



This is the 1st Affidavit of William E. Aziz in this case and was made on March 22, 2016

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

PETITIONERS

AFFIDAVIT

I, **WILLIAM E. AZIZ**, Chief Restructuring Officer, of the Town of Oakville, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of BlueTree Advisors Inc. ("**BlueTree**"), which has been retained by Walter Energy Canada Holdings, Inc. ("**Walter Energy Canada**") to provide my services as Chief Restructuring Officer ("**CRO**") to Walter Energy Canada, its direct and indirect subsidiaries and affiliates listed on Schedule "A" (collectively with Walter Energy Canada, the "**Canadian Petitioners**") and the partnerships listed on Schedule "C" to the Order of this Honourable Court made on December 7, 2015 (the "**Initial Order**") (collectively with the Canadian Petitioners, the "**Walter Canada Group**"). As such I have personal knowledge of the facts hereinafter deposed, except where such facts are stated to be based upon information and belief and where so stated I do verily believe the same to be true.
2. This Affidavit is made in support of a motion by the Canadian Petitioners for an Order under the *Companies' Creditors Arrangement Act*, 1985, c. C-36, as amended (the "**CCAA**"):

- (a) Extending the stay of proceedings in respect of the Walter Canada Group to June 30, 2016; and
- (b) Amending paragraph 20 of the Order pronounced on January 5, 2016 by the Honourable Madam Justice Fitzpatrick (the "**January 5th Order**") to strike out the words "'with respect to any letter of credit obligation'".

3. I was retained pursuant to an engagement letter dated December 30, 2015 (the "**BlueTree Engagement Letter**"), as amended in response to certain requests made by Walter Canada Group stakeholders. BlueTree was appointed as CRO of the Walter Canada Group pursuant to paragraph 9 of the January 5th Order.

4. As the CRO of the Walter Canada Group, in accordance with the January 5th Order, I have the authority to direct the Walter Canada Group's Sales and Investment Solicitation Process ("**SISP**"), to engage in consultation and negotiation with stakeholders regarding the SISP, and to engage in such other matters as are set out in the BlueTree Engagement Letter.

5. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the SISP, the January 5th Order, the first affidavit of William G. Harvey, sworn December 4, 2015 (the "**First Harvey Affidavit**") and the other pleadings filed herein.

6. The information in this affidavit is arranged under the following headings:

I.	Update Regarding SISP	2
II.	Parallel Liquidation Process	4
III.	De-Integration of Management and Operations from Walter U.S. Group	4
IV.	Resignation of Certain Officers.....	5
V.	Intercompany Charge.....	6
VI.	Selenium Biochemical Reactor	6
VII.	Bulldozer Transaction	7
VIII.	Stay Extension	7

I. UPDATE REGARDING SISP

7. The Walter Canada Group's financial advisor, PJT Partners LP, began canvassing the market in an attempt to find a purchaser for the assets of the Walter Canada Group prior to the CCAA filing,

including as part of its broad canvassing of the market in respect of all the assets of the Walter Group in relation to the Chapter 11 proceedings underway in respect of certain members of the Walter U.S. Group.

