appropriate schedule annexed to its Joinder, the number and amount of First Lien Lender Claims, First Lien

Noteholder Claims, Second Lien Claims and/or Unsecured Claims held by such Joining Party. With respect to the Participating Claims held by the Joining Party upon consummation of the sale, assignment, grant, transfer, conveyance, hypothecation or other disposition of such Participating Claims, the Joining Party hereby makes the representations and warranties of the Holder Parties set forth in Section 2 to the other Parties.

(f) Notwithstanding anything herein to the contrary, (i) any Holder Party may transfer any of its Participating Claims to an entity that is acting in its capacity as a Qualified Marketmaker (as defined below) without the requirement that the Qualified Marketmaker be or become a Holder Party; provided, however, that the Qualified Marketmaker subsequently transfers all right, title and interest in such Participating Claims to a transferee that is or becomes a Holder Party as provided above, and the transfer documentation between the transferring Holder Party and such Qualified Marketmaker shall contain a requirement that provides as such; and (ii) to the extent any Holder Party is acting in its capacity as a Qualified Marketmaker, it may transfer any Participating Claims that it acquires from a holder of such Participating Claims that is not a Holder Party without the requirement that the transferee be or become a Holder Party. Notwithstanding the foregoing, if, at the time of the proposed transfer of such Participating Claims to the Qualified Marketmaker, such Participating Claims (x) may be voted on (1) the Plan or (2) any dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors, merger, transaction, consolidation, business combination, joint venture, partnership, sale of assets, financing (debt or equity), recapitalization, restructuring or similar transaction involving the Company, other than the Plan or the 363 Sale (an "***Alternative Transaction***"), the proposed transferor Holder Party must first vote such Participating Claims in accordance with the requirements of Section 3(a), or (y) have not yet been and may not yet be voted on the Plan or any Alternative Transaction and such Qualified Marketmaker does not transfer such Participating Claims to a subsequent transferee prior to the third (3rd) business day prior to the expiration of the voting deadline (such date, the "***Qualified Marketmaker Joinder Date***"), such Qualified Marketmaker shall be required to (and the transfer documentation to the Qualified Marketmaker shall have provided that it shall), on the first business day immediately following the Qualified Marketmaker Joinder Date, become a Holder Party with respect to such Participating Claims in accordance with the terms hereof (provided that the Qualified Marketmaker shall automatically, and without further notice or action, no longer be a Holder Party with respect to such Participating Claims at such time that the transferee of such Participating Claims becomes a Holder Party with respect to such Participating Claims). For these purposes, "***Qualified Marketmaker***" means an entity that (X) holds itself out to the market as standing ready in the ordinary course of business to purchase from and sell to customers Participating Claims, or enter with customers into long and/or short positions in First Lien Claims, Second Lien Claims or Unsecured Claims, in its capacity as a dealer or market maker in such First Lien Claims, Second Lien Claims or Unsecured Claims, and (Y) is in fact regularly in the business of making a market in claims, interests and/or securities of issuers or borrowers.

4. Agreements, Representations and Warranties of the Company

(a) Subject to the terms and conditions hereof and except as the Majority Holders may expressly release the Company in writing from any of the following obligations (which release may be withheld, conditioned or delayed by the Majority Holders):

(i) From the Execution Date until the End Date, the Company agrees (A) to prepare or cause to be prepared the Restructuring Documents (including, without limitation, all relevant motions, applications, orders, agreements and other documents), each of which, for the avoidance of doubt, shall contain terms and conditions consistent

with this Agreement and shall otherwise be in form and substance acceptable to the Company and the Majority Holders, except for the Governance Documents, which shall be acceptable only to the Majority Holders, (B) to provide draft copies of the Restructuring Documents, any documents filed in connection with recognition or other proceedings, if any, filed in Canada (the "***Canadian Proceedings***"), and all other pleadings and documents the Company intends to file with the Bankruptcy Court, in each case, to Akin Gump as soon as reasonably practicable, but in no event less than two (2) business days before such documents are to be filed with the Bankruptcy Court; provided that each such pleading or document shall be consistent in all respects with, and shall otherwise contain, the terms and conditions set forth in this Agreement and such other terms and conditions as are acceptable to the Company and the Majority Holders; and (C) without limiting any approval rights set forth herein, consult in good faith with Akin Gump regarding the form and substance of any of the foregoing documents in advance of the filing, execution, distribution or use (as applicable) thereof.

(ii) Without limiting the consent, approval or other rights contained herein, the Company agrees to (A) (1) support and complete the Restructuring and all other actions contemplated in connection therewith and under the Restructuring Documents, (2) take any and all necessary and appropriate actions in furtherance of the Restructuring and the Restructuring Documents and (3) use reasonable best efforts to obtain any and all governmental, regulatory, and/or third-party approvals (including, as applicable, Bankruptcy Court approvals) required for the Restructuring, if any, (B) use reasonable best efforts to cause the milestones set forth in Section 6 to be satisfied so as to not allow a Support Termination Event to occur (provided that such obligation shall continue after a Triggering Event with respect to milestones related to the 363 Sale), and (C) not take any actions, or fail to take any actions, where such taking or failing to take actions would be, in either case, (i) inconsistent with this Agreement or the Restructuring Documents or (ii) otherwise inconsistent with, or reasonably expected to prevent, interfere with, delay or impede the implementation or consummation of, the Restructuring.

(iii) Unless pursuant to a Fiduciary Action as set forth in Section 24 hereof, the Company shall (A) cease and cause to be terminated any ongoing solicitation, discussions and negotiations with respect to any Alternative Transaction, (B) not, directly or indirectly, seek, solicit, negotiate, support, engage in or initiate discussions relating to, or enter into any agreements relating to, any Alternative Transaction, and (C) not solicit or direct any person or entity, including any of their representatives or members of the Company's board of directors (or equivalent) or any direct or indirect holders of existing equity securities of the Company, to undertake any of the foregoing; provided, however, that the Company's activities to pursue the 363 Sale are not a breach of this Section 4(a)(iii).

(iv) The Company agrees to timely file a formal objection to any motion filed with the Bankruptcy Court by any Person seeking the entry of an order (A) directing the appointment of an examiner or a trustee, (B) converting any Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code other than as contemplated by the Plan and the Restructuring or (C) dismissing any of the Chapter 11 Cases. For purposes of this Section 4(a), "***Person***" shall mean an individual, a partnership, a joint venture, a limited liability company, a corporation, a trust, an unincorporated organization, a group, a governmental or regulatory authority, or any legal entity or association.

(v) The Company agrees to timely file a formal written response in opposition to or take all appropriate actions to oppose (if circumstances do not allow for the filing of a formal written response) any objection filed with the Bankruptcy Court by any Person with respect to the entry of the Interim Cash Collateral Order and/or the Final Cash Collateral Order.

(vi) The Company agrees not to enter into any settlement, compromise or agreement with any authorized representative of retirees or employees or a retiree committee, unless such settlement, compromise or agreement is in form and substance acceptable to the Company and the Majority Holders.

(vii) The Company shall use reasonable best efforts to obtain entry of the RSA Order, which order shall include a waiver or modification of the automatic stay to provide any notices contemplated by and in accordance with this Agreement, by the Bankruptcy Court as soon as practicable after July 15, 2015 (the "***Petition Date***"), but in no event later than 60 calendar days after the Petition Date (which RSA Order, for avoidance of doubt, shall be in form and substance acceptable to the Company and the Majority Holders).

(viii) Within a reasonable period of time prior to taking any steps towards commencing a sale, marketing, restructuring or similar process with respect to the direct or indirect subsidiaries of Walter that are formed, incorporated or otherwise domiciled in Canada (collectively, the "***Canadian Entities***"), Walter shall cause to be appointed to the board of Walter Energy Canada Holdings, Inc. an independent director mutually agreeable to the Company and the Majority Holders (and, upon the request of such independent director, Walter shall cause such independent director to be appointed to the board of any other Canadian Entity so requested).

(ix) The Company agrees to timely file a formal written response in opposition to, and defend against, any objection filed with the Bankruptcy Court by any Person with respect to the Sale Motion, the Bidding Procedures Order, the Sale Order, and any related agreements and/or documents.

(b) Regardless of whether the Restructuring is consummated, the Company shall promptly pay in cash all documented fees, costs and expenses of (i) Akin Gump, as lead counsel, Burr Forman LLP ("***Burr Forman***"), as Alabama counsel, Cassels Brock & Blackwell LLP ("***Cassels***"), as Canadian counsel, and Lazard Frères & Co. LLC, as financial advisor, to the Holder Parties ("***Lazard***" and together with Akin Gump, Burr Forman and Cassels, the "***Holder Parties' Advisors***") and (ii) any consultants or other advisors retained by the Holder Parties collectively (and not individually) (the parties described in this section 4(b)(ii) collectively, the "***Consultants***") in connection with the Restructuring; provided that the Holder Parties shall provide notice to the Company in accordance with Section 13 hereof prior to retaining any such Consultants, in each case, in accordance with engagement letters (if any) of such professional (including the Restructuring Fee as defined in Lazard's engagement letter), and in each case, without further order of, or application to, the Bankruptcy Court or notice to any party other than as provided in the Cash Collateral Order; provided further that no success fees shall be payable to any Consultant. In addition, regardless of whether the Restructuring is consummated, the Company shall promptly reimburse each Holder Party in cash for all documented out-of-pocket costs or expenses (without limiting the Company's obligations pursuant to the previous sentence, which out-of-pocket costs or expenses shall not include any professional or advisor fees of such Holder Party) incurred by such Holder Party in connection with this Agreement or the

Restructuring. Simultaneously with the execution of this Agreement, the Company shall pay or reimburse, as applicable, all fees, costs and expenses of the Holder Parties or the Holder Parties' Advisors incurred at any time prior to the Execution Date and described in the previous two sentences.

(c) From the Execution Date until the End Date, the Company shall (i) operate the business of the Company and its direct and indirect subsidiaries in the ordinary course in a manner that is consistent with this Agreement, the Business Plan, past practices, and use commercially reasonable efforts to preserve intact the Company's business organization and relationships with third parties (including lessors, licensors, suppliers, distributors and customers) and employees, (ii) keep the Holder Parties reasonably informed about the operations of the Company and its direct and indirect subsidiaries, (iii) subject to applicable non-disclosure agreements and the terms thereof, provide the Holder Parties any information reasonably requested regarding the Company or any of its direct and indirect subsidiaries and provide, and direct the Company's employees, officers, advisors and other representatives to provide, to Akin Gump and Lazard, (A) reasonable access during normal business hours to the Company's books, records and facilities, subject to reasonable safety precautions, and (B) reasonable access to the management and advisors of the Company for the purposes of evaluating the Company's assets, liabilities, operations, businesses, finances, strategies, prospects and affairs, (iv) promptly notify the Holder Parties of any governmental or third party complaints, litigations, investigations or hearings (or communications indicating that the same may be contemplated or threatened) and (v) use commercially reasonable efforts to obtain any and all required governmental, regulatory and/or third party approvals necessary or required for the implementation or consummation of the Restructuring (including the Bankruptcy Court's approval of the relevant Restructuring Documents).

5. 363 Sale Triggering Events. Upon the Majority Holders' giving of written notice of the occurrence of a Triggering Event (as defined below) to the Company in accordance with Section 13 hereof, and in the absence of an unresolved Triggering Event Dispute (as defined below), notwithstanding anything to the contrary herein or in the Restructuring Documents, the Company shall cease pursuing and shall withdraw the Plan (and the Holder Parties shall no longer have any obligation to support the Plan) and instead exclusively use its best efforts to pursue and consummate the 363 Sale if any one or more of the following events occurs (each, a "***Triggering Event***"):

(a) at 5:00 p.m. prevailing Central Time on July 15, 2015, unless the Company shall have filed a motion seeking the appointment of a retiree committee under section 1114 of the Bankruptcy Code (the "***1114 Retiree Committee Appointment Motion***"), which motion shall be in form and substance acceptable to the Company and the Majority Holders;

(b) (i) at 5:00 p.m. prevailing Central Time on August 12, 2015, unless the Company shall have made a proposal under sections 1113 and 1114 of the Bankruptcy Code to the United Mine Workers of America ("***UMWA***") or (ii) at 5:00 p.m. prevailing Central Time on August 26, 2015, unless the Company shall have made a proposal under sections 1113 and 1114 of the Bankruptcy Code to the United Steelworkers ("***USW***"), in each case, in form and substance acceptable to the Majority Holders;

(c) at 5:00 p.m. prevailing Central Time on August 12, 2015, unless the hearing on the 1114 Retiree Committee Appointment Motion shall have commenced in the Bankruptcy Court;

(d) at 5:00 p.m. prevailing Central Time on August 26, 2015, unless the Company shall have filed the Plan (except the Plan supplements) and Disclosure Statement (except exhibits), each consistent with the Restructuring Term Sheet and in form and substance acceptable to the Company and the Majority Holders, with the Bankruptcy Court;

(e) at 5:00 p.m. prevailing Central Time on October 21, 2015, unless the Company shall have filed with the Bankruptcy Court the exhibits to the Disclosure Statement, including projections for the time period to be set forth in the Business Plan, in form and substance acceptable to the Company and the Majority Holders;

(f) at 5:00 p.m. prevailing Central Time on October 28, 2015, unless the Bankruptcy Court shall have entered the Disclosure Statement Order in form and substance acceptable to the Company and the Majority Holders;

(g) at 5:00 p.m. prevailing Central Time on October 21, 2015 unless (i) a motion seeking approval of the Bankruptcy Court of an agreement between the Pension Benefit Guaranty Corporation (the "***PBGC***") and the Company pursuant to which the Company's qualified single employer defined benefit pension plans will be terminated, which agreement shall be in form and substance acceptable to the Majority Holders, shall have been filed with the Bankruptcy Court, or motions to terminate the Company's qualified single employer defined benefit pension plans have been filed by the Company with the Bankruptcy Court and (ii) motions to terminate the Company's excess and supplemental non-qualified pension plans, in each case in form and substance acceptable to the Majority Holders, have been filed by the Company with the Bankruptcy Court;

(h) at 5:00 p.m. prevailing Central Time on October 21, 2015, unless (i) motion(s) seeking the approval of the Bankruptcy Court of settlement(s) with respect to the collective bargaining agreement(s) (the "***Collective Bargaining Agreement(s)***") entered into with the authorized representative(s) of the respective UMWA and/or USW employees in form and substance acceptable to the Company and the Majority Holders (each, a "***Labor Settlement***") shall have been filed or (ii) if no such motion(s) shall have been filed with the Bankruptcy Court with respect to any such Labor Settlement(s), a motion(s) under section 1113 of the Bankruptcy Code (including a motion filed pursuant to section 1113(c) of the Bankruptcy Code (an "***1113 Motion***") seeking the rejection of certain Collective Bargaining Agreement(s) of the Company with the UMWA and the USW), in each case in form and substance acceptable to the Company and the Majority Holders and which can be combined with the motions required under Section 5(i) below, shall have been filed by the Company with the Bankruptcy Court**;**

(i) at 5:00 p.m. prevailing Central Time on October 21, 2015, unless (i) a motion seeking the approval of the Bankruptcy Court of the settlement(s) with respect to a Retiree Group (as defined below) entered into with the applicable authorized representative of the respective retirees or the retiree committee, each in form and substance acceptable to the Company and the Majority Holders (a "***Retiree Settlement***") shall have been filed or (ii) if no such motion shall have been filed with the Bankruptcy Court with respect to any such Retiree Settlement, motions under section 1114 of the Bankruptcy Code, in each case in form and substance acceptable to the Company and the Majority Holders and which can be combined with the motions required under Section 5(h) above, shall have been filed by the Company with the Bankruptcy Court with respect to "retiree benefits" (as defined in section 1114 of the Bankruptcy Code) affecting the Company being received by UMWA retirees, United Steelworkers retirees, and non-union retirees (each, a "***Retiree Group***");

(j) at 5:00 p.m. prevailing Central Time on November 4, 2015, unless the Company shall have commenced the Solicitation;

(k) at 5:00 p.m. prevailing Central Time on November 11, 2015, unless (i) the hearings with respect to the motions filed pursuant to Section 5(h) and Section 5(i) above shall have commenced in the Bankruptcy Court or (ii) if no such hearings shall have commenced with respect to such motions, the Bankruptcy Court shall have approved a Labor Settlement or Retiree Settlement, as applicable;

(l) at 5:00 p.m. prevailing Central Time on December 9, 2015, unless the Bankruptcy Court shall have (i) entered an order approving each of the motions filed pursuant to Section 5(h) and Section 5(i) above and granting relief acceptable to the Company and to the Majority Holders or (ii) if no such order shall have been entered with respect to any such motions, the Bankruptcy Court shall have approved a Labor Settlement or Retiree Settlement, as applicable;

(m) at 5:00 p.m. prevailing Central Time on the date that is 21 days after the date on which the orders described in clause (i) of Section 5(l) above are entered by the Bankruptcy Court, unless the Company shall have (i) implemented the relief granted by the Bankruptcy Court in such order or (ii) entered into a settlement with the applicable parties with respect to any Collective Bargaining Agreement or with the applicable Retiree Group, as applicable, which settlement is approved by the Bankruptcy Court and is in form and substance acceptable to the Company and the Majority Holders;

(n) the occurrence of a strike, work slowdown or other concerted labor activity that lasts for more than three (3) days and reduces production by over 100,000 tonnes, as measured against the Company's mining plan;

(o) if, as of the effective date of the Plan, the aggregate amount of all allowed or projected Administrative and Priority Claims (as defined herein) exceeds $10.0 million, which projections the Company, in consultation with the Holder Parties' Advisors, shall reasonably formulate in advance of the confirmation hearing in connection with the Plan. For purposes hereof, "***Administrative and Priority Claims***" means any non-ordinary course administrative expense claims and non-ordinary course priority tax claims. For the avoidance of doubt, Administrative and Priority Claims do not include any claims for fees and expenses of any professional, claims arising under sections 503(b)(9) or 507(b) of the Bankruptcy Code, post-petition operating expenses, severance obligations and payments, ordinary course administrative and priority tax claims, cure amounts related to assumed executory contracts, reclamation and environmental obligations, Coal Act and Black Lung obligations, and employee and retiree benefit obligations accrued in the ordinary course of business prior to implementing relief under sections 1113 and 1114 of the Bankruptcy Code;

(p) at 5:00 p.m. prevailing Central Time on January 13, 2016, unless the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Company and the Majority Holders; or

(q) at 5:00 p.m. prevailing Central Time on February 3, 2016, unless there shall have occurred a substantial consummation (as defined in section 1101 of the Bankruptcy Code) of the Plan.

If the Company disputes, in writing, the occurrence of a Triggering Event within one business day of receiving notice thereof (a "***Triggering Event Dispute***") and the Company and the Majority Holders are not able to resolve the Triggering Event Dispute within one (1) business day thereafter, the Company may seek an expedited determination from the Bankruptcy Court regarding whether a Triggering Event has occurred; provided that if no determination by the Bankruptcy Court occurs within five (5) business days from the date on which the Majority Holders provide written notice to the Company in accordance with Section 13 hereof that a Triggering Event has occurred, then the Triggering Event shall have occurred for purposes of this Agreement and there shall be no Triggering Event Dispute. In any hearing regarding a Triggering Event Dispute, the only issue that may be raised by the Company, the Majority Holders or any other party shall be whether, in fact, a Triggering Event has occurred.

