

COURT FILE NUMBER 1201 15737

COURT COURT OF QUEEN'S BENCH OF ALBERTA

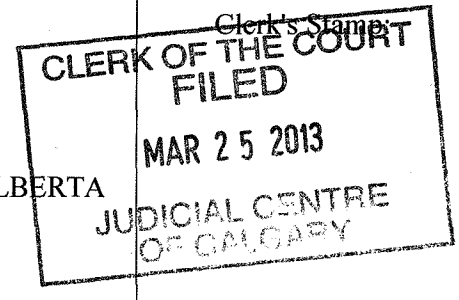
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF FAIRWEST
ENERGY CORPORATION

DOCUMENT

ORDER
(Stay Extension, Amendment to DIP Facility and Sales Process)



I hereby certify this to be a true copy of
the original Order

Dated this 25 day of March 2013


for Clerk of the Court

Burnet, Duckworth & Palmer LLP
2400, 525 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Lawyer: Carole J. Hunter
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File No.: 71301-1

DATE ON WHICH ORDER WAS PRONOUNCED: MARCH 19, 2013

NAME OF JUDGE WHO MADE THIS ORDER: JUSTICE J. STREKAF

UPON the Application of FairWest Energy Corporation (the "**Applicant**"); AND UPON having read the Affidavit of Douglas O. McNichol sworn March 14, 2013 (the "**McNichol Affidavit**"), the Third Report of PricewaterhouseCoopers Inc., in its capacity as monitor (the "**Monitor**") dated March 14, 2013, the Affidavit of Vernon R. Fauth sworn March 15, 2013, the Supplemental Affidavit of Douglas O. McNichol sworn March 18, 2013 (the "**Supplemental McNichol Affidavit**"); AND UPON the Application (the "**RILP Application**") of Royalty Investments Limited Partnership ("**RILP**"), AND UPON having read the Affidavit of Vernon R. Fauth sworn March 18, 2013, the Second Supplemental Affidavit of Douglas O. McNichol sworn March 19, 2013, and such other material in the pleadings and proceedings as are deemed necessary; AND UPON hearing counsel for the Applicant, counsel for the

Monitor, counsel for Supreme Group Inc. and counsel for AFM Management Inc., as general partner of RILP, counsel for Tallin Capital Mezzanine Limited Partnership ("**Tallinn**") and counsel for Olympia Trust on behalf of certain debentureholders of FairWest,

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of notice of this application is abridged to the time actually given and service of the Application and supporting material as described in the Affidavit of Elvina Hussein sworn March 14, 2013, is good and sufficient, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.
2. All capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the Initial Order granted in these proceedings on December 12, 2012 (the "**Initial Order**").

Extension of Stay Period

3. The Stay Period set out in paragraph 13 of the Initial Order is hereby extended up to and including April 26, 2013.

Amendments to the Initial Order

4. Paragraph 6A shall be added to the Initial Order and provide as follows:

6A. The Applicant shall not make any disbursements unless the Monitor has confirmed to the Applicant, in accordance with paragraph 24(k) hereof, that such disbursements are consistent with the cash flow forecasts prepared by the Monitor, provided that in the event that the Applicant believes reasonably and in good faith after consultation with the Monitor that the failure to make any disbursement not contemplated by the cash flow forecasts would (i) have a material adverse effect on the value of its business or assets, or (ii) pose a material risk to public health or safety, then the Applicant shall be permitted to make such disbursement notwithstanding that it is inconsistent with the cash flow forecast.
5. Paragraph 24 of the Initial Order shall be amended to include the following:

(k) The Monitor shall review all future disbursements by the Applicant to confirm that such disbursements are made in accordance with the cash flow forecasts prepared by the Monitor.

Amendments to the DIP Financing Provisions of the Initial Order

6. Paragraphs 31 and 32 of the Initial Order are hereby deleted and replaced with the following:

31. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Supreme Group Inc. (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$900,000 as more specifically set out in the Commitment Letter (as defined below) unless permitted by further order of this Court.

32. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of December 10th, 2012, as amended pursuant to amending letters dated January 8, 2013, February 7, 2013 and March 12, 2013 (the "**Commitment Letter**"), filed.