8. The SISP was approved pursuant to paragraph 14 of the January 5th Order.
9. The SISP provides for Prospective Bidders to submit an LOI or a Bid involving an Investment Proposal and/or a Sale Proposal.
10. In accordance with the terms of the SISP, PJT Partners LP launched Phase 1 of the SISP on January 18, 2016 by sending a teaser letter and a draft non-disclosure agreement ("**NDA**") to interested parties to solicit indications of interest in the business and assets of the Walter Canada Group in the form of non-binding letters of intent from various potential bidders. PJT Partners LP has contacted numerous parties, including financial buyers and strategic buyers based in Canada, the United States and internationally. Financial buyers were selected based on their past experience in the mining sector, previous investments in turnaround situations and ability and willingness to deploy capital quickly. Strategic buyers included companies in the mining sector and the steel sector.
11. The Walter Canada Group, its counsel, the Monitor and I have also been involved in soliciting known potential bidders and other potentially interested parties. In addition, a number of inbound requests for information were received from persons who learned of the SISP through the advertisements posted or from other sources. When other interested parties were identified, PJT Partners LP provided such interested parties with copies of the teaser letter and an NDA.
12. A number of the parties who were contacted executed NDAs and received the Walter Canada Group's confidential information memorandum and access to the virtual data room to conduct due diligence on the Walter Canada Group. Certain interested parties also conducted site visits prior to the Phase 1 LOI Bid Deadline.
13. The Phase 1 LOI Deadline was March 18, 2016. On or before the Phase 1 LOI Deadline, the Walter Canada Group received a number of LOIs. In accordance with the SISP, I am reviewing the LOIs with PJT Partners LP and the Monitor to determine whether such LOIs are or should be deemed to be Qualified LOIs. PJT Partners LP and I intend to have discussions with certain of the bidders to clarify aspects of their LOIs in order to determine whether there is a reasonable prospect of obtaining a binding Bid.
14. In light of the number of LOIs received on or before the Phase 1 LOI Bid Deadline, I have determined, in consultation with the Monitor and PJT Partners LP, that there is a reasonable prospect of obtaining one or more Bids. As such, PJT Partners LP intends, on or before March

28, 2016, to notify certain of the Prospective Bidders that the SISP will progress to Phase 2. I anticipate that PJT Partners LP will post a form of asset purchase agreement on the Due Diligence Access site by March 28, 2016 in accordance with the SISP.

II. PARALLEL LIQUIDATION PROCESS

15. In conjunction with the SISP, the Walter Canada Group has launched a separate request for liquidation proposal process for its assets (the "**Liquidation Alternative**"). On February 1, 2016, the Monitor, on behalf of the Walter Canada Group, sent a letter requesting liquidation proposals to a number of liquidators, many of whom have expressed interest in acting as the liquidator in the event that a Bid under the SISP cannot be executed. The Liquidation Alternative is intended to assist with the assessment of the value of any LOIs or Bids received and to address circumstances where no executable Bid is obtained under the SISP for one or more of the mines at comparable or greater value.
16. The deadline for submitting liquidation proposals was also on March 18, 2016. A number of prospective liquidators conducted site visits to examine the assets prior to the liquidation proposal deadline.
17. On the liquidation proposal deadline, the Monitor, on behalf of the Walter Canada Group, received a number of liquidation proposals. I am reviewing the liquidation proposals with the Monitor. The Monitor will be requesting that liquidators clarify aspects of their bids, including whether their proposals remain open for acceptance until June 30, 2016, the outside date for the closing of a going concern transaction pursuant to the SISP.

III. DE-INTEGRATION OF MANAGEMENT AND OPERATIONS FROM WALTER U.S. GROUP

18. As discussed in the First Harvey Affidavit, the Shared Services provided by the Walter U.S. Group to the Walter Canada Group are crucial to the Walter Canada Group's continued operations. However, the Shared Services will no longer be available to the Walter Canada Group following the sale of the assets of Walter Energy U.S. in the Chapter 11 Cases. The anticipated sale closing date has been delayed until March 31, 2016.
19. I have been working with the Monitor and Walter Canada Group management to establish internal mechanisms to eliminate the need for the provision of any Shared Services by the Walter U.S. Group, including the transfer of certain Shared Services to third party service providers, so that the Walter Canada Group will be fully independent from Walter Energy U.S. Our efforts to date include (among other things):

- (a) Establishing independent information technology services, including obtaining relevant software licenses and backing up data;
 - (b) Sourcing new information technology support service providers;
 - (c) Establishing a new domain name for Walter Canada Group email addresses;
 - (d) Seeking to obtain electronic and physical copies of all relevant books and records;
 - (e) Setting up independent banking functions;
 - (f) Retaining an individual to perform accounts payable and bookkeeping functions;
 - (g) Entering into an agreement with an independent payroll processor;
 - (h) Seeking to obtain independent property and director and officer insurance policies; and
 - (i) Sourcing consultants for environmental and geotechnical matters.
20. Efforts are underway to fully eliminate the need for any Shared Services. I anticipate that the transfer of Shared Services will be complete before the sale of the U.S. assets closes.