6. Termination of Obligations. Following written notice to the Company or the Holder Parties, as applicable, in accordance with Section 13 hereof, this Agreement may be terminated as follows and, except as otherwise provided herein, all obligations of the Parties shall immediately terminate and be of no further force and effect upon such termination (each such termination event, a "***Support Termination Event***"):

(a) by the mutual written consent of the Company and the Majority Holders;

(b) by the Majority Holders upon (x) a breach (other than an immaterial breach) by the Company of any of the undertakings, representations, warranties or covenants of the Company set forth in this Agreement, including the Company's obligations under Section 4, or (y) the failure by the Company to act in a manner materially consistent with this Agreement, which breach or failure to act remains uncured for a period of three (3) business days after the receipt of written notice in accordance with Section 13 hereof of such breach from the Majority Holders;

(c) by the Company upon a breach (other than an immaterial breach) by the Holder Parties of any of the undertakings, representations, warranties or covenants of the Holder Parties set forth in this Agreement, which breach remains uncured for a period of three (3) business days after the receipt of written notice in accordance with Section 13 hereof of such breach from the Company;

(d) (i) by the Majority Holders, in the event a Fiduciary Action occurs (whether or not notice of such is provided) or (ii) by the Company, if the Company so elects, in connection with a Fiduciary Action upon two (2) business days prior written notice to the Majority Holders in accordance with Section 13 hereof ;

(e) by the Majority Holders upon the occurrence of any of the following events, unless such event is waived or the applicable deadline is extended by the Majority Holders in writing (which waiver or extension may be withheld, conditioned or delayed by the Majority Holders):

(i) at 5:00 p.m. prevailing Central Time on July 15, 2015, unless the Company shall have commenced the Chapter 11 Cases;

(ii) on or prior to July 15, 2015 and concurrently with the filing of the Chapter 11 Cases, unless the Company shall have filed a Cleansing Document (as defined in the applicable confidentiality agreements by and between Walter and certain of the Holder Parties), as required by such confidentiality agreements;

(iii) at 5:00 p.m. prevailing Central Time on September 9, 2015, unless the Company shall have filed with the Bankruptcy Court the Sale Motion;

(iv) at 5:00 p.m. prevailing Central Time on September 30, 2015, unless the Bankruptcy Court shall have entered the Bidding Procedures Order in form and substance acceptable to the Company and the Majority Holders;

(v) at 5:00 p.m. prevailing Central Time on February 3, 2016, unless the Bankruptcy Court shall have entered a Confirmation Order in form and substance acceptable to the Company and the Majority Holders that has become a Final Order; provided that the foregoing shall not constitute a "Support Termination Event" if prior to such time the Bankruptcy Court shall have entered the Sale Order in form and substance acceptable to the Company and the Majority Holders, which Sale Order provides that the successor clause contained in the Collective Bargaining Agreements between the Company and the UMWA is not enforceable against the purchaser of assets pursuant to the 363 Sale (or the Bankruptcy Court otherwise grants relief to the Company under section 1113 of the Bankruptcy Code and the Company implements such relief which eliminates the successor clause contained in the Collective Bargaining Agreements between the Company and the UMWA). "***Final Order***" means an order or judgment of the Bankruptcy Court (or any other court of competent jurisdiction) entered by the Clerk of the Bankruptcy Court (or such other court) on the docket in the Chapter 11 Cases (or the docket of such other court), which has not been modified, amended, reversed, vacated or stayed and as to which (A) the time to appeal, petition for certiorari, or move for a new trial, stay, reargument or rehearing has expired and as to which no appeal, petition for certiorari or motion for new trial, stay, reargument or rehearing shall then be pending or (B) if an appeal, writ of certiorari, new trial, stay, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court (or other court of competent jurisdiction) shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, stay, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for a new trial, stay, reargument or rehearing shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Federal Rules of Bankruptcy Procedure; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Federal Rules of Bankruptcy Procedure, may be filed relating to such order, shall not cause an order not to be a Final Order;

(vi) at 5:00 p.m. prevailing Central Time on February 3, 2016, unless (A) there shall have occurred a substantial consummation (as defined in section 1101 of the Bankruptcy Code) of the Plan or (B) a consummation of the 363 Sale;

(vii) if the Company fails to obtain entry of the Interim Cash Collateral Order and the Final Cash Collateral Order within 5 and 45 calendar days, respectively, after the Petition Date, which Cash Collateral Orders, for the avoidance of doubt, shall be in form and substance acceptable to the Company and the Majority Holders, and shall provide as adequate protection, among other things, cash interest payments to Holder Parties on account of First Lien Claims in an amount equal to 80% of the contractual non-default rate on the First Lien Claims and payment of fees and expenses of the Holder Parties' Advisors and certain other parties in accordance with the terms of the Cash Collateral Orders;

(viii) if the Company fails to obtain entry of an RSA Order within 60 days after the Petition Date, which order shall include a waiver or modification of the automatic stay to provide any notices contemplated by and in accordance with this Agreement;

(ix) upon the filing by the Company of any motion or other request for relief seeking to (A) dismiss any of the Chapter 11 Cases, (B) convert any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code other than as contemplated by the Restructuring, or (C) appoint a trustee or an examiner pursuant to section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases;

(x) upon the entry of an order by the Bankruptcy Court (A) dismissing any of the Chapter 11 Cases, (B) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code other than as contemplated by the Restructuring, (C) appointing a trustee or an examiner pursuant to section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases, (D) terminating exclusivity under section 1121 of the Bankruptcy Code, (E) making a finding of fraud, dishonesty or misconduct by any executive, officer or director of the Company, regarding or relating to the Company, or (F) vacating, amending, terminating, extending or modifying the Cash Collateral Orders without the consent of the Majority Holders;

(xi) upon the Company's withdrawal, waiver, amendment or modification, or the filing of (or announced intention to file) a pleading seeking to withdraw, waive, amend or modify, any term or condition of any of the Restructuring Documents or any documents related thereto, including motions, notices, exhibits, appendices and orders, in a manner not acceptable in form and substance to the Majority Holders;

(xii) the Company files, proposes or otherwise supports any plan of liquidation, asset sale of all or substantially all of the Company's assets or plan of reorganization other than the Restructuring;

(xiii) an order is entered by the Bankruptcy Court granting relief from the automatic stay to the holder or holders of any security interest to permit foreclosure (or the granting of a deed in lieu of foreclosure on the same) on any of the Company's assets (other than in respect of insurance proceeds or with respect to assets having a fair market value of less than $1,000,000 in the aggregate);

(xiv) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction (including the Bankruptcy Court), of any ruling or order denying any requisite approval of, delaying, impeding or enjoining the confirmation or consummation of the Plan, the 363 Sale or any other aspect of the Restructuring;

(xv) the Company experiences any circumstance, change, effect, event, occurrence, state of facts or development, either alone or in combination that has had, or is reasonably likely to have a material adverse effect on the financial condition, business, assets, prospects or operations of the Company taken as a whole;

(xvi) a failure by the Company to pay the fees and expenses set forth in Section 4(b) of this Agreement;

(xvii) the entry of an order by any court of competent jurisdiction invalidating, disallowing, subordinating, or limiting, in any respect, as applicable, the enforceability, priority, or validity of the claims and liens of the First Lien Lenders under the First Lien Credit Facility or the claims and liens of the First Lien Noteholders under the First Lien Indenture as stipulated to by the Company in the Interim Cash Collateral Order, if such claims and liens have a fair market value in excess of $1,000,000 in the aggregate, without the written consent of the Majority Holders;

(xviii) the entry of an order by any court of competent jurisdiction granting the relief sought in an involuntary proceeding against the Company seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief in respect of the Company or the Company's debts, or of a substantial part of the Company's assets, under any federal, state or foreign bankruptcy, insolvency, administrative, receivership or similar law now or hereafter in effect (provided that such involuntary proceeding is not dismissed within a period of thirty (30) days after the filing thereof);

(xix) except in each case with respect to the Restructuring, if the Company (A) voluntarily commences any case or files any petition seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, administrative receivership or similar law now or hereafter in effect, except as provided for in this Agreement, (B) consents to the institution of, or fails to contest in a timely and appropriate manner, any involuntary proceeding or petition described above, (C) applies for or consents to the appointment of a receiver, administrator, administrative receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of the Company's assets, (D) files an answer admitting the material allegations of a petition filed against it in any such proceeding, (E) makes a general assignment or arrangement for the benefit of creditors or (F) takes any corporate action for the purpose of authorizing any of the foregoing;

(xx) a "Termination Event" under and as defined in the Cash Collateral Orders has occurred;

(xxi) unless otherwise agreed to in writing by the Majority Holders, the Canadian Entities (A) incur any new secured debt or any unsecured debt outside of the ordinary course of business (other than as it relates to the Permitted Non-Debtor Affiliate Payments (as such term is defined in the Interim Cash Collateral Order)) or (B) commence, or become subject to, any restructuring or insolvency proceeding in any jurisdiction; or

(xxii) unless otherwise agreed to in writing by the Majority Holders, commencement of a sale process or other actions in furtherance of a disposition of any material assets of the Canadian Entities.

Upon the termination of this Agreement pursuant to this Section 6, this Agreement shall forthwith become void and of no further force or effect, each Party shall be released from its commitments, undertakings and agreements under or related to this Agreement, and there shall be no liability or obligation on the part of any Party; provided, however, that in no event shall any such termination relieve a Party from (i) liability for its breach or non-performance of its obligations hereunder prior to the date of such termination, notwithstanding any termination of

this Agreement by any other Party, and (ii) obligations under this Agreement which expressly survive any such termination pursuant to Section 16; provided further, however, that notwithstanding anything to the contrary herein, (i) the right to terminate this Agreement under this Section 6 shall not be available to any Party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the occurrence of a Support Termination Event and (ii) any Support Termination Event may be waived only in accordance with this Agreement and the procedures established by Section 9, in which case the Support Termination Event so waived shall be deemed not to have occurred, this Agreement shall be deemed to continue in full force and effect, and the rights and obligations of the Parties shall be restored, subject to any modification set forth in such waiver. Upon termination of this Agreement, any and all consents, agreements, undertakings, tenders, waivers, forbearances and votes delivered by a Holder Party prior to such termination shall be deemed, for all purposes, to be null and void *ab initio* and shall not be considered or otherwise used in any manner by the Company or any other party. For the avoidance of doubt, the automatic stay arising pursuant to section 362 of the Bankruptcy Code shall be deemed waived or modified for purposes of providing notice or exercising rights hereunder.

7. Good Faith Cooperation; Further Assurances. The Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable) in respect of all matters concerning the implementation and consummation of the Restructuring. Further, each of the Parties shall take such action (including executing and delivering any other agreements and making and filing any required regulatory filings) as may be reasonably necessary or as may be required by order of the Bankruptcy Court, to carry out the purposes and intent of this Agreement (provided, that nothing set forth in this Section 7 shall require any Holder Party to provide any information that it determines, in its discretion, to be sensitive or confidential or to take any actions other than in its capacity as a holder of Participating Claims). Each of the Parties hereby covenants and agrees (a) to negotiate in good faith and in a timely manner (giving effect to the milestones set forth in Section 5 and Section 6) the Restructuring Documents (including, without limitation, the Plan and Disclosure Statement, both consistent with the Restructuring Term Sheet) and (b) subject to the satisfaction of the terms and conditions set forth herein, to execute the Restructuring Documents.

8. Remedies. All remedies that are available at law or in equity, including specific performance and injunctive or other equitable relief, to any Party for a breach of this Agreement by another Party shall be available to the non-breaching Party (for the avoidance of doubt, if there is a breach of the Agreement by a Holder Party, money damages shall be an insufficient remedy to the other Holder Parties or the Company and either the Company or the Holder Parties can seek specific performance as against another Holder Party); provided, however, that in connection with any remedy asserted in connection with this Agreement, each Party agrees to waive any requirement for the securing or posting of a bond in connection with any remedy. All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party or any other Party.

9. Amendments and Waivers. This Agreement may be amended or waived only upon written approval of both (a) the Company and (b) the Majority Holders; provided, however, that in no event shall this Agreement be so amended or waived with respect to any Holder Party in any manner that would adversely affect such Holder Party's legal rights under this Agreement in a disproportionate or discriminatory manner (as compared to all other Holder Parties), without such Holder Party's prior written consent; provided, further, however, that the date set forth in Section 6(e)(vi) shall not be extended past March 31, 2016 without the prior written consent of Holder Parties holding at least 66.66% in principal amount of the First Lien Claims held by the Holder Parties, and shall not be extended past

June 30, 2016 without the prior written consent of each Holder Party; and provided further that amendments to the definition of "Majority Holders", including the provisos therein, or to this Section 9, shall require the written consent of each Holder Party. Any amendment or waiver of any condition, term or provision to this Agreement must be in writing. Any amendment or waiver made in compliance with this Section 9 shall be binding on all of the Parties, regardless of whether a particular Party has executed or consented to such amendment or waiver.

10. Independent Analysis. Each of the Holder Parties and the Company hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

11. Representation by Counsel. Each Party acknowledges that it has had the opportunity to be represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel, shall have no application and is expressly waived.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflict of laws that would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in either a state or federal court of competent jurisdiction in the State and County of New York. By execution and delivery of this Agreement, each of the Parties hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to jurisdiction in either a state or federal court of competent jurisdiction in the State and County of New York, upon the commencement of the Chapter 11 Cases, each of the Parties hereby agrees that, if the Chapter 11 Cases are pending, the Bankruptcy Court shall have exclusive jurisdiction over all matters arising out of or in connection with this Agreement. EACH PARTY UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO ABOVE.

13. Notices. All notices, requests, demands, document deliveries and other communications under this Agreement shall be in writing and shall be deemed to have been duly given, provided or made (a) when delivered personally, (b) when sent by electronic mail ("***e-mail***") or facsimile, (c) one (1) business day after deposit with an overnight courier service or (d) three (3) business days after mailed by certified or registered mail, return receipt requested, with postage prepaid to the Parties at the following addresses, facsimile numbers or e-mail addresses (or at such other addresses, facsimile numbers or e-mail addresses for a Party as shall be specified by like notice):

If to the Company:

Walter Energy, Inc.
3000 Riverchase Galleria, Suite 1700
Birmingham, Alabama 35244
Facsimile: (205) 776-7859
Email: earl.doppelt@walterenergy.com
Attention: Earl H. Doppelt, Esq.

with a copy to (which shall not constitute notice):

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Facsimile: (212) 757-3990
Attention: Kelley A. Cornish, Esq. (kcornish@paulweiss.com)

and

Paul, Weiss, Rifkind, Wharton & Garrison LLP
2001 K Street, NW
Washington, DC 20006-1047
Facsimile: (202) 223-7420
Attention: Claudia R. Tobler, Esq. (ctobler@paulweiss.com)

If to the Holder Parties: To each Holder Party at the addresses, facsimile numbers or e-mail addresses set forth below the Holder Party's signature page to this Agreement (or to the signature page to a Joiner in the case of any Holder that becomes a party hereto after the Execution Date)

with a copy to (which shall not constitute notice):

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, New York 10036
Facsimile: (212) 872-1002
Attention: Ira Dizengoff, Esq. (idizengoff@akingump.com)

and

Akin Gump Strauss Hauer & Feld LLP
1333 New Hampshire Avenue, N.W.
Washington, DC 20036
Facsimile: (202) 887-4288
Attention: James Savin, Esq. (jsavin@akingump.com)

14. Reservation of Rights. Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict (a) the ability of each Party to protect and preserve its rights, remedies and interests, including the First Lien Claims, Second Lien Claims, Unsecured Claims and any other claims against the Company or other parties, or its full participation in any bankruptcy proceeding, including the rights of a Holder Party under any applicable bankruptcy,

insolvency, foreclosure or similar proceeding, in each case, so long as the exercise of any such right does not breach such Holder Party's obligations hereunder; (b) the ability of a Holder Party to purchase, sell or enter into any transactions in connection with the Participating Claims, subject to the terms hereof; (c) any right of any Holder Party (i) under the Debt Documents, or which constitutes a waiver or amendment of any provision of any Debt Document or (ii) under any other applicable agreement, instrument or document that gives rise to a Holder Party's Participating Claims, or which constitutes a waiver or amendment of any provision of any such agreement, instrument or document, subject to the terms of Section 3(a) hereof; (d) the ability of a Holder Party to consult with its advisors (including the Holder Parties' Advisors), other Holder Parties or the Company; or (e) the ability of a Holder Party to enforce any right, remedy, condition, consent or approval requirement under this Agreement or any of the Restructuring Documents. Without limiting the foregoing sentence in any way, after the termination of this Agreement pursuant to Section 6, the Parties each fully reserve any and all of their respective rights, remedies, claims and interests, subject to Section 6, in the case of any claim for breach of this Agreement. Further, nothing in this Agreement shall be construed to prohibit any Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases, so long as such appearance and the positions advocated in connection therewith are consistent with this Agreement and the Restructuring Documents and are not for the purpose of, and could not reasonably be expected to have the effect of, hindering, delaying or preventing the consummation of the Restructuring.

15. Rule of Interpretation. Notwithstanding anything contained herein to the contrary, it is the intent of the Parties that all references to votes or voting in this Agreement be interpreted to include votes or voting on a plan of reorganization under the Bankruptcy Code. Time is of the essence in the performance of the obligations of each of the Parties. The words "hereof," "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to any Articles, Sections, Exhibits and Schedules are to such Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein (including any exhibits, schedules or attachments thereto) are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," whether or not they are in fact followed by those words or words of like import. "Writing," "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. Any reference to "business day" means any day, other than a Saturday, a Sunday or any other day on which banks located in New York, New York are closed for business as a result of federal, state or local holiday and any other reference to day means a calendar day.

16. Survival. Notwithstanding (a) any sale of the Participating Claims in accordance with Section 3 or (b) the termination of this Agreement in accordance with its terms, the agreements and obligations of the Parties in Sections 4(b), 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23(a), 24, and 25 shall survive such sale and/or termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof; provided however that the Company's obligation to pay fees and expenses as set forth in Section 4(b) shall survive only with respect to those documented fees and expenses incurred through and including the date this Agreement is terminated.

17. Successors and Assigns; Severability; Several Obligations. Subject to Section 3, this Agreement is intended to bind and inure to the benefit of the Parties and their respective permitted successors, assigns, heirs, executors, estates, administrators and representatives. The invalidity or unenforceability at any time of any provision hereof in any jurisdiction shall not affect or diminish in any way the continuing validity and enforceability of the remaining provisions hereof or the continuing validity and enforceability of such provision in any other jurisdiction. The agreements, representations

and obligations of the Holder Parties under this Agreement are, in all respects, several and not joint and several.

18. Third-Party Beneficiaries. This Agreement is intended for the benefit of the Parties and no other person or entity shall be a third party beneficiary hereof or have any rights hereunder.

19. Counterparts; Additional Holder Parties. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this Agreement may be delivered by facsimile, electronic mail or otherwise, each of which shall be deemed to be an original for the purposes of this paragraph. Any holder of First Lien Claims that is not already an existing Holder Party may execute the Joinder and, in doing so, shall become a Joining Party and shall thereafter be deemed to be a "Holder Party" and a party for all purposes under this Agreement.

20. Entire Agreement. This Agreement and the Exhibits and Schedules attached hereto, constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements (oral and written) and all other prior negotiations between and among the Company and the Holder Parties (and their respective advisors) with respect to the subject matter hereof; provided, however, that the Parties acknowledge and agree that any confidentiality agreements heretofore executed between the Company and any Holder Party shall continue in full force and effect as provided therein.

21. Headings. The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement and shall not affect the interpretation of this Agreement.

22. Settlement Discussions. This Agreement is part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408, any applicable state rules of evidence and any other applicable law, foreign or domestic, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than to prove the existence of this Agreement or in a proceeding to enforce the terms of this Agreement.

23. Publicity.

(a) The Company shall not (i) use the name of any Holder Party in any communication (including a press release, pleading or other publicly available document) (other than a communication with the legal, accounting, financial and other advisors to the Company who are under obligations of confidentiality to the Company with respect to such communication, and whose compliance with such obligations the Company shall be responsible for) without such Holder Party's prior written consent or (ii) disclose to any person, other than legal, accounting, financial and other advisors to the Company (who are under obligations of confidentiality to the Company with respect to such disclosure, and whose compliance with such obligations the Company shall be responsible for), the principal amount or percentage of the Participating Claims held by any Holder Party or any of its respective subsidiaries; provided, however, that the Company shall be permitted to disclose at any time the aggregate principal amount of, and aggregate percentage of, First Lien Claims, Second Lien Claims and Unsecured Claims of the Participating Claims held by the Holder Parties as a group. Notwithstanding the foregoing, the Holder Parties hereby consent to the disclosure by the Company in the Restructuring Documents or as otherwise required by law or regulation, of the execution, terms and contents of this Agreement, provided, however, that (i) if the Company determines that it is required to attach a copy of this Agreement to any Restructuring Document or any other filing or similar document relating to the transactions contemplated hereby, it will redact any reference to a specific Holder Party and such Holder Party's holdings and (ii) if

disclosure is required by applicable law, advance notice of the intent to disclose shall be given by the disclosing Party to each Holder Party (who shall have the right to seek a protective order prior to disclosure), it being agreed that there is no requirement to include such information in any filing with the Securities and Exchange Commission or any Canadian Securities Administrator.

