

NO. S-1510120

VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT
OF WALTER ENERGY CANADA HOLDINGS, INC., AND THE OTHER PETITIONERS
LISTED ON SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MADAM JUSTICE FITZPATRICK) TUESDAY, THE 5TH DAY OF
JANUARY, 2016

THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 5th day of January, 2016 (the "**Order Date**"); AND ON HEARING Mary I.A. Buttery, counsel for the Petitioners and the Partnerships listed on **Schedule "A"** hereto (collectively, the "**Walter Canada Group**"), Peter Reardon, counsel for KPMG Inc. and those other counsel listed on **Schedule "B"** hereto; AND UPON READING the material filed, including the Second Affidavit of William G. Harvey sworn [December 31, 2015](#) (the "**Second Affidavit**"), ~~and~~ the Confidential Third Affidavit of William G. Harvey sworn [December 31, 2015](#) (the "**Third Affidavit**") [and the First Report of the Monitor dated December 31, 2015](#); AND UPON BEING ADVISED that the secured creditors who are likely to be affected by the charges created herein were given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "**CCAA**"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

Draft

THIS COURT ORDERS AND DECLARES THAT:

SERVICE AND DEFINITIONS

1. The time for service of the notice of application for this order is hereby abridged and deemed good and sufficient and this application is properly returnable today.
2. Any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Order of this Honourable Court granted on December 7, 2015 in these CCAA proceedings (the “**Initial Order**”).

STAY EXTENSION

3. The Stay Period, as defined in paragraph 18 of the Initial Order, is hereby further extended up to and including April 5, 2016.

MONITOR’S POWERS

4. In addition to the Monitor’s powers granted in the Initial Order, the Monitor is authorized but not directed to assist the Walter Canada Group with the execution of administrative back office support including, assisting with (but not authorizing) the processing of disbursements and payments authorized to be made by the Walter Canada Group, assisting the Walter Canada Group in preparing and filing tax returns, assisting with communication of Walter Canada Group management’s directives to external payroll providers and other back office support functions for which the Walter Canada Group requires administrative assistance.
5. To the extent the Monitor exercises any of these additional powers, the Monitor shall not be in management or control of the Walter Canada Group and shall have the full benefit of all of the protections under the CCAA and contained in the Initial Order, including without limitation, paragraphs 39, 40, 41 and 42 thereof.

Draft

FINANCIAL ADVISOR

6. The engagement of PJT Partners LP as financial advisor to the Walter Canada Group (the “**Financial Advisor**”) pursuant to an engagement letter dated December 30, 2015 between the Financial Advisor and Walter Energy Canada Holdings, Inc. (“**Walter Energy Canada**”) (the “**FA Engagement Letter**”) attached as Exhibit “D” to the Second Affidavit is hereby approved. Walter Energy Canada is authorized, nunc pro tunc, to enter into the FA Engagement Letter and is directed to carry out and perform its obligations thereunder (including payment of amounts due to be paid pursuant to the terms of the FA Engagement Letter) and the FA Engagement Letter shall be binding upon the Walter Canada Group.
7. All claims of the Financial Advisor pursuant to the FA Engagement Letter are not claims that may be compromised pursuant to the Plan, any proposal under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the FA Engagement Letter.
8. The Financial Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by Walter Energy Canada as Financial Advisor or any matter referred to in the FA Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the FA Engagement Letter.

APPOINTMENT OF CHIEF RESTRUCTURING OFFICER

9. A chief restructuring officer shall be appointed on the following terms:

Draft

(a) the agreement dated as of December 30, 2015 pursuant to which Walter Energy Canada has engaged BlueTree Advisors Inc. (“**BlueTree**”) to provide the services of William E. Aziz to act as chief restructuring officer to the Walter Canada Group (the “**CRO**”), a copy of which is attached as Exhibit “E” to the Second Affidavit (the “**CRO Engagement Letter**”), and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby;

(b) the CRO shall be responsible for directing the SISP (as defined below) for the benefit of all the members of the Walter Canada Group, reporting to the Court concerning the SISP and otherwise performing the functions set out in the CRO Engagement Letter. The CRO shall provide timely updates to the Monitor in respect of his activities.

