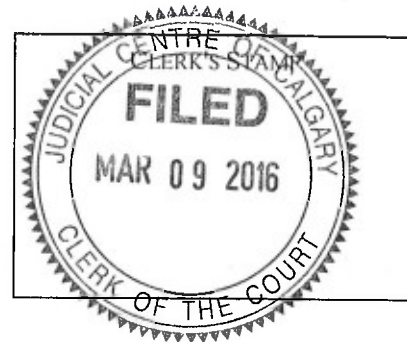


I hereby certify this to be a true copy of  
the original order  
dated this 9 day of March 20 16  
[Signature]  
for Clerk of the Court



COURT FILE NUMBER

1601 - 03113

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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

**AND IN THE MATTER OF THE COMPROMISE  
OR ARRANGEMENT OF QUICKSILVER  
RESOURCES CANADA INC., 0942065 B.C. LTD.  
and 0942069 B.C. LTD.**

DOCUMENT

**CCAA INITIAL ORDER**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**BENNETT JONES LLP**  
Barristers and Solicitors  
4500, 855 - 2nd Street S.W.  
Calgary, Alberta T2P 4K7

Attention: Chris Simard / Kevin Zych  
Tel No.: 403-298-4485 / 416-777-5738  
Fax No.: 403-265-7219 / 416-863-1716  
Client File No. 39944-88

**DATE ON WHICH ORDER WAS  
PRONOUNCED:**

March 8, 2016

**LOCATION WHERE ORDER  
WAS PRONOUNCED:**

Calgary

**NAME OF JUDGE  
WHO MADE THIS ORDER:**

The Honourable Mr. Justice D.B. Nixon

UPON the application of Quicksilver Resources Canada Inc. ("**Quicksilver Canada**"), 0942065 B.C. Ltd. ("**LNG Co**") and 0942069 B.C. Ltd. ("**LNG SubCo**") (collectively, the "**Applicants**"), AND UPON having read the Originating Application, the Affidavit of J. David Rushford, sworn on March 8, 2016 (the "**Rushford No. 1 Affidavit**"), the consent of FTI Consulting Canada Inc. to act as Monitor, the pre-filing report of FTI Consulting Canada Inc., all filed; AND UPON hearing counsel for the Applicants, counsel to the administrative agent (the "**Agent**") under an Amended and Restated Credit Agreement dated December 22, 2011 (as amended from time to time, including one or more forbearance agreements) (the "**Credit Agreement**") and counsel for other interested parties; IT IS HEREBY ORDERED AND DECLARED THAT:

#### **SERVICE**

1. The need for service of the notice of application for this order is hereby dispensed with and this application is properly returnable today.

#### **APPLICATION**

2. The Applicants are companies to which the CCAA applies.

#### **PLAN OF ARRANGEMENT**

3. The Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

#### **POSSESSION OF PROPERTY AND OPERATIONS**

4. The Applicants shall:
  - (a) remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**");

- (b) subject to further order of this Court, continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property; and
  - (c) be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
5. To the extent permitted by law, the Applicants shall be entitled but not required to pay the following expenses or make the following advances, incurred prior to or after this Order:
- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
  - (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges, including for periods prior to the date of this Order; and
  - (c) all operating expenses associated with the Horseshoe Canyon Asset (as defined in paragraph 139 of the Rushford Affidavit No. 1) whether incurred prior to or after the date of this Order.
6. The engagement letter entered into between Houlihan Lokey Capital, Inc. (the "**Financial Advisor**") and Quicksilver Canada effective as of September 14, 2015 (the "**Financial Advisor Engagement Letter**") attached as Exhibit "30" Rushford Affidavit No. 1, is hereby approved and Quicksilver Canada is authorized and directed to continue the

engagement of the Financial Advisor as an Assistant thereunder and to comply with all of its obligations thereunder.

7. The Services Agreement entered into between Quicksilver Resources Inc. ("QRI") and Quicksilver Canada (the "**Services Agreement**") attached as Exhibit "20" to the Rushford Affidavit No. 1, is hereby approved and Quicksilver Canada is authorized and directed to continue to comply with all of its obligations thereunder.
8. Except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:
  - (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
  - (b) payment for goods or services actually supplied to the Applicants following the date of this Order;
  - (c) the suspension, repair and maintenance expenses required to maintain regulatory compliance with respect to the Horn River Asset (as defined and described in paragraphs 137 - 138 of the Rushford Affidavit No. 1); and
  - (d) payment for goods or services actually supplied to the Applicants by those parties deemed by the Applicants (in consultation with the Monitor) to be Critical Suppliers (as defined and described in paragraphs 132 - 136 of the Rushford Affidavit No. 1), whether supplied prior to or following the date of this Order. Each Critical Supplier shall continue to supply the Applicants or any of them with goods and/or services on terms and conditions that are consistent with existing arrangements and past practices. No Critical Supplier may require the payment of

the deposit or the posting of any security in connection with the supply of goods and/or services to the Applicants after the date of this Order.