(b) Notwithstanding the foregoing, the Company will submit to Akin Gump all press releases, public filings, public announcements or other communications with any news media, in each case, to be made by the Company relating to this Agreement or the transactions contemplated hereby and any amendments thereof , and will take Akin Gump's view with respect to such communications into account. The Company will submit to Akin Gump and Lazard in advance all material mass written communications with customers, vendors and employees (including representatives of employees) relating to the transactions contemplated by this Agreement, and will take Akin Gump's and Lazard's views with respect to such communications into account. Nothing contained herein shall be deemed to waive, amend or modify the terms of any confidentiality or non-disclosure agreement between the Company and any Holder Party, including the confidentiality and non-disclosure provisions contained in the Debt Documents.

24. Fiduciary Duties; Relationship Among Holder Parties and the Company. Notwithstanding anything to the contrary herein, the duties and obligations of the Holder Parties under this Agreement shall be several, not joint. Furthermore, nothing in this Agreement shall require the Company to take any action, or to refrain from taking any action, to the extent that taking such action or refraining from taking such action will, upon the advice of outside counsel, constitute a breach of the Company's board of directors' fiduciary obligations under applicable law (any such action, or refraining from action, being a "***Fiduciary Action***"); provided, however, that (i) to the extent that taking such action or refraining from taking such action absent this Section 24 could, or would be reasonably expected to, result in a breach of this Agreement, the Company shall use commercially reasonable efforts to give the Holder Parties not less than three (3) business days prior written notice of, and in any event written notice contemporaneously with, in accordance with Section 13 hereof such anticipated action or anticipated refraining from taking such action, (ii) the Majority Holders may terminate this Agreement in accordance with Section 6(d), and (iii) specific performance shall not be available as a remedy if this Agreement is terminated in accordance with this Section 24. None of the Holder Parties shall have any fiduciary duty, any duty of trust or confidence in any form, or other duties or responsibilities to each other, any First Lien Lender, any First Lien Noteholder, the Company, or any of the Company's creditors or other stakeholders, including without limitation any holders of Second Lien Claims or Unsecured Claims, and there are no commitments among or between the Holder Parties. It is understood and agreed that any Holder Party may trade in any debt or equity securities of the Company without the consent of the Company or any other Holder Party, subject to applicable securities laws and Section 3(d) of this Agreement. No prior history, pattern or practice of sharing confidences among or between any of the Holder Parties and/or the Company shall in any way affect or negate this understanding and agreement.

25. No Solicitation. This Agreement and transactions contemplated herein are the product of negotiations among the Parties, together with their respective representatives. Notwithstanding anything herein to the contrary, this Agreement is not, and shall not be deemed to be, a solicitation of votes for the acceptance of the Plan or any plan of reorganization for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. The Company will not solicit acceptances of the Plan from any party until such party has been provided with copies of a Disclosure Statement containing adequate information as required by section 1125 of the Bankruptcy Code.

26. Conflicts Between this Agreement, the Restructuring Term Sheet, the Sale Term Sheet and the Related Restructuring Documents. In the event the terms and conditions as set forth in the Restructuring Term Sheet or the Sale Term Sheet and this Agreement are inconsistent, this Agreement shall control. In the event of any conflict among the terms and provisions of (a) the Plan, this Agreement and/or the Restructuring Term Sheet, the terms and provisions of the Plan shall control and (b) the Stalking Horse APA, this Agreement and/or the Sale Term Sheet, the terms and provisions of the Stalking Horse APA shall control. Notwithstanding the foregoing, nothing contained in this Section 26 shall affect, in any way, the requirements set forth herein for the amendment of this Agreement.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers, solely in their respective capacity as officers of the undersigned and not in any other capacity, as of the date first set forth above.

THE COMPANY:

WALTER ENERGY, INC.,
on behalf of itself and each of its direct and indirect subsidiaries set forth on Exhibit A hereto

By: /s/ Earl H. Doppelt
Name: Earl H. Doppelt
Its: Executive Vice President
General Counsel & Secretary

Dated: _____

[REDACTED HOLDER PARTY SIGNATURE PAGES]

Name of Institution: _____

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: _____

First Lien Lender Claims

$ _____

First Lien Noteholder Claims

$ _____

Second Lien Claims

$ _____

Unsecured Claims

$ _____

NOTICE ADDRESS:

/_____/

/_____/
Attention: [_____]
Facsimile: [_____]
E-mail: [_____]

EXHIBIT A

SUBSIDIARIES

Atlantic Development and Capital LLC
Atlantic Leaseco LLC
Blue Creek Coal Sales, Inc.
Blue Creek Energy, Inc.
J.W. Walter, Inc.
Jefferson Warrior Railroad Company, Inc.
Jim Walter Homes, LLC
Jim Walter Resources, Inc.
Maple Coal Co. LLC
Sloss-Sheffield Steel & Iron Company
SP Machine, Inc.
Taft Coal Sales & Associates, Inc.
Tuscaloosa Resources, Inc.
V Manufacturing Company
Walter Black Warrior Basin LLC
Walter Coke, Inc.
Walter Energy Holdings, LLC
Walter Exploration & Production LLC
Walter Home Improvement, Inc.
Walter Land Company
Walter Minerals, Inc.
Walter Natural Gas, LLC

EXHIBIT B

RESTRUCTURING TERM SHEET

THIS TERM SHEET (THE "TERM SHEET") IS FOR DISCUSSION PURPOSES ONLY AND IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION. IT DOES NOT CONTAIN ALL OF THE TERMS OF A PROPOSED PLAN OF REORGANIZATION. THIS TERM SHEET SHALL NOT BE CONSTRUED AS (I) AN OFFER CAPABLE OF ACCEPTANCE, (II) A BINDING AGREEMENT OF ANY KIND, (III) A COMMITMENT TO ENTER INTO, OR OFFER TO ENTER INTO, ANY AGREEMENT OR (IV) AN AGREEMENT TO FILE ANY CHAPTER 11 PLAN OF REORGANIZATION OR DISCLOSURE STATEMENT OR CONSUMMATE ANY TRANSACTION OR TO VOTE FOR OR OTHERWISE SUPPORT ANY PLAN OF REORGANIZATION. THIS TERM SHEET IS A SETTLEMENT AND DOES NOT REFLECT THE VIEWS OF ANY PARTY AS TO THE VALUATION OF THE DEBTORS OR OF THE COMPANY.

Does Not Contain All Material Terms

Walter Energy, Inc. *et al.*
Plan Term Sheet

July 15, 2015

This Term Sheet sets forth the principal terms of a proposed pre-negotiated jointly administered chapter 11 plan (such plan, together with any exhibits, schedules, attachments or appendices thereto, in each case as may be amended, supplemented or otherwise modified from time to time in accordance with the terms of the Restructuring Support Agreement (as defined below), the "Plan") of Walter Energy, Inc. and certain of its subsidiaries, which is to be filed in chapter 11 cases commenced in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"). This Term Sheet and the Plan are components of a potential restructuring transaction described in a restructuring support agreement (the "Restructuring Support Agreement") entered into by and among the Company and certain existing lenders or holders of securities that are signatories thereto. This Term Sheet shall be attached to, and incorporated into, such Restructuring Support Agreement. This Term Sheet is neither a complete list of all the terms and conditions of the restructuring transaction contemplated in the Restructuring Support Agreement, and shall not constitute an offer to sell or buy, nor the solicitation of an offer to sell or buy any of the securities referred to herein or the solicitation of acceptances of a chapter 11 plan. Any such offer or solicitation shall only be made in compliance with all applicable laws. Without limiting the generality of the foregoing, this Term Sheet and the undertakings contemplated herein are subject in all respects to the negotiation, execution and delivery of mutually acceptable definitive documentation consistent herewith. In the event of an inconsistency between this Term Sheet and the definitive documentation, the provisions of such definitive documentation shall govern. This Term Sheet is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is entitled to protection from any use or disclosure to any party or person pursuant to Federal Rule of Evidence 408 and other rules of similar import.

THIS TERM SHEET IS BEING PROVIDED AS PART OF A PROPOSED COMPREHENSIVE RESTRUCTURING TRANSACTION, EACH ELEMENT OF WHICH IS

CONSIDERATION FOR THE OTHER ELEMENTS AND AN INTEGRAL ASPECT OF THE PROPOSED RESTRUCTURING. THE STATEMENTS CONTAINED HEREIN ARE PROTCTED BY FRE 408, AND NOTHING IN THIS TERM SHEET SHALL CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION OR A WAIVER, AND EACH STATEMENT CONTAINED HEREIN IS MADE WITHOUT PREJUDICE, WITH A FULL RESERVATION OF ALL RIGHTS, REMEDIES, CLAIMS AND DEFENSES OF THE COMPANY AND CONSENTING FIRST LIEN CREDITORS.

TERMS AND CONDITIONS OF THE PLAN	
Defined Terms and Capital Structure	
The Company and Filing Entities	Walter Energy, Inc. ("Walter Energy"), a Delaware company, and certain of its wholly owned direct and indirect subsidiaries (collectively, the "Company"). Walter Energy and its subsidiaries who file for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") with the Bankruptcy Court (such filings, the "Chapter 11 Cases") are referred to herein as the "Debtors." The date on which the Chapter 11 Cases are commenced shall be the "Petition Date." After the Effective Date (as defined below), Walter Energy shall be referred to herein as "Reorganized Walter Energy" and the surviving Debtors that are reorganized under the Plan shall be collectively referred to as the "Reorganized Debtors." "Non-Debtor Subsidiary" means any direct or indirect wholly owned subsidiary of Walter Energy or other interests owned by a Debtor that is not a Debtor in the Chapter 11 Cases, including (a) Walter Energy's non-U.S. subsidiaries; (b) Black Warrior Methane Corp. and Black Warrior Transmission Corp.; and (c) Cardem Insurance Co., Ltd. Exhibit A identifies the Debtors and Non-Debtor Subsidiaries.
Current Capital Structure	The indebtedness of, and equity interests in, the Debtors are as follows: (a) Indebtedness under that certain senior secured first lien Credit Agreement dated as of April 1, 2011 (as further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "First Lien Credit Agreement") by and among Walter Energy, as U.S. borrower, Western Coal Corp. and Walter Energy Canada Holdings, Inc., as Canadian borrowers, the lenders from time to time parties thereto, and Morgan Stanley Senior Funding, Inc. as administrative agent (in such capacity, the "Bank Agent"), which provides for the

issuance of:

(i) revolving loan indebtedness (the "Revolving Loans," the claims related thereto, including any adequate protection claims arising under the cash collateral orders entered by the Bankruptcy Court (the "Cash Collateral Orders"), the "Revolving Loan Claims" and the lenders with a commitment to provide Revolving Loans or with outstanding Revolving Loans, the "Revolving Lenders"); and

(ii) term loan indebtedness (the "First Lien Term Loan" and the claims related thereto, including any adequate protection claims arising under the Cash Collateral Orders, the "First Lien Term Loan Claims" and the lenders with outstanding First Lien Term Loan, the "First Lien Term Loan Lenders").

(b) 9.50% Senior Secured Notes due 2019 (the "First Lien Notes" and the claims related thereto, including any adequate protection claims arising under the Cash Collateral Orders, the "First Lien Note Claims" and the holders thereof, the "First Lien Noteholders") issued on September 27, 2013, March 27, 2014, and July 14, 2014, under that certain Indenture dated as of September 27, 2013 (as further amended, supplemented or otherwise modified from time to time, the "First Lien Notes Indenture") by and among Walter Energy, as issuer, the guarantors from time to time parties thereto, and Wilmington Trust, National Association, as successor trustee and collateral agent to Union Bank, N.A. (in such capacity, the "First Lien Notes Indenture Trustee").

(c) 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes due 2020 (the "Second Lien Notes" and the claims related thereto, including any adequate protection Claims arising under the Cash Collateral Orders, the "Second Lien Note Claims" and the holders thereof, the "Second Lien Noteholders") issued under the Indenture dated as of March 27, 2014 (as further amended, supplemented or otherwise modified from time to time, the "Second Lien Notes Indenture") among Walter Energy, as issuer, the guarantors from time to time parties thereto, and Wilmington Trust, National Association, as trustee and collateral agent (in such capacity, the "Second Lien Notes Indenture Trustee").

(d) 9.875% Senior Notes due 2020 (the "9.875% Unsecured Notes" and the claims related thereto, the "9.875% Unsecured Notes Claims" and the holders

	thereof, the "9.875% Unsecured Noteholders") issued under the Indenture dated as of November 21, 2012 (as further amended, supplemented or otherwise modified from time to time, the "9.875% Notes Indenture") among Walter Energy, as issuer, the guarantors from time to time parties thereto, and Wilmington Trust, National Association, as successor trustee to Union Bank, N.A. (e) 8.50% Senior Notes due 2021 (the "8.50% Unsecured Notes" and the claims related thereto, the "8.50% Unsecured Notes Claims" and the holders thereof, the "8.50% Unsecured Noteholders") issued under the Indenture dated as of March 27, 2013 (as further amended, supplemented or otherwise modified from time to time, the "8.50% Notes Indenture") among Walter Energy, as issuer, the guarantors from time to time parties thereto, and Wilmington Trust, National Association, as successor trustee to Union Bank, N.A. (f) The common stock and any other Interest (as defined below) of any kind in Walter Energy and rights or options to acquire such Interests owned by existing holders (the "Old Common Stock" and related claims, including any claim arising from rescission of a purchase or sale of a security of or Interest in Walter Energy (including Old Common Stock), for damages arising from the purchase or sale of such a security or Interest, or for reimbursement, contribution or indemnification allowed under section 502 of the Bankruptcy Code on account of such a claim, and any other claim subject to subordination under section 510(b) of the Bankruptcy Code, the "Old Common Stock Claims). (g) "Interest" means all rights (including unpaid dividends) arising from any equity security within the meaning of section 101(16) of the Bankruptcy Code or any other instrument evidencing an ownership interest in any of the Debtors or Non-Debtor Subsidiaries, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire, sell or subscribe for any such interest. The Revolving Loan Claims, First Lien Term Loan Claims and First Lien Note Claims shall be referred to herein, collectively, as the "First Lien Debt Claims." The First Lien Debt Claims and the Second Lien Note Claims shall be referred to herein, collectively, as the "Secured Debt Claims." The 9.875% Unsecured Note Claims and the 8.50% Unsecured Note Claims shall be referred to herein, collectively, as the

	"Unsecured Note Claims."
Consenting First Lien Creditors	"Consenting Revolving Lenders" means those Revolving Lenders that are signatories to the Restructuring Support Agreement, in their capacities as such. "Consenting First Lien Term Loan Lenders" means those First Lien Term Loan Lenders that are signatories to the Restructuring Support Agreement, in their capacities as such. "Consenting First Lien Noteholders" means those holders of First Lien Notes that are signatories to the Restructuring Support Agreement, in their capacities as such. "Consenting First Lien Creditors" means, collectively, the Consenting Revolving Lenders, the Consenting First Lien Term Loan Lenders and the Consenting First Lien Noteholders.
Required Consenting First Lien Creditors	"Required Consenting First Lien Creditors" means Consenting First Lien Creditors holding 55% or more in principal amount of the First Lien Debt Claims held by the Consenting First Lien Creditors as of the time of such determination; provided that such Consenting First Lien Creditors holding 55% or more in principal amount include at least four (4) unaffiliated Consenting First Lien Creditors and provided further that with respect to any of (X) approval of any provisions of the Restructuring Documents (as defined in the Restructuring Support Agreement) dealing with the corporate governance of the Company from and after the effective date of the Plan or of documents relating to the corporate governance of the purchaser from and after the consummation of the 363 Sale (as defined in the Restructuring Support Agreement), including but not limited to board composition, affiliate and/or related party transaction limitations/protections, voting rights, pre-emptive rights, tag-along/drag-along rights and transfer restrictions or (Y) any financing(s) or funding(s) (whether debt or equity) obtained or arranged for (in whole or in part) by the Company in the form of debtor-in-possession or similar financing(s), or by the reorganized Company or purchaser in the 363 Sale prior to, upon or in connection with the closing of a Restructuring (as defined in the Restructuring Support Agreement), then in any case of (X) or (Y) the Required Consenting First Lien Creditors shall include 55% or more in principal amount of the First Lien Debt Claims held by the Consenting First Lien Creditors as of the time of such determination and at least four (4) unaffiliated Consenting First Lien Creditors (which must also include at least three (3) unaffiliated Consenting First Lien Creditors who are Initial Holders (as defined in the Restructuring Support Agreement).
Effective Date	"Effective Date," if any, of the Plan in the Chapter 11 Cases shall be the date on which all the conditions to consummation of the Plan have been satisfied in full or waived, and the Plan becomes effective. On the Effective Date, all Debtors shall be reorganized

	pursuant to the Plan in accordance with and pursuant to the Bankruptcy Code.
Treatment of Claims and Interests	
Unclassified Claims; Priority Tax Claims	(a) *Administrative Claims*: Except with respect to administrative expense claims that are professional fee claims or priority tax claims, and except to the extent that a holder of an allowed administrative expense claim (including a claim arising under section 503(b)(9) of the Bankruptcy Code that has not been paid pursuant to a motion filed with the Bankruptcy Code) and the Debtors agree to a less favorable treatment, each holder of an allowed administrative expense claim shall be paid in full in cash on the later of the initial distribution date under the Plan or the date such administrative expense claim is allowed, and the date such allowed administrative claim becomes due and payable, or as soon thereafter as is practicable; provided, however, that allowed administrative expense claims that arise in the ordinary course of the Debtors' business, including administrative claims arising from or with respect to the sale of goods or services on or after the Petition Date, the Debtors' executory contracts and unexpired leases, and all administrative claims that are Intercompany Claims (as defined below), shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions, without further action by the holders of such administrative claims or further approval by the Bankruptcy Court. (b) *Professional Fee Claims.* All final requests for payment of professional claims and requests for reimbursement of expenses of members of any statutory committee must be filed no later than sixty (60) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such professional claims and expenses shall be determined by the Bankruptcy Court. (c) *Priority Tax Claims.* Except to the extent that a holder of an allowed priority tax claim and the Debtors agree to a less favorable treatment, each holder of an allowed priority tax claim shall receive, at the sole option of the Reorganized Debtors either (i) cash in an amount equal to such allowed priority tax claim on the later of the initial distribution date and the date such claim becomes an allowed claim (or as soon thereafter as practical), (ii) through equal annual installment payments in cash, of a total value, as of the

	Effective Date, equal to the allowed amount of such claim, over a period ending not later than five (5) years after the Petition Date, or (iii) treatment in a manner not less favorable than the most favored non-priority unsecured claim provided for by the Plan.
Revolving Loan Claims	Holders of Revolving Loan Claims, other than Revolving Loan Claims for unfunded commitments relating to outstanding letters of credit that have not been drawn as of the Effective Date, shall receive on the Effective Date in full and final satisfaction of the Revolving Loan Claims their *pro rata* share of the new common stock of reorganized Walter Energy (the "New Walter Energy Common Stock") to be distributed to holders of First Lien Debt Claims (the "First Lien Stock Distribution"), which First Lien Stock Distribution shall constitute [___%] of the Walter Energy Common Stock, subject to dilution resulting from additional New Walter Energy Common Stock issued pursuant to the Management Incentive Plan (as defined below). Holders of Revolving Loan Claims for unfunded commitments relating to outstanding letters of credit that have not been drawn as of the Effective Date shall have their Revolving Loan Claims either (x) reinstated in their face amount as part of a letter of credit facility under the Exit Financing, and the Revolving Loan Claim commitments related thereto shall be canceled on the Effective Date, or (y) have the outstanding letters of credit under the Revolving Loans as of the Effective Date replaced by letters of credit issued under the Exit Financing or issued by a bank that is not part of the Exit Financing by providing cash collateral to such bank from the Exit Financing and the letters of credit issued under the First Lien Credit Agreement shall be canceled.
First Lien Debt Claims (Other than Revolving Loan Claims)	Holders of First Lien Debt Claims (other than Revolving Loan Claims) shall receive on the Effective Date in full and final satisfaction of the First Lien Debt Claims (other than Revolving Loan Claims) their *pro rata* share of the First Lien Stock Distribution.
Second Lien Note Claims	[Treatment TBD.] In accordance with and pursuant to section 510(a) of the Bankruptcy Code and the Intercreditor Agreement (defined below), all distributions to holders of Second Lien Note Claims (including any deficiency claims on account thereof) shall be made directly to holders of First Lien Debt Claims in accordance with and subject to the Intercreditor Agreement until all First Lien Debt Claims are paid in full, and only thereafter to holders of Second Lien Note Claims (and any such deficiency claims). "Intercreditor Agreement" means that certain Amended and