(c) the CRO shall not be or be deemed to be a director, de facto director, or employee of any entity in the Walter Canada Group;

(d) nothing in this Order shall be construed as resulting in BlueTree or the CRO being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity (including any Environmental Legislation) for any purpose whatsoever;

(e) neither BlueTree nor the CRO shall, as a result of the performance of their respective obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation; provided however, if BlueTree or the CRO is nevertheless later found to be in Possession of any Property, then BlueTree or the CRO, as the case may be, shall be entitled to the benefits and protections in relation to the Walter Canada Group and such Property as are provided to a monitor under section 11.8(3) of the CCAA; provided further however, that nothing in this sub-paragraph shall exempt BlueTree or the CRO from any duty to report or make disclosure imposed by a law and incorporated by reference in section 11.8(4) of the CCAA;

Draft

(f) BlueTree and the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of BlueTree or the CRO, provided further that in no event shall the liability of BlueTree or the CRO exceed the quantum of the fees paid to BlueTree and the CRO. Notwithstanding the foregoing, neither BlueTree nor the CRO shall have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, arising prior to the appointment of the CRO;

(g) no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of BlueTree or the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Walter Canada Group, the Monitor and the CRO, provided, however, that nothing in this order, including this paragraph 9(g) shall affect such investigations, actions, suits or proceedings by a regulatory body that are permitted by section 11.1 of the CCAA. Notice of any such motion seeking leave of this Court shall be served upon the Walter Canada Group, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave;

(h) the obligations of Walter Energy Canada to BlueTree and the CRO pursuant to the CRO Engagement Letter, are not claims that may be compromised pursuant to the Plan, any proposal under the BIA or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to BlueTree and the CRO pursuant to the terms of the CRO Engagement Letter;

(i) if, but for the orders in the preceding subparagraphs of this paragraph 9, BlueTree or the CRO would have liability with respect to any losses, claims, damages or liabilities to Her Majesty the Queen in right of the Province of British Columbia or would have incurred an obligation under any enactment of British Columbia or Canada (including any Environmental Legislation), such liability or obligation shall be deemed to be a liability or obligation of the Walter Canada Group; and

Draft

(j) the CRO shall be authorized but not directed to conduct a financial review (not an audit) of, Energybuild Group Limited, Energybuild Holdings Ltd., Energybuild Opencast Ltd., Energybuild Mining Ltd., Energybuild Ltd., Mineral Extraction and Handling Ltd. (collectively, the “**Walter U.K. Group**”), to develop a view on options for the Walter U.K. Group, including, the potential restructuring, sale or wind down and liquidation of the Walter U.K. Group. For the purposes of carrying out any such review, the CRO (a) shall have full and complete access to the property of the Walter U.K. Group, including the premises, books, records, data (including data in electronic format) and other financial documents of the Walter U.K. Group, (b) is hereby authorized to meet with any employee, director, representative or agent of the Walter U.K. Group, and (c) shall be authorized to retain such assistants (including the Monitor’s U.K. affiliates) as it deems necessary in connection therewith. The employees, directors, representatives and agents of the Walter U.K. Group are hereby directed to fully cooperate with the CRO in connection with any such assessments.

FINANCIAL ADVISOR AND CRO SUCCESS FEE CHARGE

10. The Financial Advisor and the CRO are hereby granted a charge (the “**Success Fee Charge**”) in the maximum amount of \$10,000,000 over the Property, which charge shall be security solely for (a) with respect to the Financial Advisor, the Capital Raising Fee and the Transaction Fee (each as defined in the FA Engagement Letter) due to be paid to the Financial Advisor pursuant to the terms of the FA Engagement Letter (collectively, the “**FA Success Fee**”); and (b) with respect to the CRO, the Success Fee (as defined in the CRO Engagement Letter) due to be paid to the CRO pursuant to the terms of the CRO Engagement Letter, (collectively, the “**CRO Success Fee**”, and together with the FA Success Fee, the “**Advisor Success Fees**”). For greater certainty, the Success Fee Charge shall not secure any other fees or indemnity obligations incurred pursuant to the FA Engagement Letter or the CRO Engagement Letter.
11. The Success Fee Charge shall have the priority as is set out in paragraphs 21 and 23 herein.