IV. RESIGNATION OF CERTAIN OFFICERS

21. On January 20, 2016, the following officers, who are employees of Walter Energy U.S. resigned:
- (a) William G. Harvey, the affiant for the first three affidavits sworn in the CCAA proceedings, resigned from his position as Chief Financial Officer and Executive Vice President of Walter Energy Canada.
 - (b) Michael Hurley resigned from his position as Vice President, Tax for the Canadian Petitioners.
 - (c) Michael Griffin resigned from his positions as Secretary or Treasurer for the Canadian Petitioners.
 - (d) Craig Brasfield resigned from his position as Senior Director, Asset Management of four of Walter Energy Canada's subsidiaries.
22. These resignations were anticipated as part of the separation of the Walter Canada Group from the Walter U.S. Group.

V. INTERCOMPANY CHARGE

23. As discussed in paragraph 18 of the Second Affidavit of William G. Harvey, sworn December 31, 2015 (the "**Second Harvey Affidavit**"), the Walter Canada Group sought a charge in favour of "any member of the Walter Canada Group to the extent that a member of the Walter Canada Group (the "Protected WC Entity") makes any payment or incurs or discharges any obligation (including any letter of credit obligations) on behalf of any other member of the Walter Canada Group [...] (the "Beneficiary WC Entity")." [emphasis added]
24. In paragraph 20 of its January 5th Order, this Honourable Court granted a charge (the "**Intercompany Charge**") to each Protected WC Entity over all of the assets of each Beneficiary WC Entity. However, the language of paragraph 20 limits the definition of Protected WC Entities to any member of the Walter Canada Group that "makes any payment or incurs or discharges any obligation with respect to any letter of credit obligation" [emphasis added].
25. From time to time, Brule Coal Partnership provides financial support to Walter Canadian Coal Partnership, Wolverine Coal Partnership and Willow Creek Coal Partnership, as these partnerships do not have sufficient cash to meet their operating needs. The financial support offered may not be connected to any letter of credit obligations, but should nevertheless be secured by the Intercompany Charge. As such, the Walter Canada Group seeks to amend the January 5th Order to remove the phrase "with respect to any letter of credit obligation" from paragraph 20.

VI. SELENIUM BIOCHEMICAL REACTOR

26. As explained in the First Harvey Affidavit, the Walter Canada Group has experienced some difficulties meeting the revised provincial water quality guidelines relating to selenium levels at the Brule Mine. The Walter Canada Group has constructed a biochemical reactor (or bioreactor) at the Brule Mine to treat selenium as contemplated by the relevant permits and the selenium management plan associated with the Brule Mine. At this time, the bioreactor is not functioning as intended due to consistently low water levels in the bioreactor. Certain repairs are needed to address this issue. The Walter Canada Group has discussed the issues associated with the bioreactor with representatives of the Ministry of Environment. The Walter Canada Group will provide the Ministry of Environment and the Ministry of Energy and Mines with further updates by including the water treatment issues and the repair plan in the annual reports required by both ministries.
27. The Walter Canada Group is currently in the process of developing a plan to repair the bioreactor and will report to the Ministry of Environment and the Court in due course with respect to these

repairs. The Walter Canada Group will not be able to commence repairing the bioreactor until late May at the earliest due to the amount of snow on the ground at the site.

VII. BULLDOZER TRANSACTION

28. As Pursuant to the Initial Order, this Court authorized the sale by Willow Creek Coal Partnership and Brule Coal Partnership of certain surplus equipment, being three bulldozers (the "**Purchased Equipment**"), to JWR, a related party of the Walter Canada Group. After the issuance of the Initial Order, and as more fully described in the Second Affidavit, only one of the three bulldozers met certain U.S. regulatory requirements for import into the United States, so the Bill of Sale was revised to reflect a sale of only one bulldozer and the purchase price for the bulldozer is USD\$465,000.
29. JWR has now paid the full purchase price for the Purchased Equipment and the Purchased Equipment has been shipped to JWR. Attached hereto and marked as **Exhibit "A"** to this my Affidavit is a true copy of the Monitor's First Certificate and the Monitor's Second Certificate in respect of the Purchased Equipment.