	Restated Intercreditor Agreement dated as of March 27, 2014 (as amended, supplemented or otherwise modified from time to time) among Walter Energy, the other grantors party thereto, Morgan Stanley Senior Funding, Inc., as First-Lien Credit Agreement Collateral Agent and Authorized Representative for the Credit Agreement Secured Parties, Union Bank, N.A., as Initial Additional Collateral Agent and Initial Additional Authorized Representative for the Initial Additional First-Lien Secured Parties, Wilmington Trust, National Association, as Second-Lien Notes Collateral Agent and Second-Lien Notes Authorized Representative for the Second-Lien Notes Secured Parties, and each Additional Collateral Agent and Authorized Representative from time to time party thereto.
Other Secured Claims	To the extent that any other secured claim exists, except to the extent that a holder of an allowed other secured claim agrees to less favorable treatment with the Debtors, with the consent of the Required Consenting First Lien Creditors, or the Reorganized Debtors, each holder of an allowed other secured claim shall (i) be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an allowed other secured claim to demand or to receive payment of such allowed other secured claim prior to the stated maturity of such allowed other secured claim from and after the occurrence of a default, (ii) receive cash in an amount equal to such allowed other secured claim as determined in accordance with section 506(a) of the Bankruptcy Code, on the later of the initial distribution date under the Plan and thirty (30) days after the date such other secured claim is allowed (or as soon thereafter as is practicable), or (iii) receive the collateral securing its allowed other secured claim on the later of the initial distribution date under the Plan and the date such other secured claim becomes an allowed other secured claim, or as soon thereafter as is practicable, in each case as determined by the Debtors and consented to by the Required Consenting First Lien Creditors.
Other Priority Claims	The allowed other priority claims of the Debtors shall be unimpaired. Except to the extent that a holder of an allowed other priority claim and the Debtors agree to less favorable treatment to such holder, each holder of an allowed other priority claim shall be paid in full in cash on the later of the initial distribution date under the Plan and thirty (30) days after the date when such other priority claim is allowed; provided, however, that other priority claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date shall be paid in the ordinary course of

	business in accordance with the terms thereof.
Unsecured Claims	[Treatment TBD] Unsecured Claims shall include all general unsecured claims against the Debtors, including, without limitation, (i) any deficiency claims on account of the Secured Debt Claims; (ii) Unsecured Note Claims, (iii) if applicable, claims on account of the Company's withdrawal from the UMWA 1974 Multi-Employer Pension Plan, (iv) if applicable, claims on account of modifying the Company's OPEB obligations, (v) any other unsecured labor-related claims and (vi) unsecured trade claims.
Intercompany Claims and Intercompany Interests	"Intercompany Claims" means (a) any claim held by one of the Debtors against any other Debtor or Non-Debtor Subsidiary, including, without limitation, (i) any account reflecting intercompany book entries by such Debtor with respect to any other Debtor or Non-Debtor Subsidiary, (ii) any claim not reflected in book entries that is held by such Debtor, and (iii) any derivative claim asserted or assertable by or on behalf of such Debtor against any other Debtor or Non-Debtor Subsidiary; or (b) any claim held by any Non-Debtor Subsidiary against Walter Energy or any other Debtor or other Non-Debtor Subsidiary, including, without limitation, (i) any account reflecting intercompany book entries by such Non-Debtor Subsidiary and the Debtor or Non-Debtor Subsidiary with respect to any other Non-Debtor Subsidiary or Debtor or Non-Debtor Subsidiary, (ii) any claim not reflected in book entries that is held by such Non-Debtor Subsidiary or Debtor, and (iii) any derivative Claim asserted or assertable by or on behalf of such Debtor or Non-Debtor Subsidiary against any other Debtor or Non-Debtor Subsidiary. "Intercompany Interest" means any Interest held by Walter Energy in any of the other Debtors or Non-Debtor Subsidiaries, or held by any of the Debtors or Non-Debtor Subsidiaries in any other Debtor or Non-Debtor Subsidiary, or other investments in the form of Interests in non-debtor entities. Except as otherwise provided for in the Plan or the Restructuring Support Agreement, each Intercompany Claim and each Intercompany Interest shall, at the option of the Reorganized Debtors, be either (i) reinstated, (ii) released, waived, and discharged, (iii) treated as a dividend, or (iv) contributed to capital or exchanged for equity of a subsidiary of Walter Energy.
Old Common Stock Claims and Old Common Stock	Holders of Old Common Stock Claims and Old Common Stock shall not receive any distribution on account thereof, and such Old Common Stock Claims and Old Common Stock shall be

	discharged and canceled on the Effective Date.
Other Provisions of the Plan	
Other Provisions	The Plan shall contain other terms and conditions as agreed to by the Debtors and the Required Consenting First Lien Creditors.
Exit Financing	That certain financing arrangement to be entered into by the Reorganized Debtors on the Effective Date, which shall be in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors.
Executory Contracts and Unexpired Leases	To the extent necessary in connection with the Plan, the Debtors shall seek to assume pursuant to, *inter alia*, section 365 of the Bankruptcy Code, those executory contracts and unexpired leases that may be mutually agreed upon by the Debtors and the Required Consenting First Lien Creditors. The Reorganized Debtors shall indemnify any person who served or was employed by the Debtors as one of the Debtors' directors, officers or employees if that person served or was employed in such capacity as of the Petition Date and as of the Effective Date for any claims arising from and after the Petition Date to the Effective Date; provided, however, that in no event shall any of the Reorganized Debtors be obligated for amounts that have been determined by final order to have resulted from gross negligence, willful misconduct, fraud intentional tort or criminal conduct.
Tax Related Issues (Structuring & Otherwise)	The Debtors shall work with the Consenting First Lien Creditors and shall use good-faith efforts to structure the Plan to the maximum extent possible in a tax-efficient and cost-effective manner for the benefit of the parties to the Restructuring Support Agreement and the Reorganized Debtors.
Corporate Governance/Board Membership	Corporate governance shall be determined by the Required Consenting First Lien Creditors. On the Effective Date, the members of the new board of Reorganized Walter Energy (the "New Board") will comprise those individuals selected by such Required Consenting First Lien Creditors.
Management Incentive Plan and Other Employee Benefit Plans	Following the Effective Date, Reorganized Walter Energy shall reserve an aggregate amount of up to 10% of the New Walter Energy Common Stock (on an as-diluted basis) for distribution to certain employees (the "Management Incentive Plan"). The terms of the Management Incentive Plan shall be determined by the New Board. Treatment of other employee benefit plans [TBD].

Conditions Precedent to Confirmation of the Plan	Confirmation of the Plan is subject to: • The Bankruptcy Court having entered an order in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors, approving the Disclosure Statement (as defined in the Restructuring Support Agreement) as containing adequate information within the meaning of section 1125 of the Bankruptcy Code. • The Plan and all documents contained in any Plan supplement, including any exhibits, schedules, amendments, modifications or supplements thereto, having been filed in substantially final form and in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors; provided, however, that the Corporate Governance Documents (as defined in the Restructuring Support Agreement) shall be acceptable only to the Required Consenting First Lien Creditors. • The Bankruptcy Court having entered an order or orders with respect to each Retiree Group (as defined below) approving (a) a settlement with respect to each Retiree Group with the applicable authorized representative of the respective retirees or the retiree committee, in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors, or (b) a motion under section 1114 of the Bankruptcy Code authorizing termination of retiree benefits (as defined in section 1114 of the Bankruptcy Code) being received by United Mine Workers of America ("UMWA") retirees, United Steelworkers ("USW") retirees, or non-union retirees (each, a "Retiree Group"), in each case in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors. • The Bankruptcy Court having entered an order or orders approving (a) a settlement with the authorized representative for the UMWA and the USW, in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors, with respect to the applicable Collective Bargaining Agreement, or (b) a motion under section 1113 of the Bankruptcy Code in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors rejecting the Collective Bargaining Agreements with the USWA and/or USW, as applicable, in each case in form and substance acceptable to the Debtors and the Required

	Consenting First Lien Creditors.
Conditions Precedent to Consummation of the Plan	Unless waived in writing by the Debtors, on the one hand, and the Required Consenting First Lien Creditors, on the other hand, the occurrence of the Effective Date shall be subject to the satisfaction of such conditions precedent agreed upon by the Required Consenting First Lien Creditors and the Debtors, including, without limitation, the following: • The Restructuring Support Agreement shall have been assumed by the Debtors pursuant to an order of the Bankruptcy Court and shall not have been terminated in accordance with its terms. • Negotiation, execution and delivery of definitive documentation with respect to the Plan and any Plan supplement documents, in a form and substance acceptable to the Required Consenting First Lien Creditors and the Debtors, and otherwise consistent with the terms and conditions described in this Term Sheet or the Restructuring Support Agreement, as applicable; provided, however, that the Corporate Governance Documents shall be acceptable only to the Required Consenting First Lien Creditors. • The Bankruptcy Court shall have entered the Confirmation Order (as defined in the Restructuring Support Agreement) in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors, and the Confirmation Order shall be a Final Order. • As of the effective date of the Plan, the aggregate amount of all allowed or projected Administrative and Priority Claims (as defined in the Restructuring Support Agreement) shall not exceed $10.0 million, which projections the Company, in consultation with the Holder Parties' Advisors (as defined in the Restructuring Support Agreement), shall reasonably formulate in advance of the confirmation hearing in connection with the Plan. For purposes hereof, "Administrative and Priority Claims" means any non-ordinary course administrative expense claims and non-ordinary course priority tax claims. For the avoidance of doubt, Administrative and Priority Claims do not include any claims for fees and expenses of any professional, claims arising under sections 503(b)(9) or 507(b) of the Bankruptcy Code, post-petition operating expenses, severance obligations and payments, ordinary course administrative and priority tax claims, cure amounts related to assumed executory contracts, reclamation and environmental obligations, Coal Act and Black Lung

	obligations, and employee and retiree benefit obligations accrued in the ordinary course of business prior to implementing relief under sections 1113 and 1114 of the Bankruptcy Code. • On and simultaneously with the occurrence of the Effective Date, the Debtors shall have closed on the Exit Financing, which Exist Financing shall be in form and substance acceptable to the Debtors and the Required Consenting First Lien Creditors.
Releases	To the fullest extent permitted by applicable law, the Plan shall contain customary releases.
Exculpation and Injunctions	The Plan shall contain customary exculpation and injunction provisions.
Claims of the Debtors	The Reorganized Debtors shall retain all rights to commence and pursue any causes of action, other than any causes of action released by the Debtors pursuant to the release and exculpation provisions outlined in this Term Sheet and the Restructuring Support Agreement.
Discharge of the Debtors	The Plan shall contain customary discharge provisions.
Cancellation of Notes, Instruments, Certificates, and Other Documents	On the Effective Date, except to the extent otherwise provided in this Term Sheet or the Plan, all notes, instruments, certificates, and other documents evidencing claims or interests, including the Credit Agreement, the First Lien Notes Indenture, the Second Lien Notes Indenture, the 9.875% Notes Indenture and the 8.50% Notes Indenture, shall be cancelled, and the obligations of the Debtors thereunder or in any way related thereto shall be deemed satisfied in full and discharged; provided, however, that any such agreement shall continue in effect solely to allow holders of Claims to receive distributions under the Plan, allow holders of claims to retain their respective rights and obligations vis-à-vis other holders of claims pursuant to applicable governing documents, and to preserve any charging liens of the indenture trustees under the applicable indentures.
Issuance of New Securities; Execution of the Plan Restructuring Documents	On the Effective Date, the Reorganized Debtors shall issue and execute all securities, notes, instruments, certificates, and other documents required to be issued and executed in accordance with the Plan.
Miscellaneous	Surety Bonds. The Debtors shall maintain their existing surety and reclamation bonds in place, as may be amended from time to time on commercially reasonable terms and conditions. Except as otherwise provided in this Term Sheet, all outstanding letters

	of credit that currently backstop the Debtors' existing surety and reclamation bonds shall be reinstated or replaced in their face amount under the Exit Financing. No Admission. Nothing in the Term Sheet is or shall be deemed to be an admission of any kind.

Exhibit A

Debtors	Non-Debtor Subsidiaries (Canada)	Non-Debtor Subsidiaries (U.K. and Other)
Walter Energy, Inc.	Walter Energy Canada Holdings, Inc.	Energybuild Group Limited
Atlantic Development and Capital, LLC	Walter Canadian Coal Partnership	Energybuild Holdings Ltd.
Atlantic Leaseco, LLC	Wolverine Coal ULC	Energybuild Opencast Ltd.
Blue Creek Coal Sales, Inc.	Wolverine Coal Partnership	Energybuild Mining Ltd.
Blue Creek Energy, Inc.	Brule Coal ULC	Energybuild Ltd.
J.W. Walter, Inc.	Brule Coal Partnership	Mineral Extraction and Handling Ltd.
Jefferson Warrior Railroad Company, Inc.	Cambrian Energybuild Holdings ULC	Black Warrior Methane Corp.
Jim Walter Homes, LLC	Willow Creek Coal ULC	Black Warrior Transmission Corp.
Jim Walter Resources, Inc.	Willow Creek Coal Partnership	Cardem Insurance Co. Ltd.
Maple Coal Co., LLC	Pine Valley Coal Ltd.	
Sloss-Sheffield Steel & Iron Company	0541237 BC, Ltd.	
SP Machine, Inc.	Belcourt Saxon Coal Ltd.	
Taft Coal Sales & Associates, Inc.	Belcourt Saxon Coal Limited Partnership	
Tuscaloosa Resources, Inc.		
V Manufacturing Company		
Walter Black Warrior Basin LLC		
Walter Coke, Inc.		
Walter Energy Holdings,		

LLC		
Walter Exploration & Production LLC		
Walter Home Improvement, Inc.		
Walter Land Company		
Walter Minerals, Inc.		
Walter Natural Gas, LLC		

EXHIBIT C

SALE TERM SHEET

Summary of Principal Terms of Proposed Sale of Substantially All of the Assets of Walter Energy, Inc. and Its Debtor Subsidiaries

The following summary of principal terms (this "Term Sheet") provides an outline of a proposed sale of substantially all of the assets of Walter Energy, Inc. ("Walter Energy") and its direct and indirect subsidiaries (collectively, the "Company" or the "Seller") that are debtors in chapter 11 cases (the "Chapter 11 Cases") being commenced contemporaneously herewith, with such sale being conducted pursuant to sections 105, 363(b), (f), (k) and (m), and 365 of title 11 of the United States Code (the "Bankruptcy Code").[1] This Term Sheet is a summary of the agreed upon terms between the Company and the unaffiliated group of lenders and noteholders (the "First Lien Committee") under, respectively, that certain (i) Credit Agreement dated as of April 1, 2011 by and among Walter Energy, as the U.S. borrower, Western Coal Corp. and Walter Energy Canada Holdings, Inc., as the Canadian borrowers, the lenders party thereto (each, a "Lender" and collectively, the "Lenders"), and Morgan Stanley Senior Funding, Inc., as administrative agent (the "First Lien Agent") (as the same may be and has been amended, amended and restated, supplemented, waived and/or otherwise modified from time to time, the "Credit Agreement") and (ii) Indenture dated as of September 27, 2013 among Walter Energy and each of the guarantors party thereto, and Wilmington Trust, National Association, as successor trustee and collateral agent (the "First Lien Trustee"), relating to 9.500% Senior Secured Notes Due 2019 (the "Indenture"), regarding a proposed sale transaction.

The terms and conditions described herein are part of a comprehensive proposal, each element of which is consideration for the other elements and is an integral aspect of such proposal. This Term Sheet does not constitute an offer or a legally binding obligation of the Company, the First Lien Committee, Purchaser (as defined below), or any other party in interest, and no legally binding obligation will exist unless and until definitive documents, including an asset purchase agreement (as may be amended from time to time in accordance therewith, the "Asset Purchase Agreement"), are executed by and among the appropriate parties. The transactions contemplated by this Term Sheet will be subject to agreed upon conditions to be set forth in such definitive documents. This Term Sheet is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is entitled to protection from any use or disclosure to any party or person pursuant to Federal Rule of Evidence 408 and any other rule of similar import. Capitalized terms herein not otherwise defined shall have the meanings given them in that certain Restructuring Support Agreement dated as of [•], 2015 among Walter Energy, certain members of the First Lien Committee and certain other parties from time to time party thereto (the "Restructuring Support Agreement").

Transaction Overview

Seller	The Company.
Purchaser	A new Delaware limited liability company to be organized prior to the execution of the Asset Purchase Agreement by the First Lien Committee, the First Lien Agent and the First Lien Trustee ("Purchaser") on behalf of all of the Lenders under the Credit

[1] Treatment of and consideration for the assets of foreign subsidiaries and non-collateral assets TBD.

Agreement and noteholders under the Indenture. The Asset Purchase Agreement and the related Sale Order (as defined below) shall permit the Purchaser to designate one or more of its affiliates as a "purchaser" thereunder with respect to any particular assets.

Sale

This Term Sheet describes a proposed sale by the Company of all of its right, title, and interest in, to, and under the Purchased Assets (as defined below) to Purchaser, free and clear of any and all pledges, options, charges, liabilities, liens, claims, encumbrances, successor liability or security interests except certain permitted liens to be agreed (if any) and the Assumed Liabilities (as defined below), and the assumption by Purchaser of the Assumed Liabilities, pursuant to sections 105, 363(b) (f), (m) and (k) and 365 of the Bankruptcy Code (collectively, the "Sale").

The Seller and Purchaser shall consummate the Sale as soon as practicable but in any event no later than the second (2nd) business day (such date of consummation being the "Closing Date") after the conditions set forth in the Asset Purchase Agreement have been satisfied or waived (other than those conditions which, by their terms, are to be satisfied or waived at the closing (the "Closing") of the transactions under the Asset Purchase Agreement (but subject to the satisfaction thereof at the Closing)).

Purchase Price

The aggregate consideration for the Purchased Assets shall consist of the following (collectively, the "Purchase Price"): (i) cash (a) in an amount sufficient to satisfy the reasonable and documented fees and expenses incurred by estate professionals to the extent such fees and expenses (x) are accrued and unpaid as of the Closing Date, (y) with respect to hourly or monthly professional fees, have been authorized pursuant to the Approved Budget (as defined in the Cash Collateral Orders) and the Cash Collateral Orders, and (z) with respect to any transaction-based fees, have been approved by the Bankruptcy Court, *plus* (b) in the amount of $[TBD] to pay for any assets that cannot be acquired through a credit bid,[2] *plus* (c) in the amount of $[TBD][3]; (ii) pursuant to section 363(k) of the Bankruptcy Code, a credit bid of the obligations owed by the Company arising under the Credit Agreement and the Indenture in an amount equal to $[TBD]; and (iii) assumption of the

[2] See footnote 1 above.

[3] Such amount shall be sufficient to pay, among other things, transfer taxes due in connection with the Sale and accrued but unpaid professional fees of the Steering Committee, in each case, that have not otherwise been assumed by the Purchaser.

Assumed Liabilities, including the payment of Cure Costs (as defined below).

Purchased Assets

"Purchased Assets" shall include all assets of the Company except the Excluded Assets (as defined below), including without limitation: (i) all accounts receivable and pre-paid expenses, (ii) all cash and cash equivalents, (iii) all intellectual property rights, (iv) all of the Seller's owned personal property, equipment, fixtures, and other assets customarily considered 'PP&E' or any rights under leases relating thereto to the extent such leases constitute Assumed Contracts and [all stock, partnership, membership and other equity or similar interests owned by the Company in any entity that is not a Seller], (v) all deposits (excluding professional fee retainers) and prepaid or deferred charges and expenses of the Seller, (vi) all right, title, and interest of the Seller in each owned real property and under each real property lease which is an Assumed Contract (as defined below), including mining leases, coal leases and coal mining leases (including underground coal mining and gob gas leases), coal land leases, coal degasification leases, all coal, mineral, oil and gas rights, title and interests, together with all short form leases, memoranda and amendments relating to the foregoing (and any present or future rights, title and interests arising from or related to the foregoing), (vii) subject to agreed exceptions, all of the documents that are used or useful in, held for use in or intended to be used in, or that arise in any way out of, the business of the Seller and all other business conducted by the Seller (the "Business"), (viii) all Assumed Contracts, (ix) all third party property and casualty insurance proceeds to the extent receivable by the Purchaser or the Seller in respect of the Business or the Purchased Assets after the Closing Date, (x) all general intangibles of the Seller, (xi) all goodwill associated with the Purchased Assets, (xii) all claims, causes of action, and rights of recovery related to the Purchased Assets, including against counterparties to the Assumed Contracts, (xiii) any permits, licenses, certificates or similar documents from any governmental entity relating to the Purchased Assets or the Business, (xiv) all coal inventory located on the Seller's owned or leased real property or belonging to the Seller, (xv) any claim, right, or interest in any credit, refund, rebate, abatement or other recovery relating to the Purchased Assets or the Business for taxes or otherwise, including those arising under the Assumed Contracts (subject to agreed-upon offsets with respect to tax refunds or other credits) and (xvi) any causes of action arising under chapter 5 of the Bankruptcy Code, including against directors, officers and advisors of the Seller (such causes of action against directors, officers and advisors or

as otherwise agreed being "Specified Actions"), provided that the Specified Actions will be waived effective as of the Closing Date.

