

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRANT FOREST PRODUCTS INC.; *et al.*,¹

Debtors in Foreign Proceedings.

CHAPTER 15

Case No. 10-11132

Joint Administration Pending

**DECLARATION OF ALEXANDER MORRISON IN SUPPORT OF MONITOR'S
MOTION PURSUANT TO SECTIONS 363, 1501, 1507, 1520, 1521, AND 105(a) OF
THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2002, AND 6004 FOR
AN ORDER (A) AFFIRMING AND ENFORCING THE ORDER OF THE
CANADIAN COURT APPROVING THE SALE OF CERTAIN ASSETS AND
SUCH OTHER RELATED RELIEF AND (B) SEPARATELY, (i) AUTHORIZING
AND APPROVING THE SALE OF ASSETS AND (ii) GRANTING OTHER
RELATED AND FURTHER RELIEF**

I, **Alexander Morrison**, hereby declare as follows:

1. I am a Senior Vice President of Ernst & Young Inc. ("**E&Y**"). I am an individual over the age of 18 and, if called upon, would testify to all matters set forth in this Declaration. Except as otherwise indicated, all facts set forth in this Declaration in support of the Debtors' petitions under chapter 15 of title 11 of the United States Code (the "**Bankruptcy Code**") are based upon my personal knowledge, information supplied to me by other members of the Debtors' management and professionals, or learned from my review of relevant documents or upon my opinion based upon my experience and knowledge of the Debtors' industry, operations, and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein.

¹ The proposed jointly administered cases are those of the following debtors: Grant Forest Products Inc., Grant Forest Products Sales Inc., Grant Alberta Inc., Grant U.S. Holdings GP, Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., Grant Newco LLC, and Grant Excluded GP.

2. I submit this Declaration in support of *Monitor's Motion Pursuant to Sections 363, 1501, 1507, 1520, 1521, and 105(a) of the Bankruptcy Code and Bankruptcy Rules 2002, and 6004 for an Order (a) Affirming and Enforcing the Order of the Canadian Court Approving the Sale of Certain Assets and Such Other Related Relief and (b) Separately, (i) Authorizing and Approving the Sale of Assets and (ii) Granting Other Related and Further Relief.*

3. The Debtors in the above-captioned case are parties in a proceeding (the “**CCAA Proceeding**”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), before the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”). Pursuant to an order of the CCAA Court dated June 25, 2009 (the “**Initial Order**”), E&Y was appointed as monitor (the “**Monitor**”) for certain of the Debtors in the CCAA Proceeding. A true and correct copy of the Initial Order is attached to the *Declaration of Alexander Morrison in Support of (I) Monitor’s Motion for Entry of an Order Granting Recognition and Relief in Aid of Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 1515, 1517 and 1520; (II) Monitor’s Motion for Joint Administration; and (III) Monitor’s Motion for Ex Parte Emergency Relief and Provisional Relief Pursuant to 11 U.S.C. §§ 105(a), 1519, and 1521 (“**Morrison Declaration**”)* as Exhibit A.

4. Among other things, the Initial Order provides that the Debtors will engage an investment offering advisor (the “**Investment Offering Advisor**”) to commence a marketing process (the “**Marketing Process**”) to provide interested parties with the opportunity to offer to purchase the business and operations of the Debtors.

5. The Debtors appointed E&Y to serve as the Investment Offering Advisor. Thereafter, E&Y undertook the role of the Investment Offering Advisor to assist and oversee the Marketing Process.