Draft

12. Both the Financial Advisor and the CRO shall be entitled to the benefit of the Administration Charge as security for, (a) with respect to the Financial Advisor, the Monthly Fee (as defined in the FA Engagement Letter) and (b) with respect to the CRO, the Work Fee (as defined in the CRO Engagement Letter) and in each case for the Financial Advisor's and the CRO's other professional fees and disbursements incurred under the applicable engagement letter. For greater certainty, the Administration Charge shall not secure any indemnity obligations incurred pursuant to the FA Engagement Letter or the CRO Engagement Letter.
13. The CRO and the Financial Advisor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioners as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the CRO and the Financial Advisor on a monthly basis, or on such basis as otherwise agreed by the Petitioners and the applicable payee.

APPROVAL OF SISP

14. The sale and investment solicitation process as described in the form attached hereto as **Schedule "C"** (the "**SISP**"), is hereby approved and the CRO, the Walter Canada Group, the Monitor and the Financial Advisor are authorized and directed to carry out the SISP in accordance with its terms and this Order and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder.
15. The CRO, the Walter Canada Group, the Monitor, or the Financial Advisor may, from time to time, apply to this Honourable Court for advice and directions in the discharge of their powers and duties hereunder.

KEY EMPLOYEE RETENTION PLAN

16. The Key Employee Retention Plan (the "**KERP**") described in the Third Affidavit and the confidential KERP letter attached as Exhibit "A" thereto (the "**Confidential KERP Letter**") are hereby authorized and approved, and the Petitioners are hereby authorized

Draft

and directed to make the payments contemplated therein. The Third Affidavit and the Confidential KERP Letter shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all contents in the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order.

17. The beneficiary of the KERP is hereby granted a charge (the “**KERP Charge**”) on the Property in such amounts and in such priority as is set out in paragraphs 21 and 23 herein.

CASH COLLATERALIZATION OF LETTERS OF CREDIT

18. The agreement among Bank of Nova Scotia (“**BNS**”), Morgan Stanley Senior Funding, Inc. (the “**Agent**”), Walter Energy Canada and Brule Coal Partnership dated ● (the “**Cash Collateralization Agreement**”) and attached as Exhibit “A” to the Second Affidavit including without limitation the payment of any LC Indebtedness (as defined in the Cash Collateralization Agreement) of Walter Energy Group to BNS or the Agent when due under the Cash Collateralization Agreement by way of set off or application of LC Cash Collateral (as defined below) in accordance therewith is hereby approved and the posting and application of cash collateral pursuant thereto does not and will not constitute a fraudulent preference, fraudulent conveyance, oppressive conduct, settlement or other challengeable, voidable or reviewable transaction under any applicable law.
19. The cash collateral (the “**LC Cash Collateral**”) provided or to be provided by Brule Coal Partnership to BNS pursuant to paragraph 13 of the Initial Order and the Cash Collateral Agreement in the aggregate amount of \$22,570,404.00 (the “**LC Exposure**”) in respect of those certain pre-filing letters of credit issued by the BNS under the 2011 Credit Agreement (as defined in the First Affidavit) is and shall be deemed to be subject to the security interest in favour of the Agent in the same priority as existed on the date of the Initial Order. The Charges as may attach to the LC Cash Collateral, including by operation of law or otherwise, (i) shall rank junior in priority to the liens, security, charges and security interests currently existing in favour of the Agent in respect of the LC Cash Collateral and (ii) shall attach to the LC Cash Collateral only to the extent of the

Draft

rights of any member of the Walter Canada Group to the return of any LC Cash Collateral from BNS following (A) the payment, satisfaction or extinguishment of all LC Exposure and (B) the exercise by BNS or the Agent of any rights of set-off in respect of the LC Cash Collateral, in each case notwithstanding anything to the contrary contained herein or in the Initial Order.