Excluded Assets

The Purchased Assets shall not include the following: (i) minute books, stock ledgers and organizational documents, (ii) contracts and leases of the Seller that are not Assumed Contracts and any obligations related thereto, (iii) equity securities of, or ownership in, the Seller, (iv) director and officer insurance policies and claims thereunder, (v) all insurance policies of the Seller and (vi) any other assets specified as such in the Asset Purchase Agreement (collectively, the "Excluded Assets").

Assumed Liabilities / Excluded Liabilities

"Assumed Liabilities" shall include only the following liabilities of the Seller: (i) all liabilities of the Seller under the Assumed Contracts, including amounts necessary to cure any defaults as a condition to assuming the Assumed Contracts (the "Cure Costs"), (ii) post-petition trade payables related to the Purchased Assets incurred in the ordinary course of the Seller's Business during the Chapter 11 Cases to the extent included in the Approved Budget (as defined in the Cash Collateral Orders), (iii) all liabilities arising out of the operation of the Purchased Assets for periods following the Closing Date, including (a) workers' compensation liabilities relating to any Employee of Purchaser (as defined below) arising out of an event that occurs after the Closing Date and (b) any and all Black Lung liabilities of any Employee of Purchaser first occurring on or after the lapse of the statutory period following the Closing Date for Purchaser to become a responsible operator to and with respect to such Employee of Purchaser under the Black Lung Benefits Act or under the Federal Coal Mine Health and Safety Act of 1969, (iii) any liabilities related to benefits of Employees of Purchaser specifically agreed to be assumed in writing by Purchaser (if any, the "Assumed Benefits") and (iv) tax liabilities relating to the Purchased Assets or the Business for a tax period (or the portion thereof) beginning on the Closing Date and agreed-upon transfer, deed and other similar taxes payable with respect to the Sale excluding, for the avoidance of doubt, (x) all income tax or similar liabilities of the Seller for any tax period, (y) agreed-upon transfer, deed and other similar taxes payable with respect to the Sale and (z) any tax or similar liability related to the Excluded Assets.

All pre-petition and post-petition liabilities of the Seller, other than Assumed Liabilities, shall be "Excluded Liabilities",

including, without limitation:

- All claims or liabilities or other obligations with respect to the employees of Seller (the "Employees of Seller") or former employees, or both (or their representatives) of Seller or any predecessor of Seller based on any action or inaction occurring prior to or on the Closing Date, including payroll, vacation, sick leave, unemployment benefits, retirement benefits, pension benefits, employee stock option, equity compensation, employee stock purchase, or profit sharing plans, health care and other welfare plans or benefits (including COBRA), or any other employee plans or arrangements or benefits or other compensation of any kind to any employee, and obligations of any kind including any liability pursuant to the WARN Act;

- Any liability (whether arising before, on or after the Closing Date) with respect to any Employee of Seller or former Employee of Seller who is not hired by Purchaser. All employees of Seller who are hired by Purchaser shall be referred to herein as "Employees of Purchaser";

- Except as included in Assumed Liabilities, all Black Lung liabilities and workers' compensation liabilities related to the Purchased Assets, including to and with respect to Employees of Purchaser and former Employees of Seller who worked or who were employed at the Purchased Assets, including, but not limited to, any such Black Lung liabilities and workers' compensation liabilities of the Seller or any of Seller's predecessors;

- Any liability or other obligations arising under, relating to or with respect to any Employee Benefit Plan or any other employee benefit plan, policy, program, agreement or arrangement at any time maintained, sponsored or contributed to by Seller or any ERISA Affiliate, or with respect to which Seller or any ERISA Affiliate has any liability, including with respect to any underfunded pension liability to any employee benefit plan, the PBGC, IRS or Department of Labor or otherwise;

- Any liability or other obligations arising under, relating to or with respect to any multi-employer pension plan;

- Except for the Assumed Benefits, any liabilities or other obligations to any current or former Employee of Seller or any beneficiary thereof, relating to any employee benefits or compensation arrangement; and

- Except for the Assumed Benefits, any liability or other obligations under any employment, collective bargaining agreement or arrangement, severance, retention or termination agreement or arrangement with any employee, consultant or contractor (or its representatives) of Seller.

Assumed Contracts / Excluded Contracts

"Assumed Contracts" shall include the Seller's contracts, supply agreements, joint venture agreements, operating and joint operating agreements, participation agreements, exploration agreements (including minerals and coalbed gas exploration agreements), leases, and other written obligations to the extent not previously rejected with the consent of Purchaser, in each case, as set forth on a schedule to be attached to the Asset Purchase Agreement (the "Contract Schedule") [(excluding any such agreements under which Seller has or could have operator liability)]; provided that Purchaser has the right at any time before the earlier of (x) the date that is two (2) business days prior to the Closing Date and (y) the date on which the Bankruptcy Code or Bankruptcy Court otherwise would require a determination to assume or reject such contract or lease to (i) amend the Contract Schedule to designate any other contract which has not been rejected by the Seller to be an Assumed Contract, and (ii) to remove from the Contract Schedule an Assumed Contract for any reason up to the date of the Sale hearing.

Notwithstanding the foregoing, if an Assumed Contract is subject to a cure dispute or other dispute as to the assumption or assignment of such Assumed Contract that has not been resolved to the satisfaction of Purchaser by the earlier of (x) and (y) above, then the (x) or (y) above shall be extended to the earlier of (A) a resolution to such dispute or (B) 120 days following the Closing Date (the "Extended Contract Period"). If before the Closing Date there are contracts or leases that have not been designated as an Assumed Contract or a contract, lease, or other obligation to be removed from the Contract Schedule (an "Excluded Contract"), then the Seller shall not assume or reject any such contract and lease, pursuant to section 365 of the Bankruptcy Code and any order of the Bankruptcy Court, until the earlier of the date the Purchaser so directs the Seller or the end of the Extended Contract Period. Purchaser shall be

	responsible for any obligations or liabilities arising during any Extended Contract Period related to any contract or lease that has not been assumed or rejected as of the Closing Date as provided above. Purchaser shall not assume or otherwise have any liability with respect to any Excluded Contract. For the avoidance of doubt, all collective bargaining agreements ("CBAs") to which the Company is bound or a party shall be Excluded Contracts.
Seller Representations and Warranties in Asset Purchase Agreement	The Company will make customary representations and warranties in the context of section 363 credit bid transactions (qualified by scheduled disclosures), including, without limitation, representations and warranties concerning: organization, subsidiaries, power and authority, noncontravention and consents, financial statements, related party transactions, regulatory approvals, litigation, regulatory investigations, material contracts, compliance with laws, permits, environmental matters, employee and employee benefit matters, health and safety matters, real property, intellectual property, taxes, no liability to brokers and such other matters as Purchaser may reasonably request.
Purchaser Representations and Warranties	Purchaser will make customary representations and warranties in the context of section 363 credit bid transactions, including without limitation representations and warranties concerning: organization, power and authority, noncontravention and consents and no liability to brokers and such other matters as the Seller may reasonably request.
Seller Covenants	The Company will make customary and other negative and operating covenants in the context of section 363 credit bid transactions (subject to agreed upon exceptions), including without limitation covenants concerning: (i) conduct of business; (ii) provision of financial and operating data, and reasonable access to the Company's senior personnel, facilities, books, contracts and records, subject to agreed upon protections; (iii) reasonable best efforts to obtain approval of the Bidding Procedures and the Sale Motion (each as defined below) seeking the entry of orders in the Chapter 11 Cases in form and substance acceptable to the Seller and the Purchaser, including the Sale Order and other case-management undertakings (e.g., covenants and milestones substantially similar to those set forth in the Restructuring Support Agreement) on or before the relevant Sale Milestones (as defined below); (iv) the Company's entry into any material contract (definition to be agreed) or any renewal of a material contract; (v) notice of certain agreed upon events; (vi) further assurances regarding administration,

	accounts receivable and similar items; (vii) commercially reasonable efforts to pay all post-petition accounts payable (subject to the Budget Covenant) and collect all accounts receivable in the ordinary course of business and (viii) such other covenants reasonably acceptable to the Seller as Purchaser may reasonably request.
Purchaser Covenants	The Purchaser will be subject to agreed-upon covenants, including with respect to (i) actions necessary to obtain regulatory approvals and the satisfaction of applicable closing conditions and (ii) Assumed Benefits.
Tax Cooperation	The Seller and Purchaser shall agree to cooperate in good faith to structure the Asset Purchase Agreement and related transactions in a tax efficient manner for the Purchaser and the Seller, including with respect satisfying the requirements of a "G reorganization" and transfer taxes.
Regulatory Approvals	Regulatory approvals may be required in connection with the Sale, including to the extent applicable, under the HSR Act (the "Regulatory Approvals"). Purchaser and Seller shall use reasonable best efforts to obtain the Regulatory Approvals.
Bidding Procedures	The Sale shall be conducted in accordance with bidding procedures (the "Bidding Procedures") in form and substance acceptable to the Seller and Purchaser, and as approved by an order of the Bankruptcy Court (the "Bidding Procedures Order").[4]
Sale Milestones	• Subject in all respects to the Restructuring Support Agreement, on or before [September 9, 2015] (the "Filing Deadline"), the Seller shall have filed (i) the Sale Motion, including a proposed order (the "Sale Order") approving the Sale and providing for, among other things, the sale of the Purchased Assets to the Purchaser free and clear of all liens, claims, successor liability, security interests and other encumbrances (including without limitation easements or similar restrictions, conditions, covenants, exceptions or reservations) (except Assumed Liabilities) pursuant to section 363(f) of the Bankruptcy Code and "good faith"

[4] For example, only bids that comply in all respects with the Bidding Procedures shall be considered by the Seller (each such bid, a "Qualified Bid"). Moreover and for the avoidance of doubt, (i) Purchaser's offer to purchase the Purchased Assets pursuant to the Asset Purchase Agreement as provided herein shall be a Qualified Bid for all purposes related to the Bidding Procedures and (ii) in the event that any other Qualified Bid is submitted, the Seller shall conduct an auction for the Purchased Assets (the "Auction") and the Seller, subject to Bankruptcy Court approval and any applicable consultation rights with the First Lien Committee, shall select the highest or otherwise best Qualified Bid (the "Winning Bid").

protections to the Purchaser pursuant to section 363(m) of the Bankruptcy Code and (ii) appropriate supporting declarations, in each case, in form and substance acceptable to the Seller and the Purchaser and which identifies Purchaser as the stalking horse for the Purchased Assets.

- On or before [September 30, 2015], the Bankruptcy Court shall have (i) held a hearing to consider approval of the Bidding Procedures and (ii) entered the Bidding Procedures Order.

- Pursuant to the Bidding Procedures Order, any and all Qualified Bids shall be submitted on or before [December 14, 2015] (the "Bid Deadline").

- If any other Qualified Bid is submitted prior to the Bid Deadline, the Seller shall have commenced the Auction on or before [January 6, 2016].

- On or before [January 13, 2016], the Bankruptcy Court shall have entered the Sale Order, which shall be in form and substance acceptable to the Seller and Purchaser.

- The Closing Date shall have occurred by no later than [February 3, 2016], with one 30 day extension, if the Regulatory Approvals have not been obtained (the "End Date").

- Each of the documents set forth above shall be consistent with this Term Sheet and the Asset Purchase Agreement and shall otherwise be acceptable to the Seller and the Purchaser.

Purchase Price Allocation

Within one hundred twenty (120) days after the Closing Date, the Purchaser shall deliver to the Seller a schedule (the "Allocation Schedule") allocating the Purchase Price and any other items that are treated as additional purchase price for tax purposes among the Purchased Assets. The Allocation Schedule shall be reasonable and shall be prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

Bidder Protections

The Bidding Procedures Order shall contain language, in form and substance acceptable to the Seller and the Purchaser, approving the following provisions:

Break-Up Fee: The Seller will pay to Purchaser a break-up fee in cash equal to 3.00% of the value (excluding Assumed

Liabilities) of Purchaser's offer to purchase the Purchased Assets pursuant to the Asset Purchase Agreement immediately upon the earlier of (i) Bankruptcy Court approval of the Winning Bid if a Qualified Bid other than Purchaser's offer to purchase the Purchased Assets pursuant to the Asset Purchase Agreement is the Winning Bid, (ii) termination of the Asset Purchase Agreement if, as of such termination, Seller (but not Purchaser) was in breach of any of its representations, warranties, covenants or other agreements in the Asset Purchase Agreement or (iii) if the Asset Purchase Agreement is terminated (other than as set forth in clause (ii) above or as a result of the Purchaser's breach of any of its representations, warranties, covenants or other agreements in the Asset Purchase Agreement), consummation by the Seller of a financing, sale, restructuring or other similar transaction in respect of a substantial portion of the Purchased Assets or the Business within nine (9) months of such termination (the earlier of (i), (ii) and (iii) being a "Protection Event").

Expense Reimbursement. The Company shall reimburse the Purchaser's and the First Lien Committee's reasonable pre-Closing Date out-of-pocket costs, fees and expenses (including reasonable legal, financial advisory, accounting and other similar costs, fees and expenses) incurred in connection with the formation and operation of Purchaser, this Term Sheet, the Asset Purchase Agreement, the Sale and to the extent such out-of-pocket costs, fees and expenses are not otherwise paid or reimbursed by the Company under the Cash Collateral Orders promptly upon a Protection Event (collectively referred to as the "Expense Reimbursement").

The full amount of the anticipated Expense Reimbursement shall be afforded super priority administrative expense protection pursuant to sections 507 and 503(b) of the Bankruptcy Code.

Treatment of Senior Management

[TBD]

Closing Conditions

The Asset Purchase Agreement shall contain, among other conditions, the following conditions to the obligation of the Seller and the Purchaser to consummate the Sale, in each case, in addition to other conditions that may be agreed upon by Purchaser and the Seller in the Asset Purchase Agreement:

- Entry of the Sale Order in form and substance, including with respect to all findings of fact and conclusions of law,

acceptable to the Seller and the Purchaser and such Sale Order not being subject to any stay or appeal;

- No injunctions or other order or similar ruling or determination of any governmental authority preventing (or delaying beyond the End Date) the consummation of the Sale;
- Lien releases and termination statements with respect to all liens (other than permitted liens) on the Purchased Assets;
- The Company and the Purchaser, as applicable, shall have received agreed upon Regulatory Approvals;
- Seller's representations and warranties in the Asset Purchase Agreement which do not contain materiality qualifiers will be accurate in all material respects on and as of the Closing Date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all material respects as of that specified date) and Seller's representations and warranties in the Asset Purchase Agreement which contain materiality qualifiers will be accurate in all respects on and as of the Closing Date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), in each case, except where the failure of such representations and warranties to be true and correct would not have a material adverse effect (as agreed upon and excluding, for the avoidance of doubt, any reasonably anticipated effects of the Chapter 11 Cases);
- The representations and warranties of the Purchaser contained in the Asset Purchase Agreement which are not subject to a materiality qualification shall be true and correct in all material respects on and as of the Closing Date (except for representations and warranties expressly stated to relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such date) and the representations and warranties of the Purchaser which are subject to a materiality qualification, shall be true and correct in all respects on and as of the Closing Date (except for representations and warranties expressly stated to relate to a specific date, in which case such representations and warranties shall be true and correct as of such date), in each case, except where the failure of such representations and warranties to be so true and correct would not have, or be reasonably likely to have, in the aggregate, a material adverse effect on the ability of

Purchaser to consummate the transactions contemplated by the Asset Purchase Agreement.

- No material breach of the Purchaser's or the Seller's pre-closing or closing covenants in the Asset Purchase Agreement;
- Since the execution of the Asset Purchase Agreement, no material adverse change (as agreed upon and excluding, for the avoidance of doubt, any reasonably anticipated effects of the Chapter 11 Cases) to the Purchased Assets or the Business shall have occurred; and
- The Bankruptcy Court determines that Seller can sell the Purchased Assets free and clear of the successor clause in the UMWA CBAs, the UMWA agrees to waive/remove the successor clause in the UMWA CBAs, or the Bankruptcy Court grants a motion (the "Section 1113(c) Motion") filed by the applicable Seller pursuant to 1113(c) of the Bankruptcy Code authorizing the applicable Seller to reject the UMWA CBAs.

Termination

The Asset Purchase Agreement will contain customary termination provisions, including, but not limited to:

(i) by written agreement of each of the Seller and Purchaser;

(ii) at the written election of the Seller or the Purchaser if the closing does not occur on or prior to the End Date; provided that the terminating party is not in breach of any representation, warranty, covenant or other agreement in the Asset Purchase Agreement so as to cause the conditions to closing not to be satisfied;

(iii) by written notice from Purchaser:

(1) upon a breach by the Seller of any representation, warranty, covenant or agreement in the Asset Purchase Agreement or the Sale Order, which breach (a) would cause any of the Purchaser's conditions to the closing not to be satisfied (provided that the Purchaser is not itself then in breach) and (b) has not been cured within ten (10) business days;

(2) Other than as contemplated by the Sale Motion, upon Seller taking steps in furtherance of a competing transaction or the dismissal or conversion of any of the Chapter 11 Cases;

(3) upon the appointment of a trustee or examiner (except a fee examiner) pursuant to section 1104 of

the Bankruptcy Code;

(4) upon failure to meet Sale Milestones; or

(5) if for any reason (other than as a result of its own breach of the Asset Purchase Agreement) Purchaser is unable, pursuant to section 363(k) of the Bankruptcy Code, to credit bid in payment of all or any portion of the Purchase Price (other than the Assumed Liabilities and the cash portion of the Purchase Price, as provided above); provided that the inability to credit bid post-petition interest payable under Section 506(b) of the Bankruptcy Code or any other amount not in excess of $1 million shall not give rise to a termination right under this clause (iii)(5).

(iv) by written notice from the Seller upon a breach by the Purchaser of any representation, warranty, covenant or agreement in the Asset Purchase Agreement, which breach (a) would cause any of the Seller's conditions to the closing not to be satisfied (provided that the Seller is not itself then in breach) and (b) has not been cured within ten (10) business days;

(v) at the written election of either the Seller or the Purchaser:

(1) upon the dismissal or conversion of any of the Chapter 11 Cases;

(2) if, at the end of the Auction, Purchaser is not determined by Seller to be the bidder with the Winning Bid (or the back-up bidder);

(3) upon permanent denial of required Regulatory Approvals;

(4) upon the termination of the Restructuring Support Agreement by the Majority Holders (as defined therein) in accordance with its terms; or

(5) upon any Termination Event (as defined in the Cash Collateral Orders); or

(vi) at the written election of either the Seller or the Purchaser, if a court of competent jurisdiction or other governmental authority has issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the closing under the Asset Purchase Agreement and such order or action has become final and non-appealable.