9. The Applicants shall remit, in accordance with legal requirements, or pay:
- (a) any statutory deemed trust amounts in favour of the Crown in Right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of:
    - (i) employment insurance,
    - (ii) Canada Pension Plan, and
    - (iii) income taxes.but only where such statutory deemed trust amounts arise after the date of this Order, or are not required to be remitted until after the date of this Order, unless otherwise ordered by the Court;
  - (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
  - (c) any amount payable to the Crown in Right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

10. Until such time as a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants may pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated by the Applicants from time to time for the period commencing from and including the date of this Order ("**Rent**"), but shall not pay any rent in arrears.
11. Except as specifically permitted in this Order, the Applicants are hereby directed, until further order of this Court:
  - (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of the date of this Order;
  - (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and
  - (c) not to grant credit or incur liabilities except in the ordinary course of the Business, other than as expressly permitted herein.
12. Notwithstanding the provisions of paragraph 11 hereof, the Applicants shall be entitled to and shall pay interest and other costs which may become due and owing under the terms of the Credit Facility, including the costs of the Agent's legal counsel and other consultants and advisors (collectively, the "**Agent's Advisors**") engaged for these proceedings.

## **RESTRUCTURING**

13. The Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and to dispose of redundant or non-material assets not exceeding \$500,000.00 in any one transaction or \$2,000,000.00 in the aggregate, (or in excess of these amounts, by order of this Court);
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate on such terms as may be agreed upon between the Applicants and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) pursue all avenues of refinancing and offers for material parts of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above); and
- (d) Quicksilver Canada may lend cash on an inter-company basis to LNG Co (as defined in the Rushford Affidavit No. 1) as needed from time to time, and subject to paragraphs 34 to 39 hereof;

all of the foregoing to permit the Applicants to preserve asset value and/or proceed with an orderly restructuring of the Business.

14. The Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal. If the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further order of this Court upon application by the Applicant on at least two (2) days' notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it

shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

15. If a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then:
- (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice; and
  - (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against an Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of their obligation to mitigate any damages claimed in connection therewith.

**NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

16. Until and including April 7, 2016, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court.



## **NO EXERCISE OF RIGHTS OR REMEDIES**

17. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**"), whether judicial or extra-judicial, statutory or non-statutory against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, provided that nothing in this Order shall:
- (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on;
  - (b) exempt the Applicants from compliance with statutory or regulatory provisions relating to health, safety or the environment;
  - (c) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA;
  - (d) prevent the filing of any registration to preserve or perfect a security interest; or
  - (e) prevent the registration of a claim for lien.
18. Nothing in this Order shall prevent any party from taking an action against the Applicants where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Monitor at the first available opportunity.

## **NO INTERFERENCE WITH RIGHTS**

19. During the Stay Period, no person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right,

contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

## **CONTINUATION OF SERVICES**

20. During the Stay Period, all persons having:

- (a) statutory or regulatory mandates for the supply of goods and/or services; or
- (b) oral or written agreements or arrangements with the Applicants, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicants

are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicants or exercising any other remedy provided under such agreements or arrangements. The Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with the payment practices of the Applicants, or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court. Nothing in this Order has the effect of prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided after the making of this Order.

20A. No person that is a party to any contract or agreement with any or all of the Applicants may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right, including any right to terminate or change operatorships of any joint ventures between such persons and one or more of the Applicants, or make any demand under or in respect of any such contract or

agreement, and no automatic termination or exercise of rights or remedies provided for therein will have any validity or effect, including by reason of any event that occurred on or prior to the date hereof that would entitle such person to enforce those rights and remedies (including, without limitation, the Applicants' being or having admitted to being insolvent, or their having commenced the within insolvency proceedings, or their having obtained any statutory or judicial relief in the within proceedings).