INTERCOMPANY CHARGES

20. To the extent that any member of the Walter Canada Group makes any payment or incurs or discharges any obligation (including any letter of credit obligations) (the “**Protected WC Entity**”) on behalf of any other member of the Walter Canada Group (the “**Beneficiary WC Entity**”), each such Protected WC Entity is hereby granted a charge (the “**Intercompany Charge**”) on all of the assets of each such Beneficiary WC Entity in the amount of such payment or such obligation up to the maximum amount and in such priority as set out in paragraphs 21 and 23 herein as security for any payments made by each such Protected WC Entity on behalf of each such Beneficiary WC Entity, provided, however, that the Intercompany Charge shall not be enforceable as against the Agent, BNS or any other lender under the 2011 Credit Agreement with respect to any claim of the Agent, BNS or such other lender under the 2011 Credit Agreement (collectively with BNS, the “**Lenders**”) until (a) all obligations under the 2011 Credit Agreement and the Security Documents (as defined in the 2011 Credit Agreement) are indefeasibly paid in full in cash and there are no Letters of Credit outstanding thereunder; (b) the Lenders consent, in accordance with the 2011 Credit Agreement, to the enforcement of the Intercompany Charge; or (c) further order of the Court. Any such payments by each such Protected WC Entity on behalf of each such Beneficiary WC Entity shall be recorded and shall be treated as a loan to the applicable Beneficiary WC Entity. Each Beneficiary WC Entity shall not be entitled to set-off any pre-filing amounts owing by any Protected WC Entity to any Beneficiary WC Entity against post-filing amounts owing by any Beneficiary WC Entity to a Protected WC Entity.

Draft

VALIDITY AND PRIORITY OF CHARGES

21. The priorities of the Administration Charge, the Directors' Charge, the KERP Charge, the Success Fee Charge and the Intercompany Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$2,500,000);

Second – Directors' Charge (to the maximum amount of \$2,500,000);

Third – KERP Charge (to the maximum KERP amount contained in the Confidential KERP Letter);

Fourth – Success Fee Charge (to the maximum amount of \$10,000,000 but only in respect of the Advisor Success Fees (which shall be in the maximum amount of \$5,000,000 for the CRO and \$5,000,000 for the Financial Advisor)); and

Fifth – Intercompany Charge (to the maximum amount of \$30,000,000).

22. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the Directors' Charge, the KERP Charge, the Success Fee Charge, the Intercompany Charge or the Equipment Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be effective as against the Property (or the Purchased Equipment, as applicable) and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.
23. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property (or the Purchased Equipment, as applicable) and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person.

Draft

24. Except as otherwise expressly provided herein, or as may be approved by this Court, the Walter Canada Group shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to or *pari passu* with the Charges, unless the Walter Canada Group obtains the prior written consent of the Monitor and the beneficiaries of the Charges.

25. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and any declaration of insolvency made in connection therewith; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Walter Canada Group; and notwithstanding any provision to the contrary in any Agreement:

- (a) the Charges shall not create or be deemed to constitute a breach by the Walter Canada Group of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of Charges; and
- (c) the payments made by the Walter Canada Group pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, conveyances, transfers at undervalue, oppressive conduct, or other fraudulent challengeable or voidable transactions under any applicable law.

Draft

26. Any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Walter Canada Group's interest in such real property leases.

GENERAL

27. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Walter Canada Group and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Walter Canada Group and the Monitor and their respective agents in carrying out the terms of this Order.

28. Each of the Walter Canada Group and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Walter Canada Group to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

29. Endorsement of this Order by counsel appearing, other than counsel for the Petitioners, is hereby dispensed with.

30. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.

Draft

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Lawyers for the Petitioners

Osler, Hoskin & Harcourt LLP
(Marc Wasserman and Patrick Riesterer)

and

DLA Piper (Canada) LLP
(Mary I.A. Buttery and Tijana Gavric)

BY THE COURT

REGISTRAR

Draft

SCHEDULE "A"

Petitioners

1. Walter Energy Canada Holdings, Inc.
2. Walter Canadian Coal ULC
3. Brule Coal ULC
4. Willow Creek Coal ULC
5. Wolverine Coal ULC
6. Cambrian Energybuild Holdings ULC
7. Pine Valley Coal Ltd.
8. 0541237 B.C. Ltd.

Partnerships

9. Walter Canadian Coal Partnership
10. Brule Coal Partnership
11. Willow Creek Coal Partnership
12. Wolverine Coal Partnership

Draft

SCHEDULE "B"

COUNSEL LIST

NAME	PARTY REPRESENTED

Draft

SCHEDULE "C"

(see attached)

Draft