Releases The Asset Purchase Agreement shall contain a full mutual release between and among the Seller, the Purchaser, the First

	Lien Committee, the First Lien Agent, the First Lien Trustee and each of their respective affiliates.
Confidentiality	This Term Sheet and all communications and information regarding the Sale contemplated hereby, including the identity of the Purchaser, and the existence, structure, terms, conditions and provisions proposed or discussed are provided for the sole and exclusive benefit of the Company, and, except as consented to by Purchaser in writing or as may be ordered by a court of competent jurisdiction or as necessary in connection with the Section 1113(c) Motion and any related negotiations and proceedings, may not be disclosed to or shared with any person or entity other than the Company's Board of Directors and those of the Company's officers, directors, employees, representatives and advisors that are involved in the bankruptcy and sale process or otherwise on a "need to know" basis and who maintain the confidentiality hereof until such time as the Sale Motion (or the Restructuring Support Agreement) is filed with the Bankruptcy Court.
Labor Matters	Prior to the Closing Date, the Purchaser shall set initial terms and conditions of employment, including, without limitation, wages, benefits, job duties and responsibilities and work assignment. The Purchaser shall determine which Employees of Seller, if any, to offer employment after the Closing, in its sole discretion. Only Employees of Seller who are offered and then accept such offer of employment with the Purchaser based on the initial terms and conditions set by the Purchaser will become an Employee of Purchaser after the Closing Date. Notwithstanding the foregoing, nothing herein will, after the Closing Date, impose on the Purchaser any obligation to retain any Employee of Purchaser in its employment.
CBAs	Seller shall obtain the consent of the Purchaser before extending or renewing (or permitting to be extended or renewed) the term of any CBA absent Seller's ability to terminate such CBA prior to the Closing Date. The Purchaser does not accept or assume any CBAs between Seller and its employees, and expressly declines to be bound by or accept the terms of any such CBAs. Other than the Assumed Benefits, the Purchaser is not and shall not be obligated to, and does not, accept or adopt any wage rates, employee benefits, employee policies or any other terms and conditions of employment.
Definitive Agreements and Due	The Asset Purchase Agreement and such other definitive agreements for the acquisition of the Purchased Assets as the parties mutually agree upon (collectively, the "Definitive

Diligence	Agreements") shall memorialize this Term Sheet and contain such representations, warranties, covenants, conditions, and indemnities as set forth herein or as the parties shall mutually agree. The signing of the Definitive Agreements will be subject to, among other things, the negotiation by the Seller and Purchaser of acceptable terms and conditions for the Definitive Agreements as well as additional legal, accounting, financial, tax, business and regulatory due diligence. For the avoidance of doubt, this Term Sheet is non-binding and in the event of any inconsistency between this Term Sheet and any Definitive Agreement, such Definitive Agreement shall govern.

EXHIBIT D

INTERIM CASH COLLATERAL ORDER

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

In re:	)	Chapter 11
WALTER ENERGY, INC., *et al.*	)	Case No. 15-_____ (___)
Debtors.[1]	)	(Joint Administration Requested)

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

Upon the motion (the "Motion")[2] dated July 15, 2015 of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), pursuant to sections 105, 361, 362, 363, 507(b) and 552(b) of title 11 of the United States Code (the "Bankruptcy Code") and Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") 2002, 4001, 6003, 6004 and 9014, seeking entry of this interim order (this "Interim Order") and a final order:

(I) authorizing the Debtors, subject and pursuant to the terms and conditions set forth in this Interim Order, to (a) use the Cash Collateral (as defined herein), which Cash Collateral shall be used in accordance with the

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

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

Budget Covenant (as defined herein), including a budget acceptable in all respects to the Steering Committee (as defined herein) and Administrative Agent (as defined herein), each in their sole discretion, including any variances therefrom and the financial covenants (as such budget may be extended, varied, supplemented, or otherwise modified in accordance with the provisions of this Interim Order or the Final Order (as defined herein), the "Approved Budget") and (b) provide adequate protection on account of the diminution in the value of the Prepetition Collateral (as defined herein) as a consequence of the Debtors' use, sale or lease of the Prepetition Collateral, including any Cash Collateral (as defined below), and/or the imposition of the automatic stay to the Prepetition Secured Parties (as defined herein) who have been granted prepetition liens and security interests under the following documents (collectively, the "Prepetition Debt Documents"):

(a) the Credit Agreement, dated as of April 1, 2011 (as amended, restated, amended and restated, waived, supplemented or otherwise modified from time to time, the "Credit Agreement" and together with all mortgage, security, pledge, guaranty and collateral agreements, including the 1L Security Agreement (as defined below) and all other documentation executed in connection with any of the foregoing, each as amended, restated, amended and restated, waived, supplemented or otherwise modified from time to time, the "First Lien Credit Documents"), among Walter Energy, Inc. ("Walter"), as U.S. borrower, Western Coal Corp. and Walter Energy Canada Holdings, Inc., as Canadian borrowers, the lenders from time to time party thereto (collectively, the "First Lien Lenders"), and Morgan Stanley Senior Funding, Inc., as administrative agent (in such capacity, the "Administrative Agent");

(b) the Indenture, dated as of September 27, 2013 (as amended, waived, supplemented or otherwise modified from time to time, the "First Lien Indenture" and together with all mortgage, security, pledge, guaranty and collateral agreements, including the 1L Notes Collateral Agreement (as defined below) and all other documentation executed in connection with the foregoing, each as amended, restated, amended and restated, waived, supplemented or otherwise modified from time to time, the "First Lien Indenture Documents" and together with the First Lien Credit Documents, the "First Lien Documents"), among Walter, as issuer, certain of its subsidiaries, as guarantors, and Wilmington Trust, National Association (as successor to Union Bank, N.A.), as trustee (in such capacity, the "First Lien Trustee") and collateral agent for the noteholders from time to time of the 9.50% Senior Secured Notes due 2019 (collectively, the "First Lien Noteholders" and, together

with the First Lien Trustee, the Administrative Agent and the First Lien Lenders, the "First Lien Secured Parties");

(c) the Indenture, dated as of March 27, 2014 (as amended, waived, supplemented or otherwise modified from time to time, the "Second Lien Indenture" and together with all mortgage, security, pledge, guaranty and collateral agreements, including the 2L Collateral Agreement (as defined below) and all other documentation executed in connection with the foregoing, each as amended, restated, amended and restated, waived, supplemented or otherwise modified from time to time, the "Second Lien Indenture Documents"), among Walter, as issuer, certain of its subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (in such capacity, the "Second Lien Trustee" and, together with the First Lien Trustee, the "Indenture Trustees") and collateral agent for the noteholders from time to time of the 11.0%/12.0% Senior Secured Second Lien PIK Toggle Notes due 2020 (collectively, the "Second Lien Noteholders" and, together with the Second Lien Trustee and the First Lien Secured Parties, collectively, the "Prepetition Secured Parties");

(II) scheduling, pursuant to Bankruptcy Rule 4001, an interim hearing (the "Interim Hearing") on the Motion to be held before this Court to consider entry of this Interim Order, which, among other things, authorizes the Debtors' use of Cash Collateral and grants adequate protection to the Prepetition Secured Parties;

(III) subject to entry of the Final Order (as defined herein) and to the extent set forth herein, waiving the Debtors' right to surcharge the Prepetition Collateral pursuant to Bankruptcy Code section 506(c);

(IV) modifying the automatic stay imposed by Bankruptcy Code section 362 to the extent necessary to implement and effectuate the terms of this Interim Order;

(V) scheduling, pursuant to Bankruptcy Rule 4001, a final hearing (the "Final Hearing") granting the relief requested in the Motion on a final basis pursuant to the final order (the "Final Order"); and

(VI) waiving any applicable stay with respect to the effectiveness and enforceability of this Interim Order (including a waiver pursuant to Bankruptcy Rule 6004(h)).

The Interim Hearing having been held by this Court on July 15, 2015; and upon the record made by the Debtors at the Interim Hearing (including the First Day Declaration); and this

Court having heard and resolved or overruled all objections to the interim relief requested in the Motion; and it appearing that the interim relief requested in the Motion is in the best interests of the Debtors, their estates and creditors; and after due deliberation and consideration and sufficient cause appearing therefor,

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED, that:

1. *The Motion.* The Motion is granted on an interim basis as set forth herein. Any objection to the Motion to the extent not withdrawn or resolved is hereby overruled.

2. *Jurisdiction.* This Court has core jurisdiction over the above-captioned chapter 11 cases (the "Chapter 11 Cases") commenced on July 15, 2015 (the "Petition Date"), this Motion, and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. *Statutory Committees.* As of the date hereof, no official committee of unsecured creditors (the "Creditors' Committee") or any other official committee has been appointed in the Chapter 11 Cases.

4. *Notice.* The Debtors have caused notice of the Motion, the relief requested therein and the Interim Hearing to be served on: (a) the Office of the Bankruptcy Administrator for the Northern District of Alabama (the "Bankruptcy Administrator"); (b) counsel to the Administrative Agent; (c) counsel to the First Lien Trustee; (d) counsel to the Second Lien Trustee; (d) counsel to a steering committee (the "Steering Committee") of First Lien Lenders and First Lien Noteholders; (e) the Internal Revenue Service; (f) the Securities and Exchange Commission; (g) the U.S. Environmental Protection Agency; (h) counsel to the United Mine Workers of America; (i) counsel to the United Steel Workers; (j) the holders of the fifty (50) largest unsecured claims against the Debtors, on a consolidated basis; and (k) the United States

Attorney for the Northern District of Alabama. Under the circumstances, the notice given by the Debtors of the Motion, the relief requested therein and of the Interim Hearing constitutes due and sufficient notice thereof and complies with Bankruptcy Rules 2002 and 4001(b) and (d).

5. *Debtors' Stipulations*. Subject to the rights granted to certain parties, other than the Debtors, to challenge the Prepetition Secured Parties' claims and liens before the termination of the Challenge Period (as defined herein) as set forth below in paragraph 16, the Debtors admit, stipulate, and agree that:

(a) As of the Petition Date, all of the Debtors (excluding Jefferson Warrior Railroad Company, Inc., Jim Walter Homes, LLC, Walter Home Improvement, Inc., Blue Creek Energy, Inc., Sloss-Sheffield Steel & Iron Company, SP Machine, Inc., and V Manufacturing Company) (collectively, the "Obligated Debtors") were unconditionally indebted and liable to the Prepetition Secured Parties, without defense, counterclaim or offset of any kind, for the following:

(i) all debts, liabilities and obligations of every kind and nature owed by the Obligated Debtors under the First Lien Credit Documents, including, without limitation, the Loans (as defined in the Credit Agreement) made by the First Lien Lenders to such Debtors in the outstanding aggregate principal amount of $978,178,601.35 of term loans, and US$ 54,153,604.00 and C$24,070,494.00 (the "Canadian LCs") in outstanding letters of credit, plus accrued and unpaid interest, fees (including any prepayment fees), expenses, penalties, premiums and other obligations incurred in connection therewith, in each case in accordance with the terms of the First Lien Credit Documents (collectively, the "Credit Agreement Obligations"); the Credit Agreement Obligations are unconditionally guaranteed by the U.S. Subsidiary Guarantors (as defined in the Credit Agreement) and are secured by first priority security interests in and liens on (the "Credit Agreement Liens") substantially all of the assets of Walter and the U.S. Subsidiary Guarantors, including Cash Collateral (as defined herein) (the "Prepetition Collateral"), pursuant to and on the terms set forth in (A) the U.S. Guaranty and Collateral Agreement, dated as of April 1, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "1L Security Agreement"), among

Walter, the U.S. Subsidiary Guarantors and Morgan Stanley Senior Funding, Inc., as collateral agent (in such capacity, the "Credit Agreement Collateral Agent"), (B) the Grant of Security Interest in United States Trademarks, dated as of April 1, 2011, made by Walter to the Credit Agreement Collateral Agent, and (C) such other mortgage, security, pledge, guaranty and collateral agreements executed in connection with the Credit Agreement;

(ii) all debts, liabilities and obligations of every kind and nature owed by the Obligated Debtors under the First Lien Indenture Documents (collectively, the "First Lien Indenture Obligations" and together with the Credit Agreement Obligations, the "First Lien Obligations"), including, without limitation, the Notes (as defined in the First Lien Indenture) issued to the First Lien Noteholders in the outstanding aggregate principal amount of $970,000,000 under the First Lien Indenture, plus accrued and unpaid interest, fees, penalties, premium, expenses and other obligations incurred in connection therewith, in each case in accordance with the terms of the First Lien Indenture Documents; the First Lien Indenture Obligations are unconditionally guaranteed by the same entities that have guaranteed the Credit Agreement Obligations and secured, *pari passu* with the Credit Agreement Liens, by first priority security interests in and liens on the Prepetition Collateral (collectively with the Credit Agreement Liens, the "Prepetition First Priority Liens"), pursuant to and in accordance with the terms of (A) the First-Lien Notes Collateral Agreement, dated as of September 27, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "1L Notes Collateral Agreement"), among Walter, certain of its subsidiaries from time to time party thereto and Wilmington Trust, National Association (as successor to Union Bank, N.A.), as collateral agent (in such capacity, the "1L Notes Collateral Agent"), (B) the Grant of Security Interest in United States Trademarks, dated as of September 27, 2013, made by Walter to the 1L Notes Collateral Agent, and (C) such other mortgage, security, pledge, guaranty and collateral agreements executed in connection with the First Lien Indenture; and

(iii) all debts, liabilities and obligations of every kind and nature owed by the Obligated Debtors under the Second Lien Indenture Documents (collectively, the "Second Lien Indenture Obligations" and together with the First Lien Obligations, the "Prepetition Obligations"), including, without limitation, the Notes (as defined in the Second Lien Indenture) issued to the Second Lien Noteholders in the outstanding aggregate principal amount (including interest that has been capitalized) of $360.5 million under the Second Lien Indenture, plus accrued and unpaid interest, fees, penalties, premium, expenses and other obligations incurred in connection therewith, in each case in

accordance with the terms of the Second Lien Indenture Documents; the Second Lien Indenture Obligations are unconditionally guaranteed by the same entities that have guaranteed the First Lien Obligations and secured by second priority security interests in and liens on the Prepetition Collateral (the "Prepetition Second Priority Liens" and together with the Prepetition First Priority Liens, the "Prepetition Liens"), pursuant to and in accordance with the terms of (A) the Second-Lien Notes Collateral Agreement, dated as of March 27, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the "2L Notes Collateral Agreement"), among Walter, certain of its subsidiaries from time to time party thereto and Wilmington Trust, National Association, as collateral agent (in such capacity, the "2L Notes Collateral Agent"), (B) the Grant of Security Interest in United States Trademarks, dated as of March 27, 2014, made by Walter to the 2L Notes Collateral Agent, and (C) all other mortgage, security, pledge, guaranty and collateral agreements executed in connection with the Second Lien Indenture.

(b) The Prepetition Obligations constitute the legal, valid, binding, non-avoidable obligations of the Obligated Debtors.

(c) The Prepetition Liens are valid, binding, perfected, non-avoidable, and enforceable liens on and security interests in the Prepetition Collateral, subject in each case, solely as among the Prepetition Secured Parties, to the terms of the Intercreditor Agreement (as defined herein) and, prior to giving effect to this Interim Order, those other liens explicitly permitted by the applicable Prepetition Debt Documents (in each case, only to the extent such permitted exceptions were valid, properly perfected, non-avoidable liens senior in priority to the respective liens and security interests of the Prepetition Secured Parties on the Petition Date) (the "Permitted Priority Liens"), if any.

(d) (i) No portion of the Prepetition Obligations, the Prepetition Debt Documents, and the transactions contemplated thereby is subject to contest, attack, objection, recoupment, defense, setoff, counterclaim, avoidance, recharacterization, reclassification, reduction, disallowance, recovery, disgorgement, attachment, "claim" (as defined in the

Bankruptcy Code), impairment, subordination or other challenge pursuant to the Bankruptcy Code or applicable nonbankruptcy law; (ii) the Debtors do not have any claims, challenges, counterclaims, causes of action, defenses, recoupment, disgorgement, or setoff rights related to the Prepetition Obligations or the Prepetition Debt Documents, whether arising under the Bankruptcy Code or applicable nonbankruptcy law, on or prior to the date hereof, against the Prepetition Secured Parties and their respective affiliates, subsidiaries, agents, officers, directors, employees, attorneys and advisors; and (iii) the Debtors each irrevocably waive, for themselves, and their subsidiaries, shareholders, and affiliates, any right to challenge or contest in any way the perfection, validity, priority and enforceability of the Prepetition Liens or the validity or enforceability of the Prepetition Obligations and the Prepetition Debt Documents. Any order entered by the Court in relation to the establishment of a bar date for any claims (including without limitation administrative expense claims) in any of the Chapter 11 Cases or any successor cases shall not apply to the Prepetition Secured Parties. The Prepetition Obligations, Prepetition Liens, interests, rights, priorities and protections granted to, or in favor of the Prepetition Secured Parties, as set forth in this Interim Order and in the applicable Prepetition Debt Documents shall be deemed a timely filed proof of claim on behalf of these Prepetition Secured Parties in each of these Chapter 11 Cases, and none of the Prepetition Secured Parties shall be required to file a proof of claim with respect thereto.

(e) Each of the Debtors and the Debtors' estates, on its own behalf and on behalf of its past, present and future predecessors, successors, heirs, subsidiaries, and assigns (collectively, the "Releasors") shall, to the maximum extent permitted by applicable law, unconditionally, irrevocably, fully and forever release, remise, acquit, relinquish, irrevocably waive and discharge each of the Prepetition Secured Parties and each of their respective former,

current, or future officers, employees, directors, agents, representatives, owners, members, partners, financial advisors, legal advisors, shareholders, managers, consultants, accountants, attorneys, affiliates, and predecessors in interest (collectively, the "Releasees") of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness and obligations, rights, assertions, allegations, actions, suits, controversies, proceedings, losses, damages, injuries, attorneys' fees, costs, expenses, or judgments of every type, whether known, unknown, asserted, unasserted, suspected, unsuspected, accrued, unaccrued, fixed, contingent, pending, or threatened including, without limitation, all legal and equitable theories of recovery, arising under common law, statute or regulation or by contract, of every nature and description that exist on the date hereof relating to any of the Prepetition Debt Documents, or the transactions contemplated under such documents, including, without limitation, (i) any so-called "lender liability," equitable subordination, equitable disallowance or recharacterization claims or defenses, (ii) any and all claims and causes of action arising under the Bankruptcy Code, and (iii) any and all claims and causes of action regarding the validity, priority, perfection or avoidability of the Prepetition Liens and the Prepetition Obligations. The Debtors' acknowledgments, stipulations, and releases shall be binding on the Debtors and their respective representatives, successors and assigns and, only subject to any action timely commenced by a Creditors' Committee (to the extent appointed) or any other party in interest, and in any case which is granted the requisite standing before the expiration of the Challenge Period (as defined herein) as provided in paragraph 16, on each of the Debtors' estates, all creditors thereof and each of their respective representatives, successors and assigns, including, without limitation, any trustee or other representative appointed by the Court, whether such

trustee or representative is appointed in cases under chapter 11 or chapter 7 of the Bankruptcy Code.

(f) For purposes of this Interim Order, the term "Cash Collateral" shall mean and include all "cash collateral" as defined in section 363 of the Bankruptcy Code in which the Prepetition Secured Parties have a perfected lien, security interest or other interest, in each case whether existing on the Petition Date, arising pursuant to this Interim Order, or otherwise. The Debtors stipulate that any and all of the Debtors' cash, cash equivalents, negotiable instruments, investment property, securities, and any amounts generated from the use, sale, lease or other disposition of the Prepetition Collateral, in each case wherever located, constitute Cash Collateral and Prepetition Collateral of the Prepetition Secured Parties.

(g) As of the Petition Date, the Debtors have not brought and are not aware of any claims, objections, challenges, causes of action, including without limitation, avoidance claims under chapter 5 of the Bankruptcy Code against the Prepetition Secured Parties arising out of or related to the Prepetition Obligations.

(h) To the Debtors' knowledge, as of the Petition Date, there were no other perfected liens on or security interests in the Prepetition Collateral except for the Prepetition Liens and the Permitted Priority Liens.

6. *Section 552(b).* Each of the Prepetition Secured Parties shall be entitled to all of the rights and benefits of Bankruptcy Code section 552(b). Subject to, and effective upon entry of the Final Order, the "equities of the case" exception under Bankruptcy Code section 552(b) shall not apply to the Prepetition Secured Parties with respect to proceeds, products, or profits of any of the Prepetition Collateral.

7. *Findings Regarding the Use of Cash Collateral and Prepetition Collateral.*

(a) Good cause has been shown for the entry of this Interim Order.

(b) The Debtors have an immediate need to use the Cash Collateral to permit, among other things, the orderly continuation of their businesses, pay their operating expenses and preserve the going concern value of the Debtors.

(c) The preservation and maintenance of the Debtors' businesses and assets is necessary to maximize value. Absent the Debtors' ability to use Cash Collateral in accordance with the terms hereof (including, without limitation, the Budget Covenant), the continued operation of the Debtors' businesses would not be possible, and irreparable harm to the Debtors, their estates, and their creditors would occur. Authorization to use the Cash Collateral is therefore (i) critical to the Debtors' ability to maximize the value of these chapter 11 estates, (ii) in the best interests of the Debtors and their estates, and (iii) necessary to avoid immediate and irreparable harm to the Debtors, their creditors, and their assets, businesses, goodwill, reputation, and employees.