Sales and Investment Solicitation Process

7. The engagement of PricewaterhouseCoopers Corporate Finance Inc. as financial advisor (the "**Financial Advisor**") to FairWest is hereby approved.
8. The sales and investment solicitation process (the "**SISP**") in the form attached hereto as Schedule "A" be and is hereby approved and FairWest, in conjunction with the Monitor and the Financial Advisor are hereby authorized and directed to implement the SISP and do all things as are reasonably necessary to conduct and give full effect to the SISP and carry out the obligations thereunder.
9. The Applicant, the Monitor and RILP shall review the lands and interest that the Applicant proposes to include in the schedule of lands and interests to be offered for sale. The Applicant shall clearly identify in the sales materials any interests or properties in which RILP claims to hold an interest that is disputed by the Applicant (the "**Disputed Properties**"), so that prospective purchasers are aware that the Disputed Properties are subject to a claim by RILP.

Sealing Order

10. Exhibits "B" and "C" to the Supplemental McNichol Affidavit contain confidential information and shall be sealed on the Court file in these proceedings and segregated from, and not form part of, the public record.

11. The Clerk of the Court is hereby directed to file Exhibits "B" and "C" to the Supplemental McNichol Affidavit in a sealed envelope attached to a notice that sets out the style of cause in these proceedings, the aforementioned description of the documents contained therein and a statement that the envelope's contents are sealed pursuant to the Order.
12. Exhibits "B" and "C" to the Supplemental McNichol Affidavit shall be sealed notwithstanding the failure to comply with the requirements in Part 6, Division 4 of the *Rules of Court*.

RILP Application

13. The RILP Application and any application brought to address issues relating to the Disputed Properties shall be heard at a Special Application on April 12, 2013, or such other date as may be determined by the Court. The parties shall determine a schedule for filing materials and for questioning and if they are unable to agree on a schedule they may apply to this Court for further direction.

Funds to be held in Trust

14. As security for the claims of RILP and/or Tallinn, should they succeed in the RILP Application, the Applicant is hereby directed to place \$40,000 in trust with its counsel, Burnet Duckworth & Palmer LLP, on each of March 25, 2013 and April 25, 2013. Such funds shall be held in trust pending further Order of this Honourable Court.

"J. STREKAF"
~~"J. STREKAF"~~
 J.C.Q.B.A.

Schedule "A"

Procedures for the Sale and Investor Solicitation Process

On December 12, 2012, FairWest Energy Corporation ("**FairWest**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") from the Court of Queen's Bench of Alberta (the "**Court**"). On March 15, 2013, as part of the CCAA proceedings, the Court approved the Sale and Investor Solicitation Process (the "**SISP**") set forth herein to determine whether a Successful Bid (as defined below) can be obtained (the "**SISP Order**").

Set forth below are the procedures (the "**SISP Procedures**") to be undertaken in accordance with the SISP to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

Defined Terms and Interpretation

All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the SISP Order. In addition, in these SISP Procedures:

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary.

"**Secured Creditor**" means Supreme Group Inc.

"**PwC**" or the "**Financial Advisor**" means PricewaterhouseCoopers Corporate Finance Inc.

"**Monitor**" means PricewaterhouseCoopers Inc.

Where any provision herein requires the Monitor or the Financial Advisor to make a decision or determination in consultation with any person, including the Secured Creditor, such requirement is not intended and shall not be interpreted as requiring the consent or agreement of such person to such decision or determination.

Solicitation Process

The SISP Procedures set forth herein describes the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning FairWest and its assets, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the approval thereof by the Court (collectively, the "**Solicitation Process**").

The Monitor shall supervise the SISP Procedures and in particular shall supervise the Financial Advisor in connection therewith. FairWest is required to assist and support the efforts of the Monitor and the Financial Advisor as provided for herein. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve such dispute.