VIII. STAY EXTENSION

30. The Walter Canada Group was granted protection from their creditors under the CCAA pursuant to the Initial Order. The Initial Order granted, *inter alia*, a stay of proceedings until January 6, 2016, or such later date as this Honourable Court may order (the "**Stay Period**"). On January 5, 2016, this Honourable Court extended the Stay Period until and including April 5, 2016.
31. The Walter Canada Group has been proceeding in good faith and with due diligence to effect a restructuring under the CCAA, including by completing a sale pursuant to the SISP. In addition to the activities outlined above, since my appointment as CRO I have, among other things:
- (a) Met with government representatives to discuss the status of the CCAA proceedings and the SISP;
 - (b) Met with United Steel Workers ("**USW**") representatives to discuss potential severance claims that may allegedly arise if the unionized employees at the Wolverine Mine are not recalled to work prior to April 2016 as well as certain other issues, including the outstanding matters for which judicial review has been sought;
 - (c) Issued notices to the USW and to the Ministry of Jobs, Tourism & Skills Training & Responsible for Labour to advise that the unionized employees at the Wolverine Mine would not be recalled prior to the expiration of recall rights in April 2016;

- (d) Communicated with counsel to the United Mine Workers of America 1974 Pension Plan and Trust (the "**1974 Plan**") and scheduled a meeting for March 29, 2016 to discuss the 1974 Plan's claims in the Chapter 11 proceedings for not less than USD\$904 million in respect of unpaid pre-petition monthly pension contributions and the withdrawal liability of participating employers in the 1974 Plan;
 - (e) Met with representatives of certain First Nations groups to discuss the status of the CCAA proceedings and certain related matters;
 - (f) Met with other creditors and interested parties to discuss the status of the CCAA proceedings and certain outstanding claims;
 - (g) Set up reporting structures and controls;
 - (h) Engaged tax advisors;
 - (i) Travelled to Wales to commence a financial review of the Walter U.K. Group (as defined in the January 5th Order) in furtherance of the SISP and to explore options for the Walter U.K. Group, including a potential restructuring, sale or wind down and liquidation of the Walter U.K. Group; and
 - (j) Travelled to Northeastern British Columbia to tour the mines and meet with management and stakeholders.
32. The extension of the Stay Period to June 30, 2016 is requested to allow the Walter Energy Group to continue to work in consultation with its advisors and the Monitor toward the sale of the business with the objective of obtaining the best possible result for the benefit of all stakeholders.
33. As the Phase 2 LOI Deadline (as defined in the SISP) is 60 days following the Phase 2 Commencement Date (which is on or before March 28, 2016), an extension of the stay to June 30, 2016 would provide sufficient time for the Financial Advisor to solicit, and the Prospective Bidders to submit, binding Bids and, if one or more Qualified Bids are received, continue to Phase 3 of the SISP.
34. From my review of the current cash flow projections, I do verily believe that the Walter Canada Group will have sufficient operating cash to continue operations during the proposed extended Stay Period. An extension of the Stay Period through to June 30, 2016 will provide the Walter Canada Group, PJT Partners LP and the Monitor with the best opportunity in the circumstances to seek a going concern outcome for the Walter Canada Group and to avoid a need to wind-down

the Walter Canada Group's operations and commence reclamation of the Walter Canada Group's mines.

- 35. It is my understanding that the Monitor supports the extension of the Stay Period and will file a report attaching cash flow forecasts that demonstrate, subject to the assumptions more fully set out in the report, that the Walter Canada Group has sufficient liquidity to continue its operations as currently conducted through to the end of the proposed extended stay period, including the ongoing care and maintenance of the mines.
- 36. The Walter Canada Group has been acting in good faith and with due diligence in these proceedings.
- 37. It is in the best interests of the Walter Canada Group and all their stakeholders that the Stay Period be extended to June 30, 2016 to enable the Walter Canada Group to carry out the SISP. Further, I do verily believe that the amendment to the Intercompany Charge proposed herein is appropriate in the circumstances.