(d) The terms of the use of the Cash Collateral pursuant to this Interim Order are fair and reasonable, and reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties.

(e) The Steering Committee, the Administrative Agent, the Credit Agreement Collateral Agent, the First Lien Trustee, the Second Lien Trustee, the 1L Notes Collateral Agent, and the 2L Notes Collateral Agent, as applicable, have consented to (or, as applicable, has been directed to, or it has been asserted that they are deemed to have, consented to pursuant to the Intercreditor Agreement referred to below), conditioned upon the entry of this Interim Order, the Debtors' proposed use of Cash Collateral, on the terms and conditions set forth in this Interim

Order and in accordance with the Budget Covenant. Pursuant and subject to the terms of the Amended and Restated Intercreditor Agreement, dated as of March 27, 2014 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Walter, the other grantors from time to time party thereto, the Credit Agreement Collateral Agent, the 1L Notes Collateral Agent, the 2L Notes Collateral Agent, and each additional Collateral Agent (as defined in the Intercreditor Agreement) and Authorized Representative (as defined in the Intercreditor Agreement) from time to time party thereto, the 1L Notes Collateral Agent, the First Lien Noteholders, the 2L Notes Collateral Agent and the Second Lien Noteholders are precluded from objecting to the use of Cash Collateral under certain circumstances, including if the Credit Agreement Collateral Agent has consented thereto and the adequate protection provisions set forth herein are adhered to.

(f) The continued use of Cash Collateral has been negotiated in good faith and at arms' length among the Debtors, the Steering Committee, the Credit Agreement Collateral Agent (on behalf of the First Lien Lenders) and the Administrative Agent, as applicable, and, therefore, the use of the Cash Collateral by the Debtors in accordance with the terms of this Interim Order shall be deemed to have been extended, issued, or made in "good faith".

(g) The Debtors and certain of the Prepetition Secured Parties have entered into that certain Restructuring Support Agreement (as amended from time to time in accordance therewith, the "RSA"), which contains the parties' agreements and undertakings with respect to the Debtors' restructuring.

8. *Authorization of Use of Cash Collateral.* Subject to the terms hereof and in accordance with the Budget Covenant, the Debtors are hereby authorized to use the Cash Collateral during the period from the Petition Date through and including the Termination Date

for: (a) working capital requirements; (b) general corporate purposes; (c) adequate protection payments to the Prepetition Secured Parties as contemplated herein; and (d) the costs and expenses of administering these Chapter 11 Cases (including payments benefiting from the Carve-Out) incurred in the Chapter 11 Cases; provided that the Debtors shall not be authorized to use Cash Collateral to pay fees or expenses (x) in excess of $50,000 per month (the "Committee Monthly Cap"), on account of Professional Persons (as defined herein) retained by any official committee appointed in these Chapter 11 Cases, including any Creditors' Committee, (y) in excess of $25,000 (the "Investigation Budget") for the Creditors' Committee to investigate (but not prepare, initiate or prosecute) Claims and Defenses (as defined herein) against the Prepetition Secured Parties before the termination of the Challenge Period (as defined herein), or (z) to initiate or prosecute proceedings or actions on account of any Claims and Defenses against the Prepetition Secured Parties. For the avoidance of doubt and notwithstanding any other provision of this Interim Order, other than the Investigation Budget (which may be used solely for the purposes authorized in this paragraph 8), no Cash Collateral, Prepetition Collateral, Collateral or any proceeds thereof, or any portion of the Carve-Out may be used directly or indirectly by any Debtor, any official committee appointed in the case, including the Creditors' Committee, or any trustee appointed in the Chapter 11 Cases or any successor case, or any other person, party or entity to (i) investigate, object, contest, or raise any defense to the validity, perfection, priority, extent, or enforceability of the Prepetition Obligations, the Prepetition Liens or any action purporting to do any of the foregoing; (ii) investigate, assert or prosecute any Claims and Defenses against the Prepetition Secured Parties or their respective predecessors-in-interest, agents, affiliates, representatives, attorneys, or advisors or any action purporting to do the foregoing in respect of the Prepetition Obligations

and/or the Prepetition Liens; (iii) prevent, hinder, or otherwise delay the Prepetition Secured Parties' enforcement, or realization on the Prepetition Obligations, Cash Collateral, the Prepetition Liens, the Adequate Protection Obligations, or the Adequate Protection Liens in accordance with the Interim Order; (iv) seek to modify any of the rights granted to the Prepetition Secured Parties hereunder (other than with the consents contemplated hereunder); (v) apply to the Court for authority to approve superpriority claims or grant liens (other than the Approved Liens (as defined below)) in the Collateral or any portion thereof that are senior to, or on parity with, the Adequate Protection Liens, Superpriority Claims or Prepetition Liens, unless all Prepetition Obligations and claims under this Interim Order and the Final Order have been refinanced or paid in full in cash (including the cash collateralization of any letters of credit) or otherwise agreed to in writing by the Administrative Agent and the Steering Committee, each in its sole discretion; or (vi) seek to pay any amount on account of any claims arising prior to the Petition Date unless such payments are agreed to in writing by the Steering Committee in its sole discretion, are authorized in any "first day" orders, or are otherwise included in the Approved Budget.

9. *Entitlement to Adequate Protection.* The Prepetition Secured Parties are entitled to adequate protection of their respective interests in the Prepetition Collateral (including, without limitation, the Cash Collateral) on which the Prepetition Secured Parties hold perfected security interests as of the Petition Date in an amount equal to the aggregate postpetition diminution in value of the Prepetition Collateral, including any Cash Collateral, from and after the Petition Date (such diminution in value, the "Diminution in Value"), including, without limitation, to the extent such diminution results from the sale, lease or use by the Debtors of the Prepetition Collateral, the subordination of the Prepetition Liens to the Carve-Out, or the

imposition of the automatic stay pursuant to Bankruptcy Code section 362 (such adequate protection, as set forth in paragraphs 10 and 11 below, the "Adequate Protection Obligations").

10. *Adequate Protection Claims and Liens.*

(a) Adequate Protection for the First Lien Secured Parties. As adequate protection for the Diminution in Value of the Prepetition Collateral, the First Lien Secured Parties are hereby granted the following claims, liens, rights and benefits:

(i) ***First Lien Superpriority Claim.*** The Adequate Protection Obligations due to the First Lien Secured Parties (the "First Lien Adequate Protection Obligations") shall constitute allowed joint and several superpriority claims against each of the Debtors as provided in Bankruptcy Code section 507(b) (collectively, the "First Lien Superpriority Claim"), with priority over any and all administrative expenses and all other claims against the Debtors, now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative expenses of the kind specified in Bankruptcy Code sections 503(b) and 507(b), and over any and all other administrative expenses or other claims arising under any other provision of the Bankruptcy Code, including, without limitation, Bankruptcy Code sections 105, 326, 327, 328, 330, 331, 365, 503, 506, 507(a), 507(b), 546, 552, 726, 1113 or 1114, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment, subject and subordinate only to the Carve-Out;

(ii) ***First Lien Adequate Protection Liens.*** Subject to the Carve-Out, as security for the First Lien Adequate Protection Obligations, effective as of the Petition Date and perfected without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or the possession or control by the First Lien Secured Parties of any Postpetition Collateral (as defined below), the following security interests and liens are hereby granted to the First Lien Secured Parties (all such liens and security interests, the "First Lien Adequate Protection Liens"):

(A) Pursuant to Bankruptcy Code sections 361(2) and 363(c)(2), a valid, binding, continuing, enforceable, fully-perfected, non-avoidable additional and replacement first priority lien on, and security interest in, all property (including any previously unencumbered property), whether now owned or

hereafter acquired or existing and wherever located, of each Debtor and each Debtor's "estate" (as created pursuant to Bankruptcy Code section 541(a)), of any kind or nature whatsoever, real or personal, tangible or intangible, and now existing or hereafter acquired or created, including, without limitation, all cash, accounts, inventory, goods, contract rights, mineral rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, owned real estate, real property leaseholds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), all of the issued and outstanding capital stock of each Debtor (other than Walter), other equity or ownership interests held by a Debtor, including equity interests in subsidiaries and non-wholly-owned subsidiaries, money, investment property, and causes of action (including causes of action arising under Bankruptcy Code section 549 and any related action under Bankruptcy Code section 550) and, subject to entry of the Final Order, the proceeds of any causes of action under Bankruptcy Code sections 502(d), 544, 545, 547, 548, 550 (except as provided above) or 553 or the proceeds of any other avoidance actions under the Bankruptcy Code or applicable non-bankruptcy law (collectively, the "Avoidance Actions"), Cash Collateral, and all cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, documents, vehicles, intellectual property, securities, partnership or membership interests in limited liability companies and capital stock, including, without limitation, the products, proceeds and supporting obligations thereof, whether in existence on the Petition Date or thereafter created, acquired, or arising and wherever located (all such property (including the Junior Collateral (as defined herein)), other than the Prepetition Collateral in existence immediately prior to the Petition Date, being collectively referred to as, the "Postpetition Collateral" and collectively with the Prepetition Collateral, the "Collateral"), which liens and security interests shall be senior to any and all other liens and security interests other than the Carve-Out and the Permitted Priority Liens, if any, and liens granted to third parties on Cash Collateral to secure Approved Collateralized Obligations (as defined below) (the "Approved Liens").

(B) Subject to the Carve-Out, pursuant to Bankruptcy Code sections 361(2) and 363(c)(2), a valid, binding, continuing,

enforceable, fully-perfected non-avoidable junior priority replacement lien on, and security interest in, all property, whether now owned or hereafter acquired or existing and wherever located, of each Debtor and each Debtor's "estate" (as created pursuant to Bankruptcy Code section 541(a)), property of any kind or nature whatsoever, real or personal, tangible or intangible, and now existing or hereafter acquired or created, including, without limitation, all cash, accounts, inventory, goods, contract rights, mineral rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, owned real estate, real property leaseholds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), all of the issued and outstanding capital stock of each Debtor (other than Walter), other equity or ownership interests held by a Debtor, including equity interests in subsidiaries and non-wholly-owned subsidiaries, money, investment property, causes of action, Cash Collateral, and all cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, documents, vehicles, intellectual property, securities, partnership or membership interests in limited liability companies and capital stock, including, without limitation, the products, proceeds and supporting obligations thereof, whether now existing or hereafter acquired, that is subject only to (x) the Permitted Priority Liens, or (y) valid and non-avoidable liens in existence immediately prior to the Petition Date that are perfected after the Petition Date to the extent permitted by Bankruptcy Code section 546(b), which valid, perfected and unavoidable liens are senior in priority to the security interests and liens in favor of the Administrative Agent and the First Lien Trustee (the "Junior Collateral").

(C) The Adequate Protection Liens shall not be (1) subject or subordinate to, or *pari passu* with, (a) any lien or security interest that is avoided and preserved for the benefit of the Debtors and their estates under Bankruptcy Code section 551 or (b) any lien or security interest arising on or after the Petition Date subject to the Carve-Out, or (2) except as otherwise set forth in paragraphs 10(a)(ii)(A) and 10(a)(ii)(B) hereof, subordinated to or made *pari passu* with any other lien, claim or security interest under Bankruptcy Code sections 363 or 364 or otherwise.

(iii) ***Carve-Out***. For purposes hereof, the "Carve-Out" shall mean, following the Termination Date, the sum of: (A) all fees required to be paid to the clerk of the Court and the Bankruptcy Administrator (without regard to the Carve-Out Trigger Notice (as defined herein)); (B) reasonable fees and expenses up to $25,000 in the aggregate incurred by a trustee appointed under Bankruptcy Code section 726(b) (without regard to the Carve-Out Trigger Notice); (C) subject to the Committee Monthly Cap with respect to Professional Fees incurred by Professional Persons retained by the Creditors' Committee or any other statutory committee appointed in the Chapter 11 Cases, and subject to any Professional Fees permitted to be incurred under the Investigation Budget, to the extent allowed, whether by interim order, procedural order or otherwise, all accrued and unpaid reasonable fees, costs, and expenses (the "Professional Fees") incurred by persons or firms retained by the Debtors, the Creditors' Committee or any other statutory committee appointed in the Chapter 11 Cases (if any) pursuant to Bankruptcy Code section 327, 328, or 363 (collectively, the "Professional Persons") at any time before or on the day of delivery by the Administrative Agent or Steering Committee of a Carve-Out Trigger Notice (the "Pre-Trigger Date Fees"); and (D) after the delivery by the Administrative Agent or Steering Committee of the Carve-Out Trigger Notice (the "Trigger Date"), to the extent allowed at any time, whether by interim order, procedural order or otherwise, the payment of (1) all Professional Fees of Professional Persons retained by the Debtors and (2) subject to the Committee Monthly Cap, the payment of Professional Fees of Professional Persons incurred by the Creditors' Committee or any other statutory committee appointed in the Chapter 11 Cases, not to exceed $5 million in the aggregate for clauses (1) and (2) incurred after the Trigger Date (the amount set forth in this clause (D) being the "Post-Carve Out Trigger Notice Cap"); provided that nothing herein shall be construed to impair the ability of any party to object to the fees, expenses, reimbursement or compensation described in clauses (C) or (D) above, on any grounds. On the day on which a Carve-Out Trigger Notice is given to the Debtors, such Carve-Out Trigger Notice also shall constitute a demand to the Debtors to utilize all cash on hand as of such date and any available cash thereafter held by any Debtor to fund a reserve in an aggregate amount equal to the accrued and unpaid Pre-Trigger Date Fees plus the Post-Carve Out Trigger Notice Cap, and the Debtors shall deposit and hold any such amounts in a segregated account at a financial institution selected by the Debtors for such purpose and solely for the benefit of the Professional Persons entitled thereto. The reserved funds shall be released from time to time from the segregated account to pay when due any Pre-Trigger Date Fees and any fees and expenses incurred after Post-Carve Out Trigger Notice that are included in the Post-Carve Out Trigger Notice Cap under

clause (D) above. Such account and amounts therein shall be free and clear of all liens, claims and interests of any party other than the Professional Persons entitled thereto. Notwithstanding the foregoing, (X) the Carve-Out shall not include, apply to or be available for any fees or expenses incurred by any party in connection with (1) the investigation, preparation, initiation or prosecution of any claims, causes of action, proceeding, adversary proceeding or other litigation against any of the Prepetition Secured Parties (in such capacity), including challenging the amount, validity, perfection, priority or enforceability of or asserting any defense, counterclaim or offset to, the Prepetition Obligations and the Prepetition Liens granted under the Prepetition Debt Documents in favor of the Prepetition Secured Parties, including, without limitation, for lender liability or pursuant to Bankruptcy Code section 105, 510, 544, 547, 548, 549, 550 or 552, applicable nonbankruptcy law or otherwise; (2) attempts to modify any of the rights granted to the Prepetition Secured Parties hereunder (other than with the consents contemplated hereunder); (3) attempts to prevent, hinder or otherwise delay any of the Prepetition Secured Parties' enforcement or realization upon any Collateral in accordance with the Prepetition Debt Documents and this Interim Order; or (4) paying any amount on account of any claims arising before the Petition Date unless such payments are approved by an order of this Court, in the Approved Budget or otherwise consented to by the Steering Committee in its sole discretion, and (Y) so long as the Carve-Out Trigger Notice shall not have been delivered, the Carve-Out shall not be reduced by the payment of Professional Fees allowed at any time by this Court. Any claim incurred in connection with any of the activities described above (other than as permitted in connection with the Investigation Budget in an amount not exceeding such Investigation Budget) shall not be allowed, treated or payable as an administrative expense claim for purposes of section 1129(a)(9)(A) of Bankruptcy Code. For purposes of the foregoing, "Carve-Out Trigger Notice" shall mean a written notice delivered by the Administrative Agent or the Steering Committee to the Debtors, Debtors' counsel, the Bankruptcy Administrator, and counsel to the Creditors' Committee (if any), upon the occurrence and during the continuance of a Termination Event (as defined below), stating that the Post-Carve Out Trigger Notice Cap has been invoked. For the avoidance of doubt and notwithstanding anything to the contrary herein or in the Prepetition Debt Documents, the Carve-Out shall be senior to all liens and claims arising out of the Prepetition Debt Documents, including the Prepetition Liens, the Adequate Protection Liens, the Superpriority Claims, and any and all other forms of adequate protection, liens or claims securing or relating to the Prepetition Obligations.

(b) Adequate Protection for the Second Lien Trustee and Second Lien Noteholders. As adequate protection for the Diminution in Value of their liens and interests in the Prepetition Collateral, the Second Lien Trustee and the Second Lien Noteholders are hereby granted the following claims, liens, rights and benefits:

(i) ***Second Lien Superpriority Claims.*** The Adequate Protection Obligations due to the Second Lien Trustee and the Second Lien Noteholders (the "Second Lien Adequate Protection Obligations") shall constitute joint and several superpriority claims against the Debtors as provided in Bankruptcy Code section 507(b) (the "Second Lien Superpriority Claim" and together with the First Lien Superpriority Claim, the "Superpriority Claims"), subject and subordinate only to the Carve Out, the First Lien Superpriority Claim and the First Lien Obligations.

(ii) ***Second Lien Adequate Protection Liens.*** As security for the Second Lien Adequate Protection Obligations, effective as of the Petition Date and perfected without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or the possession or control by the Second Lien Indenture Trustee of any Postpetition Collateral, security interests and liens are hereby granted to the Second Lien Indenture Trustee for the benefit of the Second Lien Noteholders on the Postpetition Collateral, subject and subordinate only to the (A) the Carve-Out, (B) the First Lien Adequate Protection Liens, (C) the liens and security interests securing the First Lien Obligations, (D) the Permitted Priority Liens, and (E) Approved Liens, and subject further to the Intercreditor Agreement (all such liens and security interests, the "Second Lien Adequate Protection Liens," and collectively with the First Lien Adequate Protection Liens, the "Adequate Protection Liens").

11. *Additional Adequate Protection.* As additional adequate protection:

(a) Payments: The Debtors are authorized and directed to pay to the Administrative Agent, for the ratable benefit of the First Lien Lenders (including in respect of any unreimbursed drawings on letters of credit), and to the First Lien Trustee, for the ratable benefit of the First Lien Noteholders, any accrued, but unpaid interest due as of the Petition Date and postpetition interest, in cash, pursuant to the terms of, the First Lien Credit Documents (with

the LIBO Rate under the First Lien Credit Documents fixed at 1.00% per annum for purposes of such postpetition interest payments under the First Lien Credit Documents) and the First Lien Indenture Documents, respectively, in each case calculated based on 80% of the applicable contract non-default rate set forth therein and due and payable on a monthly basis (with all payments of interest to be without prejudice to the rights of the Administrative Agent and the First Lien Trustee (and any party-in-interest's right to object thereto) to assert a claim for payment of additional interest at any other rates in accordance with the applicable governing documents) but without prejudice to the right of any party-in-interest with standing to do so to seek to recharacterize such payments as principal; provided, any accrued, due but unpaid interest as of the Petition Date shall be paid promptly upon entry of this Interim Order.

(b) Agent/Indenture Trustee Fees and Expenses: The Debtors shall promptly pay, in cash, (x) all Letter of Credit Fees and Facing Fees (each as defined in the Credit Agreement), and any annual administrative agent fees and other fees set forth in Section 4.01(b) through (e) of the Credit Agreement (including, in each case, all amounts set forth in Section 4.01(a) through (e) of the Credit Agreement accrued with respect to periods on or prior to the Petition Date) on the respective dates for the payment (or, in the case of all amounts accrued as of the Petition Date, promptly upon entry of this Interim Order) of all such fees as provided in the Credit Agreement, at the applicable non-default rate provided for in the First Lien Credit Documents with respect to such fees and (y) upon presentment of an applicable invoice to the Debtors (with a copy of such invoice to be presented contemporaneously to both the Bankruptcy Administrator and counsel for the Creditors' Committee, if any), all reasonable, actual, and documented (in customary detail, redacted for privilege and work product) fees, costs and expenses incurred by each of the Administrative Agent and the First Lien Trustee, including,

without limitation, the fees, costs and expenses of one lead counsel, one local counsel (if necessary) and, if needed, one Canadian counsel for each of the Administrative Agent and the First Lien Trustee, in each case in accordance with the applicable engagement letters (if any) and the Prepetition Debt Documents and without further order of, or application to, the Court or notice to any party other than as provided in this paragraph 11(b).