The Solicitation Process will proceed as follows:

- (a) As soon as reasonably practicable after the granting of the SISP Order approving these SISP Procedures, but in any event no more than three (3) Business Days after the

issuance of the SISP Order, the Monitor shall cause a notice of the SISP contemplated by these SISP Procedures and such other relevant information which the Monitor, in consultation with the Financial Advisor and FairWest, considers appropriate to be published in the *Daily Oil Bulletin*. At the same time, FairWest shall issue a press release setting out the notice and such other relevant information in form and substance satisfactory to the Monitor, following consultation with the Financial Advisor, with Canada Newswire designating dissemination in Canada and major financial centres in the United States;

- (b) the Financial Advisor shall prepare and distribute an information package with respect to FairWest's assets for distribution to potential bidders by no later than March 20, 2013 (the "**Information Package**");
- (c) A confidential information memorandum describing the opportunity to acquire all or substantially all of the property of FairWest or invest in FairWest (the "**Confidential Information Memorandum**") will be made available by the Financial Advisor to prospective purchasers or prospective strategic or financial investors that have executed a non-disclosure agreement with FairWest;
- (d) In order to participate in the Solicitation Process each person (a "**Potential Bidder**") must deliver to the Financial Advisor at the address specified in **Appendix "A"** hereto (including by email or fax transmission), and prior to the distribution of any confidential information by the Financial Advisor to a Potential Bidder (including the Confidential Information Memorandum), an executed non-disclosure agreement in form and substance satisfactory to the Monitor, the Financial Advisor and FairWest, which shall inure to the benefit of any purchaser of the assets of FairWest or any investor in FairWest;
- (e) A Potential Bidder that has executed a non-disclosure agreement, as described above, will be deemed a "**Qualified Bidder**" and will be promptly notified of such classification by the Financial Advisor.
- (f) The Financial Advisor shall provide any person determined or deemed to be a Qualified Bidder with a copy of the Confidential Information Memorandum and access to the electronic and physical data rooms (the "**Data Rooms**"). The Monitor, the Financial Advisor and FairWest make no representation or warranty as to the information contained in the Confidential Information Memorandum or in the Data Rooms, except to the extent otherwise contemplated under any definitive sale or investment agreement with a Successful Bidder executed and delivered by FairWest;
- (g) A Qualified Bidder, if it wishes to submit a bid (a "**Final Bid**"), will deliver written copies of a binding offer contemplating either the acquisition of assets of FairWest or shares thereof (a "**Sale Proposal**") or a term sheet for an investment proposal contemplating investment in FairWest (an "**Investment Proposal**") to the Financial Advisor at the address specified in Appendix "A" hereto (including by email or fax transmission) so as to be received by it not later than 12:00 p.m. (Mountain Standard Time) on April 5, 2013, or such other date or time as may be agreed by the Financial Advisor, in consultation with the Monitor, FairWest and the Secured Creditor (the "**Bid Deadline**");
- (h) A Final Bid will be considered a Qualified Bid only if the Final Bid complies with, among other things, the following (a "**Qualified Bid**");

- (i) it contains a duly executed binding offer irrevocable until not less than 45 days after the Bid Deadline;
- (ii) except in the case of any credit bid that may be delivered by the Secured Creditor, it provides written evidence of financial commitment;
- (iii) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of any such participation;
- (iv) except in the case of any credit bid that may be delivered by the Secured Creditor, it is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor, in trust,
 - (A) if the total consideration is quantifiable at the time the Sale Proposal or Investment Proposal is submitted, in an amount equal to 10% of that total consideration in the Qualified Bid; or
 - (B) if the total consideration is unquantifiable at the time the Sale Proposal or Investment Proposal is submitted, in an amount to be determined by the Monitor payable on demand,

which deposit is to be held and dealt with in accordance with these SISP Procedures;