SWORN BEFORE ME at the City of Toronto, in)
the Province of Ontario, on March 22, 2016.)
_____)
Commissioner for Taking Affidavits and Notary)
Public in the Province of Ontario)

Patrick Kreitzer

William E. Aziz

WILLIAM E. AZIZ

SCHEDULE "A"

Petitioners

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

This is Exhibit "A" referred to in Affidavit #1 of
William E. Aziz sworn March 22, 2016 at
Toronto, Ontario.



Commissioner for Taking Affidavits and
Notary Public in the Province of Ontario





NO. S1510120
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 THOSE PARTIES
LISTED ON SCHEDULE "A"

PETITIONERS

REQUISITION – GENERAL

Filed by: The Monitor, KPMG Inc.

REQUIRED:

To file the attached Monitor's First Certificate dated December 31, 2015.

Date: February 29, 2016

Signature of counsel for the Monitor,
KPMG Inc.
Peter J. Reardon

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36
IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57
-AND-
IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT
OF WALTER ENERGY CANADA HOLDINGS, INC. AND THOSE PARTIES LISTED ON
SCHEDULE "A" TO THE INITIAL ORDER
PETITIONERS

MONITOR'S FIRST CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Madame Justice Fitzpatrick of the British Columbia Supreme Court (the "**Court**") dated December 7, 2015 (the "**Initial Order**"), KPMG Inc. was appointed as the monitor (the "**Monitor**") in connection with the CCAA proceedings of the Petitioners.

B. Pursuant to the Initial Order, the Court approved the Bill of Sale and the Surplus Equipment Transaction contemplated therein and provided for the vesting in the Purchaser of the Purchased Equipment.

C. The Monitor stated an intention in its Pre-Filing Report dated December 6, 2015 that it would expand upon the marketing process for the Purchased Equipment.

D. After the issuance of the Initial Order, the Bill of Sale was revised to reflect a sale of only one bulldozer due to certain restrictions on importing the other bulldozers into the United States that were to be Purchased Equipment under the Bill of Sale.

E. All capitalized terms used but not defined herein shall have the meaning given in the Initial Order.

THE MONITOR CERTIFIES the following:

1. The Monitor has caused the marketing process for the Purchased Asset as defined in the Bill of Sale attached hereto as Schedule "A" to be expanded upon and confirms that no superior offer for the Purchased Asset has been received.
2. The conditions precedent to the application of paragraphs 26 and 27 of the Initial Order have been satisfied to the satisfaction of the Monitor in respect of the Purchased Asset.

This Certificate was delivered by the Monitor at Vancouver, BC on December 31, 2015.

**KPMG Inc., in its capacity as Monitor of Walter
Energy Canada Holdings, Inc., and not in its
personal capacity**

Per:



Name: Anthony Tillman

Title: Senior Vice President

SCHEDULE "A"

BILL OF SALE

THIS BILL OF SALE is made the ____ day of December, 2015.

BETWEEN:

BRULE COAL PARTNERSHIP
(collectively, the "Vendor")

– and –

JIM WALTER RESOURCES, INC.
(the "Purchaser", and together with the Vendor, the "Parties")

WHEREAS:

- A. Certain Canadian affiliates of the Vendor (collectively, "Walter Energy Canada") were granted creditor protection under the *Companies' Creditors Arrangement Act (Canada)* (the "CCAA") pursuant to an Initial Order of the Supreme Court of British Columbia (the "Court") dated December 7, 2015 (the "Initial Order") and KPMG Inc. was appointed as the Monitor in the CCAA proceedings.
- B. Walter Energy Canada obtained the Court's authorization to have the CCAA stay of proceedings extended to the Vendor as part of the CCAA proceedings.
- C. The Vendor desires to sell, and the Purchaser desires to purchase, one (1) bulldozer as identified on Schedule "A" hereto, (the "Purchased Asset") on the terms and conditions set out herein and in accordance with the terms of the Initial Order.
- D. The Court authorized the entering into of a Bill of Sale in accordance with the terms of the Initial Order, *inter alia*, (i) vesting the Purchased Asset in the Purchaser free and clear of any encumbrances except for the Equipment Charge (as defined below) upon the issuance of the Monitor's First Certificate (as defined below) in accordance with the terms of the Initial Order; (ii) granting the Vendor a Court-ordered first-ranking charge on the Purchased Asset in an amount equal to the Purchase Price (as adjusted) until payment by the Purchaser of same; and (iii) reverting ownership of the Purchased Asset back to the Vendor in the event that the Purchase Price is not received by the Vendor within 90 days of the date of this Bill of Sale.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Purchase and Sale. Upon the execution of this Bill of Sale, the Vendor hereby agrees to sell, convey, assign, transfer and set over unto the Purchaser all of the Vendor's right, title and interest in and to the Purchased Asset on an "as is, where is" basis for the amount of USD \$465,000 (the "Purchase Price"), to have and to hold such Purchased Asset, unto and to the use of the Purchaser and its successors (including any successor by reason of amalgamation) and permitted assigns, to and for its sole and only use forever (the "Transfer"), provided that the sale and enforcement of the Transfer is subject to and conditional upon the delivery of a first Monitor's certificate to the Purchaser in

accordance with the terms of the Initial Order (the "**First Monitor's Certificate**"). Following the execution of this Bill of Sale, the Parties may, by mutual written agreement, elect to increase the quantum of the Purchase Price to meet or exceed any other offer received by the Vendor and the Monitor as a result of any further marketing of the Purchased Asset required by the Court. The Purchase Price constitutes payment in full for the Purchased Asset. The Parties agree that the Purchase Price is exclusive of all applicable taxes (including, but not limited to, sales and transfer taxes).

2. Method of Payment. A portion of the Purchase Price equal to USD \$250,000 (the "**First Installment**") shall be paid by the Purchaser to the Monitor on behalf of the Vendor one business day following the date upon which the First Monitor's Certificate is delivered to the Purchaser (the "**Certificate Date**"). The Purchase Price, less the amount of the First Installment, (the "**Second Installment**") shall be paid by the Purchaser to the Monitor on behalf of the Vendor on or before the day that is 60 days following the Certificate Date. In the event that the full Purchase Price has not been paid by the Purchaser by the 60th day following the Certificate Date, the Purchaser agrees that it shall pay interest on all overdue amounts at a rate of 18% per annum. In the event that the Second Installment is not paid to the Vendor by the 90th day following the date of this Bill of Sale, the First Installment shall be retained by the Vendor as liquidated damages and not as a penalty. Notwithstanding the foregoing, the Purchaser shall continue to be obligated to pay the entire Purchase Price to the Vendor, plus accrued interest thereon, and any and all costs (including all legal and court costs) associated with obtaining any necessary approvals at that time, until the day that is 5 days after the Vendor notifies the Purchaser that an alternative buyer for the Purchased Asset has been found. Both the First Installment and the Second Installment shall be payable by way of wire transfer of immediately available funds from the Purchaser to the Monitor, on behalf of the Vendor, in accordance with the wire transfer instructions set out on Schedule "B" hereto.
3. Taxes. The Purchaser shall be responsible for and shall pay all applicable taxes (including, but not limited to, all sales and transfer taxes, registration charges and transfer fees, including the goods and services/harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada) and any similar value added or multi-staged tax imposed under applicable provincial legislation) in respect of the purchase and sale of the Purchased Asset under this Bill of Sale.
4. Transfer of the Purchased Asset. The Vendor shall arrange for the delivery of the Purchased Asset to the Purchaser and the Purchaser shall pay any and all of the fees, costs and expenses associated with the delivery of the Purchased Asset to the Purchaser, including, for greater certainty, any fees, costs and expenses relating to the removal, transportation and shipment thereof (including, but not limited to, the transportation costs set out on Schedule "A" hereto which are included in the Purchase Price) and any and all costs associated with obtaining any Environmental Protection Agency compliance certificates or approvals ("**EPA Certificates**") necessary for delivery of the Purchased Asset to the Purchaser. The failure by the Purchaser to obtain the EPA Certificates shall not modify or amend the Purchaser's rights and obligations hereunder (including the Purchaser's obligation to remit the entire Purchase Price to the Vendor) provided however that the Purchaser may direct the Vendor to deliver the Purchased Asset to another location that the Purchaser may specify provided that the Purchased Asset can