(c) Steering Committee Fees and Expenses. The Debtors shall promptly pay in cash upon presentment of an applicable invoice to the Debtors (with a copy of such invoice to be presented contemporaneously to both the Bankruptcy Administrator and counsel for the Creditors' Committee, if any), all reasonable, actual, and documented (in customary detail, redacted for privilege and work product) fees, costs and expenses of (i) Akin Gump Strauss Hauer & Feld LLP ("Akin Gump"), as lead counsel, Burr Forman LLP ("Burr Forman"), as Alabama counsel, Cassels Brock & Blackwell LLP ("Cassels"), as Canadian counsel, and Lazard Frères & Co. LLC, as financial advisor, to the Steering Committee ("Lazard" and together with Akin Gump, Burr Forman and Cassels, the "Steering Committee Advisors") and (ii) any consultants or other advisors retained by the Steering Committee (and not by individual Steering Committee members) (the parties described in this paragraph 11(c)(ii) collectively, the "Consultants") in connection with the Restructuring (as defined in the RSA); provided that the Steering Committee shall provide notice to the Debtors prior to retaining any such Consultants, in each case, in accordance with engagement letters (if any) of such professional (including the Restructuring Fee as defined in Lazard's engagement letter), and in each case, without further order of, or application to, the Court or notice to any party other than as provided in this paragraph 11(c); provided, however, that Lazard's Restructuring Fee shall be subject to the entry of the Final Order; provided further that no success fees shall be payable to any Consultant. In

addition, the Debtors shall promptly reimburse each Steering Committee member in cash for all reasonable and documented out-of-pocket costs and expenses (without limiting the Debtors' obligations pursuant to the previous sentence, which out-of-pocket costs and expenses should not include any advisor and professional fees for such individual Steering Committee member) incurred by such member in connection with the Restructuring.

(d) Credit Bidding. The Administrative Agent (on behalf of the First Lien Lenders), the First Lien Trustee (on behalf of the First Lien Noteholders) and the Second Lien Trustee (on behalf of the Second Lien Noteholders) (but only if any such credit bid provides, to the extent set forth in the Intercreditor Agreement, for the payment in full and in cash of all Prepetition Obligations owed to the First Lien Secured Parties and any amounts due and owing to the First Lien Secured Parties under this Interim Order and the Final Order, and provides for the cash collateralization of any letters of credit in accordance with the First Lien Credit Documents and this Interim Order and the Final Order), as applicable, shall have the right to credit bid (X) up to the full amount of the remaining Prepetition Obligations under the First Lien Credit Documents, First Lien Indenture Documents and the Second Lien Indenture Documents, respectively and (Y) the First Lien Superpriority Claims, the Second Lien Superpriority Claims, and any unpaid amounts due and owing under paragraph 11(a) through (c) hereof, as applicable, in the sale of any of the Collateral, including, without limitation, (a) pursuant to Bankruptcy Code section 363, (b) a plan of reorganization or a plan of liquidation under Bankruptcy Code section 1129, or (c) a sale or disposition by a chapter 7 trustee for any Debtor under Bankruptcy Code section 725.

(e) Reporting and Budget Compliance. The Debtors shall comply in all respects with the provisions of this paragraph 11(e) (the "Budget Covenant"). The initial budget

shall cover the 12-week period beginning the business week of the Petition Date (the "Initial Budget Period") and be in the form attached hereto as **Exhibit A** (the "Initial Budget"). On or before the last business day of the tenth week of the Initial Budget Period, the Debtors shall deliver an updated budget (the "Second Budget") for the 12-week period following the Initial Budget Period (the "Second Budget Period"). On or before the last business day of the tenth week of the Second Budget Period, the Debtors shall deliver an updated budget (the "Third Budget" and, together with the Initial Budget and the Second Budget, collectively, the "Budgets") for the 12-week period following the Second Budget Period (the "Third Budget Period"). The Budgets shall be delivered to the Steering Committee and the Administrative Agent, with a copy delivered to the Creditors' Committee; provided that, the Budgets may be shared on a confidential basis with those Prepetition Secured Parties that have signed a confidentiality agreement or are otherwise subject to confidentiality restrictions pursuant to the Prepetition Debt Documents. The Initial Budget will be the first budget utilized for reporting and permitted variance purposes (the "Approved Budget"). The Second Budget and the Third Budget provided thereafter shall be of no force and effect unless and until it is approved by the Steering Committee and the Administrative Agent, each in its sole discretion. The Steering Committee and the Administrative Agent, each in its sole discretion, shall approve or reject the Second Budget or the Third Budget within eleven (11) days after the last day that delivery thereof is permitted as set forth above; provided that, each of the Second Budget and the Third Budget shall be deemed approved upon the passage of such eleven (11) day period with no objection raised by the Steering Committee and the Administrative Agent. Upon the approval by the Steering Committee and the Administrative Agent, each of the Second Budget and the Third Budget shall become the "Approved Budget" for the Second Budget Period and the Third Budget

Period, as applicable. Every week (beginning with the first full week after the Petition Date), on the fifth business day of such week, the Debtors shall deliver to the Steering Committee Advisors, the advisors to the Administrative Agent and the advisors to the Creditors' Committee, a weekly variance report from the previous week comparing the actual cash receipts and disbursements of the Debtors with the receipts and disbursements in the Approved Budget (the "Budget Variance Report"); provided that, the Budget Variance Report may be shared with the Administrative Agent and the Steering Committee. The Budget Variance Report shall include, among other things, (a) details regarding amounts paid under any order of the Court; (b) a detailed comparison, including commentary, of each week's performance against the Approved Budget; and (c) a detailed comparison, including commentary, of aggregate performance since the commencement of the Approved Budget against such Approved Budget. The Debtors shall not allow (x) (i) "Cumulative Net Cash Flow" for the relevant Testing Period to have a negative variance of more than $20 million from the "Cumulative Net Cash Flow" line item set forth in the Initial Budget and (ii) "Cumulative Disbursements" for the relevant Testing Period to have a negative variance of more than the greater of (a) $7.5 million and (b) 5% of "Cumulative Disbursements" set forth in the Initial Budget for the relevant Testing Period from the "Cumulative Disbursements" line item set forth in the Initial Budget, (y) (i) "Cumulative Net Cash Flow" for the relevant Testing Period to have a negative variance of more than $20 million from the "Cumulative Net Cash Flow" line item set forth in the Second Budget and (ii) "Cumulative Disbursements" for the relevant Testing Period to have a negative variance of more than the greater of (a) $7.5 million and (b) 5% of "Cumulative Disbursements" set forth in the Second Budget for the relevant Testing Period from the "Cumulative Disbursements" line item set forth in the Second Budget and (z) (i) "Cumulative Net Cash Flow" for the relevant Testing

Period to have a negative variance of more than $20 million from the "Cumulative Net Cash Flow" line item set forth in the Third Budget and (ii) "Cumulative Disbursements" for the relevant Testing Period to have a negative variance of more than the greater of (a) $7.5 million and (b) 5% of "Cumulative Disbursements" set forth in the Third Budget for the relevant Testing Period from the "Cumulative Disbursements" line item set forth in the Third Budget. For purposes of the Cumulative Net Cash Flow and Cumulative Disbursements variance tests set forth above, (i) "Testing Period" shall mean (x) with respect to clause (x) in the prior sentence, the first two week period of the Initial Budget Period, and each cumulative period beginning with the beginning of the Initial Budget Period and ending every two weeks after the first two week period, (y) with respect to clause (y) in the prior sentence, the first two week period of the Second Budget Period, and each cumulative period beginning with the beginning of the Second Budget Period and ending every two weeks after the first two week period, and (z) with respect to clause (z) in the prior sentence, the first two week period of the Third Budget Period, and each cumulative period beginning with the beginning of the Third Budget Period and ending every two weeks after the first two week period and (ii) "Cumulative Net Cash Flow" and "Cumulative Disbursements" shall not include, but shall otherwise be permitted to be paid in accordance herewith, (w) adequate protection payments, (x) fees and expenses of professionals retained outside the ordinary course of business, (y) the Debtors' use of the Cash Collateral to collateralize any new, replaced or renewed letters of credit, surety bonds or workers' compensation obligations, in each case, that has been consented to by the Steering Committee in its sole discretion (collectively, the "Approved Collateralized Obligations") and (z) key employee retention payments approved by both the Steering Committee and the Court. The Debtors shall not allow cumulative capital expenditures beginning July 1, 2015, as calculated on

a GAAP basis, to exceed the amounts set forth in the Debtors' projected capital expenditure budget attached as an exhibit to the Initial Budget by more than the greater of (x) $5 million and (y) 20%. Such capital expenditure variance shall be tested as of the end of each calendar month, and the Debtors shall deliver to the Steering Committee Advisors, the advisors to the Administrative Agent and the advisors to the Creditors' Committee a variance report calculating such variance no later than 15 business days following the end of each calendar month, beginning with July 2015.

(f) Access to Records/Financial Reporting. In addition to, and without limiting, whatever rights of access the Prepetition Secured Parties have under the Prepetition Debt Documents, upon reasonable notice, at reasonable times and subject to appropriate confidentiality protections, the Debtors shall permit representatives and agents of the Steering Committee and the Administrative Agent (i) to have access to and inspect the Debtors' properties, subject to reasonable safety precautions, (ii) to examine the Debtors' books and records, and (iii) to discuss the Debtors' affairs, finances and condition with the Debtors' officers and financial advisors. In addition, the Debtors shall provide to the Steering Committee Advisors and the advisors to the Administrative Agent, on a monthly basis, reports setting forth (i) substantive mine-by-mine details of the Debtors' operating performance, including its non-debtor subsidiaries and (ii) a detailed comparison, including commentary, of the month's actual operating performance against the projections, substantially in form and substance consistent with the Company's historical monthly reporting to the Board of Directors, as modified to include summary mine-level operating and financial data.

(g) Executory Contracts and Unexpired Leases. The Debtors will work with the Steering Committee and its advisors to determine which executory contracts and unexpired

leases should be assumed or rejected by the Debtors. The Debtors will provide the Steering Committee and its advisors with all necessary information in order to analyze such a decision. Other than in connection with the 363 Sale (as defined in the RSA) where the Purchaser (as defined in the Sale Term Sheet attached as Exhibit C to the RSA) is not the winning bidder for the Assets (as defined in the RSA), the Debtors shall not make any decision with regard to the assumption or rejection of executory contracts and unexpired leases without first obtaining the consent of the Steering Committee, which consent shall be in its sole discretion.

(h) Employee Incentive/Retention Plans. The Debtors shall not seek approval of any employee incentive or retention plans (or any similar sort of retention or incentive program) without the prior written consent of the Steering Committee, which consent shall be in its sole discretion.

(i) Other Covenants.

1. The Debtors shall maintain their cash management arrangements in a manner consistent in all material respects with that described in the Debtors' motion for authority to maintain its existing cash management system.

2. Except as expressly permitted under the RSA, the Sale Motion (as defined in the RSA) or other "first day" pleadings, the Debtors shall not use, sell or lease any material assets outside the ordinary course of business, or seek authority of this Court to the extent required by Bankruptcy Code section 363, without obtaining the prior written consent of the Steering Committee, which consent shall be in its sole discretion, and prior consultation with the Administrative Agent and the First Lien Trustee at least five (5) business days prior to the date on which the Debtors seek the Court's authority for such use, sale or lease. Subject to paragraph 10(a)(iii) hereof and the rights of any holder of a Permitted Priority Lien thereon, in the event of any such sale, lease, transfer, license, or other disposition of property of the Debtors (other than a disposition of all or substantially all of the Debtors' assets) that constitutes Collateral outside the ordinary course of business (to the extent permitted by the Prepetition Debt Documents and this Interim Order) the Debtors are authorized and directed, without further notice or order of this Court, to immediately pay to the

Administrative Agent or Indenture Trustees, as appropriate under the Intercreditor Agreement, for the benefit of the applicable Prepetition Secured Parties, 100% of the net cash proceeds resulting therefrom no later than the second business day following receipt of such proceeds. In the event of any casualty, condemnation, or similar event with respect to property that constitutes Collateral, the Debtors are authorized and directed to pay to the Administrative Agent or Indenture Trustees, as appropriate under the Intercreditor Agreement, for the benefit of the applicable Prepetition Secured Parties, any insurance proceeds, condemnation award, or similar payment (excluding any amounts on account of any D&O policies) in excess of $2,000,000 no later than the second business day following receipt of payment by the Debtors unless the applicable Prepetition Secured Parties consent, each in their sole discretion but subject to the Intercreditor Agreement, in writing, to the funds being reinvested by the Debtors.

(j) Restrictions on the Use of Collateral with Respect to Foreign and Non-Debtor Affiliates. The Debtors shall not transfer or use any Collateral, including any Cash Collateral, to or for the benefit of any direct or indirect foreign or non-debtor affiliate or subsidiary 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, provided that the Debtors shall be permitted to make payments for the benefit of its foreign and non-debtor affiliates or subsidiaries (i) as expressly provided in an Approved Budget or (ii) with the prior consent of the Steering Committee, which consent shall be in its sole discretion ("Permitted Non-Debtor Affiliate Payments") and, other than with respect to any payments made to or for the benefit of Black Warrior Methane Corp. and Black Warrior Transmission Corp., any such Permitted Non-Debtor Affiliate Payments shall be made pursuant to senior secured notes, which notes shall be pledged to the First Lien Secured Parties. 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 below), 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.

(k) Right to Seek Additional Adequate Protection. This Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, the rights of the Prepetition Secured Parties to request additional forms of adequate protection at any time or any party-in-interest's right to object thereto. Any such request must be consistent with the Intercreditor Agreement.

(l) Independent Director of Canadian Entities. Within a reasonable period of time prior to taking any steps towards commencing a sale, marketing, restructuring or similar process with respect to the direct or indirect subsidiaries of Walter that are formed, incorporated or otherwise domiciled in Canada (each, a "Canadian Entity" and collectively, the "Canadian Entities"), Walter shall cause to be appointed to the board of Walter Energy Canada Holdings, Inc. an independent director mutually agreeable to the Debtors and the Steering Committee, or if the RSA is assumed, the Debtors and the Majority Holders (as defined in the RSA) (and, upon the request of such independent director, Walter shall cause such independent director to be appointed to the board of any other Canadian Entity so requested).

12. *Termination.* The Debtors' right to use the Cash Collateral pursuant to this Interim Order shall automatically terminate (the date of any such termination, the

"Termination Date") without further notice or court proceeding on the earliest to occur of (i) 45 days after the Petition Date (unless such period is extended with the consent of the Steering Committee and the Administrative Agent, each in its sole discretion), if the Final Order (provided that such Final Order has not been reversed, vacated, stayed, unless such stay has been vacated, or appealed, unless such appeal has been dismissed or otherwise finally resolved), which Final Order shall be consistent with this Interim Order or otherwise acceptable to the Steering Committee and the Administrative Agent, each in its sole discretion, has not been entered by this Court on or before such date, (ii) February 3, 2016 or such later date as may be agreed to by the Steering Committee in writing in its sole discretion, (iii) the effective date of any confirmed chapter 11 plan in any of the Chapter 11 Cases, (iv) the date of the consummation of a sale or other disposition of all or substantially all of the assets of the Debtors, and (v) the occurrence of any of the events set forth in this paragraph 12(a) through (m) below, unless waived by the Administrative Agent and the Steering Committee, each in its sole discretion (each of the following events, a "Termination Event" and collectively, the "Termination Events"):

(a) the Debtors' failure to: (i) use the Collateral, including without limitation Cash Collateral, in a manner consistent with the Approved Budget, but subject to the Budget Covenant, and otherwise comply in any respect with any provision of this Interim Order (including, without limitation, the failure to make the payments identified in paragraphs 11(a), (b) and (c) when due in accordance with and under the terms hereof); or (ii) comply with any other covenant or agreement specified in this Interim Order (including any obligations to comply with the provisions of paragraph 11 or the covenants and other obligations of the Debtors contained therein); in each case where such failure shall have continued unremedied for five (5)

business days following receipt of written notice by the Debtors from the Administrative Agent or the Steering Committee of such failure;

(b) (i) an application, motion or other pleading shall have been filed by any Debtor seeking to amend, stay, supplement, vacate, extend or modify in any manner this Interim Order; or (ii) an order shall have been entered reversing, amending, supplementing, extending, staying, vacating, or otherwise modifying in any manner this Interim Order, in each case, without the prior written consent of the Steering Committee and the Administrative Agent, each in its sole discretion;

(c) the date any provision of this Interim Order (or the Final Order, as applicable) shall for any reason cease to be valid and binding or any Debtor shall so assert in any pleading filed in any court;

(d) the date (i) any Chapter 11 Case shall be dismissed or converted to a case under chapter 7 of the Bankruptcy Code or any Debtor shall file a motion or other pleading seeking the dismissal or conversion of any Chapter 11 Case pursuant to Bankruptcy Code section 1112 or otherwise other than as expressly contemplated by the Restructuring (as defined in the RSA); or (ii) a trustee, responsible officer, or an examiner (other than a fee examiner) pursuant to Bankruptcy Code section 1104 is appointed or elected, as applicable, in any Chapter 11 Case, any Debtor applies for, consents to, or acquiesces in, any such appointment, or the Court shall have entered an order providing for such appointment, in each case without the prior written consent of the Steering Committee in its sole discretion;

(e) the Court shall have entered an order granting relief from the automatic stay to the holder or holders of any security interest to permit foreclosure (or the granting of a

deed in lieu of foreclosure of the like) on any of the Debtor's assets (other than in respect of insurance proceeds or with respect to assets having a fair market value of less than $1,000,000);

(f) any Debtor shall have filed a motion or application for the approval of any superpriority claim or any lien in the Chapter 11 Cases (other than such claim or lien granted or permitted pursuant to this Interim Order), which is *pari passu* with or senior to any of the Adequate Protection Liens, Superpriority Claims or Prepetition Liens, without the prior consent of the Steering Committee and the Administrative Agent, each in its sole discretion;

(g) other than with respect to the Carve-Out and the Approved Liens, any Debtor shall create or incur, or the Court enters an order granting, any claim which is *pari passu* with or senior to any of the Prepetition Liens or Prepetition Obligations or the Adequate Protection Liens and Adequate Protection Obligations granted under this Interim Order;

(h) unless otherwise agreed to in writing by the Steering Committee in its sole discretion, the (i) consummation of a sale or disposition of any material assets of the Debtors other than in the ordinary course of business or as expressly provided for in the RSA, or (ii) termination of the RSA;

(i) commencement of any action, including the filing of any pleading, by any Debtor, or direct or indirect non-debtor affiliate or subsidiary of a Debtor, against any of the Prepetition Secured Parties with respect to any of the Prepetition Obligations or Prepetition Liens other than as expressly contemplated in the RSA;

(j) unless otherwise agreed to in writing by the Steering Committee in its sole discretion, the Canadian Entities commence, or become subject to, any restructuring or insolvency proceeding in any jurisdiction;

(k) unless otherwise agreed to in writing by the Steering Committee in its sole discretion, commencement of a sale process or other actions in furtherance of a disposition of any material assets of the Canadian Entities;

(l) unless otherwise agreed to in writing by the Steering Committee in its sole discretion, incurrence of any new secured debt or any unsecured debt, which unsecured debt is incurred outside of the ordinary course of business (other than as it relates to the Permitted Non-Debtor Affiliate Payments or cash collateralization of the Canadian LCs using the cash on hand as of the Petition Date held by the Canadian Entities), by any of the Canadian Entities; or

(m) unless the order approving the RSA Assumption Motion (as defined in the RSA), which order includes a waiver or modification of the automatic stay to provide any notices contemplated by and in accordance with the RSA or this Interim Order, as applicable, has been entered by the Court within sixty (60) days of the Petition Date.

13. *Remedies Upon a Termination Event.* The Debtors shall immediately provide notice to the Steering Committee, the Administrative Agent and each of the Indenture Trustees (with a copy to counsel for the Creditors' Committee (if any) and the Bankruptcy Administrator), of the occurrence of any Termination Event, at which time the Debtors' ability to use Cash Collateral hereunder shall terminate and the Adequate Protection Obligations shall become due and payable. Upon the occurrence of a Termination Event and following the giving of not less than four (4) business days' advance written notice (the "Enforcement Notice") to counsel to the Debtors, counsel to the Creditors' Committee (if any) and the Bankruptcy Administrator (the "Notice Period"), the Prepetition Secured Parties (subject as among themselves to the terms of the Intercreditor Agreement), may exercise any remedies available to them under this Interim Order, the Prepetition Debt Documents and applicable non-bankruptcy law, including but not