- (v) it is not conditional upon:
 - (A) the outcome of unperformed due diligence by the Qualified Bidder; and/or
 - (B) obtaining financing;
- (vi) it shall contain such other information reasonably requested by the Financial Advisor, in consultation with the Monitor and FairWest;
- (vii) it is received by the Bid Deadline;
- (i) The Monitor, in consultation with the Financial Advisor, FairWest and the Secured Creditor, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Bids;
- (j) The Monitor, in consultation with the Financial Advisor, FairWest and the Secured Creditor, shall determine the most favourable Qualified Bid (the “**Successful Bid**”). If the value of the total consideration pursuant to any Qualified Bid is less than or equal to the total the aggregate amount owing by FairWest to the Secured Creditor (whether for principal, interest, fees, recoverable costs or otherwise) to the Secured Creditor (the “**Secured Creditor Obligations**”), then the Monitor shall ask the Secured Creditor if it agrees with the designation of such Qualified Bid as the Successful Bid. If the Secured Creditor does not agree with the designation of such Qualified Bid as the Successful Bid in accordance with the SISP Procedures then the Monitor shall apply to the court for directions. If the value of the total consideration pursuant to any Qualified Bid is greater

than the total amount of the Secured Creditor Obligations such that the Qualified Bid could generate value for creditors of FairWest other than the Secured Creditor, then the Monitor may designate such Final Offer as the Successful Bid.

- (k) If a Qualified Bid is determined to be a Successful Bid in accordance with the SISP Procedures, then FairWest shall proceed to negotiate and settle the terms of a definitive agreement in respect of the Successful Bid, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing not later than 21 days after the Bid Deadline, or such longer period as shall be agreed to by the Monitor, in consultation with the Financial Advisor, FairWest and the Secured Creditor.
- (l) Once a definitive agreement has been negotiated and settled in respect of the Successful Bid in accordance with the SISP Procedures, the person(s) who made the Successful Bid shall be the **"Successful Bidder"** hereunder;
- (m) FairWest shall promptly apply to the Court for an order approving the Successful Bid and authorizing FairWest to enter into any and all necessary agreements with respect to the Successful Bid, as well as an order vesting title to the purchased property in the name of the Successful Bidder (the **"Approval and Vesting Motion"**). The Approval and Vesting Motion will be held on a date to be scheduled by the Court upon application by FairWest. The Approval and Vesting Motion may be adjourned or rescheduled by the Monitor without further notice, by an announcement of the adjourned date at the Approval and Vesting Motion; and
- (n) All Qualified Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

Deposits

All Deposits shall be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval and Vesting Motion shall be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid or if the SISP automatically terminates, all Deposits shall be returned to the bidders within five Business Days of the date upon which the SISP is terminated in accordance with these procedures.

Approvals

For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.

No Amendment

No amendments shall be made to this SISP, except on application to the Court, on notice to all interested parties.

"As Is, Where Is"

The sale of FairWest's assets or any investment in FairWest will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, FairWest or any of their agents or estates, except to the extent set forth in the relevant sale or investment agreement with a Successful Bidder.

Free Of Any And All Claims And Interests

In the event of a sale, to the extent permitted by law, all of the rights, title and interests of FairWest in and to the assets to be acquired will be sold free and clear of all pledges, liens, security interests; encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "**Claims and Interests**") pursuant to section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

An investment in FairWest may, at the option of the Successful Bidder, include one or more of the following: a restructuring, recapitalization or other form of reorganization of the business and affairs of FairWest as a going concern or a sale of the assets to a newly formed acquisition entity on terms described in the above paragraph.

No Obligation to Conclude a Sale

Neither the Monitor, nor FairWest, have any obligation to conclude a sale arising out of this Solicitation Process, and they reserve the right and unfettered discretion to reject any offer or proposal.

Further Orders

At any time during the Solicitation Process, the Monitor may, following consultation with the Financial Advisor and FairWest, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Appendix "A"**Addresses for Notices****The Monitor:**

PricewaterhouseCoopers Inc.
3100, 111 – 5th Avenue S.W.
Calgary, AB T2P 5L3

Attention: Mr. Paul Darby
Facsimile: 403-781 1825
Email: paul.j.darby@ca.pwc.com

The Financial Advisor:

PricewaterhouseCoopers Corporate Finance Inc.
TD Tower, 10088 102 Avenue N.W.
Suite 1501
Edmonton, AB T5J 3N5

Attention: Megan McGinley
Facsimile: 780-441 6776
Email: megan.r.mcginley@ca.pwc.com