lawfully be delivered to such place. Notwithstanding that the Transfer of the Purchased Asset to the Purchaser shall occur upon the delivery of the First Monitor's Certificate to the Purchaser, the Purchaser shall not be entitled to take possession of the Purchased Asset until the Purchaser has transferred and the Vendor has received the Purchase Price from the Purchaser. In accordance with the terms of the Initial Order, ownership of the Purchased Asset shall revert back to the Vendor in the event that the entire Purchase Price is not received by the Vendor within 90 days following the date of the Bill of Sale.

5. Security Interest. To secure the Purchaser's payment of the Purchase Price to the Vendor, the Purchaser hereby grants the Vendor a first-lien security interest in the Purchased Asset including all accretions, substitutions, replacements, additions and accessions to any of them and all proceeds of any of the foregoing, upon the execution of this Bill of Sale and the delivery of the Monitor's First Certificate (the "**Security Interest**"). The Purchaser acknowledges that value has been given and that the Security Interest granted herein shall attach to the Purchased Asset upon the execution by the Parties of this Bill of Sale and the delivery of the Monitor's First Certificate. The Purchaser further acknowledges that Walter Energy Canada has obtained an Initial Order which, *inter alia*, grants the Vendor a Court-ordered first-ranking charge on the Purchased Asset in an amount equal to the Purchase Price until payment by the Purchaser of same (the "**Equipment Charge**"). Following receipt of the entire Purchase Price by the Vendor, the Equipment Charge will be extinguished automatically upon delivery of a second Monitor's certificate to the Purchaser certifying that payment has been made (the "**Second Monitor's Certificate**").
6. "As Is, Where Is". The Purchaser acknowledges that the Purchased Asset is being purchased on an "as is, where is" basis and that no representations, warranties or conditions, statements, understandings or agreements, expressed or implied, in law or in equity, by statute or otherwise, have been made by the Vendor or exist with respect to or in connection with the Purchased Asset, their description, fitness for any purpose, merchantability, quality, state, condition, location, value, the validity or enforceability of rights, any requirement for licenses, permits, approvals, consents for ownership, occupation or use, compliance with any government laws, regulations, by-laws and orders or in respect of any other matter or thing whatsoever and any and all conditions and warranties expressed or implied by the *Sale of Goods Act* (British Columbia) and any other applicable legislation do not apply to the sale of the Purchased Asset and are hereby waived by the Purchaser. The Purchaser acknowledges that it has conducted, and shall be deemed to have entirely relied on, its own inspection and investigation in proceeding with the purchase of the Purchased Asset and accepts the same in their present state, condition and location.
7. Risk of Loss and Insurance. From and after the delivery of the First Monitor's Certificate to the Purchaser, the Purchased Asset shall be at the risk of the Purchaser regardless of where the Purchased Asset are situate and the Purchaser shall be responsible for obtaining any and all insurance with respect to the Purchased Asset. The Purchaser hereby indemnifies and holds the Vendor and their agents and representatives harmless from any claims, losses, expenses, penalties damages and liabilities of any kind or nature which the Vendor may be required to pay for personal injury (including death) or any property damage suffered by any person which the Vendor or their agents and

representatives may at any time sustain for reasons that include but are not limited to the operation, handling or transportation of the equipment after the issuance of the Monitor's First Certificate, which indemnity shall survive the execution of this Bill of Sale.