#### **NO OBLIGATION TO ADVANCE MONEY OR EXTEND CREDIT**

21. Notwithstanding anything else contained in this Order, no creditor of the Applicants shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

22. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA and paragraph 17 of this Order, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

23. The Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and/or officers of the Applicants after the commencement of the within proceedings except to the extent that, with respect to any officer or director, the obligation was incurred as a result of the director's or officer's gross negligence or willful misconduct. For clarity, nothing in this paragraph shall

derogate from any previous or existing indemnity obligations of the Applicants to their present or former directors or officers.

24. The directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$450,000, as security for the indemnity provided in paragraph 23 of this Order. The Directors' Charge shall have the priority set out in paragraphs 42 and 44 herein.
25. Notwithstanding any language in any applicable insurance policy to the contrary:
  - (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and
  - (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 23 of this Order.

#### **APPOINTMENT OF MONITOR**

26. FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property, Business and financial affairs with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of their powers and discharge of their obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.
27. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements, Business and dealings with the Property;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein and immediately report to the Court if in the opinion of the Monitor there is a material adverse change in the financial circumstances of the Applicants;
- (c) advise the Applicants in their preparation of the Applicants' cash flow statements, which information shall be reviewed with the Monitor as required from time to time, and which may be used in these proceedings;
- (d) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (e) advise the Applicants, to the extent required by the Applicants, with the holding and administering of meetings for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form and other financial documents of the Applicants to the extent that is necessary to adequately assess the Applicants' Property, Business and financial affairs or to perform their duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of their powers and performance of their obligations under this Order;
- (h) hold funds in trust or in escrow, to the extent required, to facilitate settlements between the Applicants and any other Person;

- (i) respond to inquiries of the Agent (or the Agent's Advisors) with respect to the CCAA proceedings with or without the presence or the consent of the Applicants, however copies of any written reports provided to the Agent (or the Agent's Advisors) by the Monitor shall be provided to the Applicants; and
  - (j) perform such other duties as are required by this Order or by this Court from time to time.
- 28. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling their obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintain possession or control of the Business or Property, or any part thereof. Nothing in this Order shall require the Monitor to occupy or to take control, care, charge, possession or management of any of the Property that might be environmentally contaminated, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal or waste or other contamination, provided however that this Order does not exempt the Monitor from any duty to report or make disclosure imposed by applicable environmental legislation.
- 29. The Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.
- 30. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of their

appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on their part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. The Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor and the Agent's Advisors shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Applicants and the Agent's Advisors on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay the Monitor and counsel to the Applicants, retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.
32. The Monitor and their legal counsel shall pass their accounts from time to time.
33. The Monitor, counsel to the Monitor, the Applicants' counsel, the Financial Advisor and the Agent's Advisors, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,500,000 as security for their professional fees and disbursements incurred at the normal rates and charges of the Monitor and such counsel, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 42 and 44 hereof.

#### LNG CO INTERIM FINANCING

34. After the date of this Order, the Applicant LNG Co is hereby authorized and empowered to obtain and borrow from Quicksilver Canada (in this context, Quicksilver Canada is referred to as the "**LNG Co Interim Lender**"), in order to finance LNG Co's working capital requirements and other general corporate purposes and capital expenditures,

provided that borrowings under such credit facility shall not exceed \$750,000 unless permitted by further order of this Court.

35. Such credit facility shall be on such terms and subject to such conditions as shall be agreed between LNG Co and the LNG Co Interim Lender, which must be approved by the Monitor.
36. LNG Co is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as may be reasonably required by the LNG Co Interim Lender pursuant to the terms thereof, and LNG Co is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the LNG Co Interim Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.
37. The LNG Co Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**LNG Co Interim Lender's Charge**") on the Property of LNG Co to secure all post-filing interim financing obligations to the LNG Co Interim Lender, including under the Definitive Documents incurred on or after the date of this Order which charge shall not exceed the aggregate amount advanced on or after the date of this Order under the Definitive Documents. The LNG Co Interim Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof.
38. Notwithstanding any other provision of this Order:
  - (a) the LNG Co Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the LNG Co Interim Lender's Charge or any of the Definitive Documents;
  - (b) upon the occurrence of an event of default under the Definitive Documents or the LNG Co Interim Lender's Charge, the LNG Co Interim Lender, upon five days' notice to LNG Co and the Monitor, may exercise any and all of its rights and remedies against LNG Co or LNG Co's Property under or pursuant to the



Definitive Documents and the LNG Co Interim Lender's Charge, including without limitation, to cease making advances to LNG Co and set off and/or consolidate any amounts owing by the LNG Co Interim Lender to LNG Co against the obligations of LNG Co to the LNG Co Interim Lender under the Definitive Documents or the LNG Co Interim Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against LNG Co and for the appointment of a trustee in bankruptcy of LNG Co; and

(c) the foregoing rights and remedies of the LNG Co Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of LNG Co or the Property of LNG Co.