8. Performance. Following the delivery of the First Monitor's Certificate to the Purchaser, the Purchaser shall perform all of its obligations hereunder, including its obligation to remit the First Installment and the Second Installment to the Vendor. Following the delivery of the Second Monitor's Certificate to the Purchaser, the Vendor shall perform all of its obligations hereunder, including its obligation to deliver the Purchased Asset to the Purchaser, provided that the Purchaser shall pay all costs associated with such delivery and shall obtain any required EPA Certificates and provided further that the Vendor shall not incur any liability for failure to perform as a result of force majeure.


9. General.

- (a) The provisions hereof will enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.
- (b) This Bill of Sale is made under and shall be governed by and construed in accordance with the law of the Province of British Columbia and the federal laws of Canada applicable in the Province of British Columbia.
- (c) This Bill of Sale may be executed by the Parties in counterparts and may be executed and delivered by facsimile or e-mail (PDF) and all the counterparts, facsimiles and PDFs shall together constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Bill of Sale as of the date first written above.

JIM WALTER RESOURCES, INC.

By: 
Name: Michael Goffey
Title: Vice President & Treasurer

IN WITNESS WHEREOF, the Parties hereto have duly executed this Bill of Sale as of the date first written above.

BRULE COAL PARTNERSHIP by its
general partner, **WALTER CANADIAN
COAL PARTNERSHIP**, by its general
partner, **WALTER ENERGY CANADA
HOLDINGS, INC.**

By: 

Name: ALLAN KANGAS
Title: U.P.

Schedule "B"

Wire Transfer Instructions

(See attached)



NO. S1510120
VANCOUVER REGISTRY

IN THE MATTER OF 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 THOSE PARTIES
LISTED ON SCHEDULE "A"

PETITIONERS


REQUISITION - GENERAL

Filed by: The Monitor, KMPG Inc.

REQUIRED:

To file the attached Monitor's Second Certificate dated February 24, 2016.

Date: February 25, 2016



Signature of counsel for the Monitor,
KPMG Inc.
Peter J. Reardon

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

AND

**IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT OF
WALTER ENERGY CANADA HOLDINGS, INC. AND THOSE PARTIES LISTED ON
SCHEDULE "A" TO THE INITIAL ORDER**

PETITIONERS

MONITOR'S SECOND CERTIFICATE – BULLDOZEER SALE

RECITALS

A. Pursuant to an Order of the Honourable Madam Justice Fitzpatrick of the British Columbia Supreme Court (the "Court") dated December 7, 2015 (the "Initial Order"), KPMG Inc. was appointed as the monitor (the "Monitor") in connection with the CCAA proceedings of the Petitioners.

B. Pursuant to the Initial Order, the Court approved the Bill of Sale and the Surplus Equipment Transaction contemplated therein and provided for the vesting in the Purchaser of the Purchased Asset.

C. After the issuance of the Initial Order, the Bill of Sale was revised to reflect a sale of only one bulldozer due to certain restrictions on importing the other bulldozers into the United States that were to be Purchased Assets under the Bill of Sale. The amended Bill of Sale was attached as Schedule "A" the Monitor's First Certificate dated December 31, 2015 (the "Monitor's 1st Certificate").

D. All capitalized terms used but not defined herein shall have the meaning given in the Monitor's 1st Certificate.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Monitor confirms that the Monitor has received on behalf of the Vendor the Purchase Price for the Purchased Asset.

This Certificate was delivered by the Monitor at Vancouver, BC on February 24, 2016.

**KPMG Inc., in its capacity as Monitor of
Walter Energy Canada Holdings, Inc., and
not in its personal capacity**

Per:



Name: Anthony Tillman

Title: Senior Vice President

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

PETITIONERS

AFFIDAVIT #1 OF WILLIAM E. AZIZ

DLA Piper (Canada) LLP
Barristers & Solicitors
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

Tel. No. 604.687.9444
Fax No. 604.687.1612

Client Matter No. 15375-00001

TAG/mlf