39. The LNG Co Interim Lender shall be treated as unaffected in any plan of arrangement or compromise filed by LNG Co under the CCAA, or any proposal filed by LNG Co under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

#### **KERP AND THE KERP CHARGE**

40. The Key Employee Retention Plan (the "**KERP**") described at paras. 145 - 148 and Exhibits "34" and "35" of the Rushford Affidavit No. 1 are hereby authorized and approved and the Applicants are authorized and directed to make the payments contemplated in the KERP.

41. The beneficiaries of the KERP are hereby granted a charge (the "**KERP Charge**") on the Property to secure all obligations under the KERP. The KERP Charge shall have the priority set out in paragraphs 42 and 44 hereof.

#### **VALIDITY AND PRIORITY OF CHARGES**

42. The priorities of the Administration Charge, the Directors' Charge, the KERP Charge and the LNG Co Interim Lenders' Charge, as between them, shall be as follows:

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

Second – Directors' Charge (to the maximum amount of \$450,000);

Third – KERP Charge (to the maximum amount of \$1,380,000); and

Fourth -- LNG Co Interim Lender's Charge (with respect only to the Property of LNG Co) (to the maximum amount of \$750,000),

(collectively, the "Charges").

43. The filing, registration or perfection of the Charges shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
44. The Charges shall constitute a charge on the Property (except that the LNG Co Interim Lender's Charge shall constitute a charge only on the Property of LNG Co) and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except for Encumbrances the holders of which did not receive notice of the application for this order. The Applicants are hereby granted leave to make further application should they deem it necessary or advisable to have the Charges rank ahead of such Encumbrances, on notice to the holders thereof.
45. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Applicants also obtains the prior written consent of the Monitor and the other beneficiaries of the Charges affected thereby, or further order of this Court.
46. 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**") thereunder shall not otherwise be limited or impaired in any way by:

- (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
- (b) any application(s) for bankruptcy order(s) issued pursuant to 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, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:
  - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, including the LNG Co Commitment Letter or the Definitive Documents, shall create or be deemed to constitute a new breach by the Applicants of any Agreement to which it is a party;
  - (ii) 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 the Charges, or LNG Co entering into the LNG Co Commitment Letter, or the execution, delivery and performance of the Definitive Documents; and
  - (iii) the payments made by the Applicants pursuant to this order, including the LNG Co Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, transfers at

undervalue, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

### **ALLOCATION**

47. Any interested Person may apply to this Court on notice to any other party likely to be affected, for an order to allocate the Charges amongst the various assets comprising the Property.

### **SEALING**

48. The agreements related to the KKR Transaction that are Exhibits "5" - "12" to the Rushford Affidavit No. 1, the Westcoast Agreement that is Exhibit "13" to the Rushford Affidavit No. 1, the Horseshoe Canyon APA that is Exhibit "32" to the Rushford Affidavit No. 1 and the KERP Documents that are Exhibits "34" and "35" to the Rushford Affidavit No. 1, shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*.

### **SERVICE AND NOTICE**


49. The Monitor shall, (i) without delay, publish in the Calgary Herald and the Daily Oil Bulletin a notice containing the information prescribed under the CCAA; (ii) within five (5) days after the date of this Order (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000.00 and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, save and except creditors who are individuals, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.
50. The Applicants and the Monitor shall be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile

transmission or e-mail to the Applicants' creditors or other interested Persons at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery, facsimile transmission or e-mail shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing. The Monitor may post a copy of any or all such materials on their website at <http://cfcanada.fticonsulting.com/qrci>, which shall be established for informational purposes.

## GENERAL

51. The Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.
52. Notwithstanding Rule 6.11 of the Alberta *Rules of Court*, unless otherwise ordered by this Court, this Monitor will report to the Court from time-to-time, which reporting is not required to be in Affidavit form and which reporting shall be considered by this Court as evidence.
53. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.
54. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants 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 Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

55. Each of the Applicants 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.
  
56. Any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
  
57. This Order and all of their provisions are effective as of 12:01 a.m. Mountain Time on the date of this Order.



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J.C.Q.B.A.