Debtor's Debt Structure

6. Grant Forest Products Inc. ("**Grant Forest**"), Grant Forest Products Sales Inc. ("**Grant Sales**"), Grant Alberta Inc. ("**Alberta**"), and Grant U.S. Holdings GP ("**Grant Holdings**"), collectively, the "**Initial Applicants**") are obligated as borrowers or guarantors under two collective levels of primary secured debt ("**First Lien Debt**" and "**Second Lien Debt**" and, collectively, the "**Credit Facilities**"). The holders of the First Lien Debt ("**First Lien Lenders**") are represented by their agents, The Toronto-Dominion Bank and a related entity, Toronto-Dominion (Texas) LLC ("**First Lien Lenders' Agent**"). The Bank of New York Mellon ("**Second Lien Lenders' Agent**") now serves as the agent for the Second Lien Debt holders ("**Second Lien Lenders**").²

7. Grant Forest and Grant Holdings are the primary borrowers under the First Lien Debt. Alberta and Grant Sales serve as guarantors of the First Lien Debt. Likewise, Southeast Properties LLC ("**Southeast**"), Grant Clarendon LP ("**Clarendon LP**"), Grant Allendale LP ("**Allendale LP**"), Grant US Sales Inc. ("**US Sales**"), and Grant Newco LLC ("**Newco**," and collectively, "**US Entities**" and with the Initial Applicants, the "**Obligors**") serve as guarantors of the First Lien Debt. The First Lien Lenders' Agent, to secure the obligations under the First Lien Debt, holds various security interests granted by the Obligors over each of their respective property and assets.

8. Grant Holdings is the primary borrower under the Second Lien Debt. Alberta, Grant Sales, Grant Forest, and the US Entities are guarantors of the Second Lien Debt. The Second Lien Lenders' Agent, to secure the obligations under the Second Lien Debt, holds

² The Toronto-Dominion Bank and a related entity, Toronto-Dominion (Texas) LLC were originally the agents for the Second Lien Lenders but, before the commencement of the CCAA Proceeding, resigned that position and transferred their interests in respect thereto to The Bank of New York Mellon as the replacement agent for the Second Lien Lenders.

various security interests granted by the Obligors over each of their respective property and assets.

9. As of May 31, 2009, the Obligors owed approximately \$398 million in principal, plus interest, under the First Lien Debt (“**First Lien Lenders’ Liability**”) and approximately \$150 million in principal, plus interest, under the Second Lien Debt (“**Second Lien Lenders’ Liability**”). Further, the Obligors are in default of their obligations under the Credit Facilities.

10. The First Lien Lenders’ Agent and the Second Lien Lenders’ Agent are parties to an agreement dated March 21, 2007 (the “**Intercreditor Agreement**”). A copy of the Intercreditor Agreement is attached hereto as **Exhibit A**. Grant Forest, Grant Holdings, Alberta, Grant Sales, and the US Entities are parties to and have agreed to be bound by the Intercreditor Agreement.

11. The Intercreditor Agreement gives the First Lien Lenders’ Agent wide discretion to enforce or release the First Lien Lenders’ security interests over the assets securing repayment of the First Lien Debt. Indeed, until the First Lien Debt is satisfied, the First Lien Lenders’ Agent has sole discretion to enforce rights with respect to the secured collateral, without having to seek consent of the Second Lien Lenders’ Agent.

12. At its core, the Intercreditor Agreement authorizes the First Lien Lenders’ Agent to act as the attorney-in-fact for the Second Lien Lenders’ Agent. Specifically, the Intercreditor Agreement provides that the First Lien Lenders’ Agent may elect to release the security interests related to the First Lien Debt and, thereafter, any charges by the Second Lien Lenders or their agent against the assets of the Obligors are automatically and unconditionally released. In addition, pursuant to the Intercreditor Agreement, the First Lien Lenders’ Agent is authorized to

take actions and execute as necessary any documents in connection with the release of the Second Lien Lenders' Agent's security interests.

Marketing Process

13. After its appointment as Investment Offering Advisor, E&Y commenced the Marketing Process as contemplated in the Initial Order. As additionally contemplated in the Initial Order, the Debtors appointed a Chief Restructuring Advisor ("**CRA**"), Stonecrest Capital Inc., to assist with their restructuring efforts. The Investment Offering Advisor coordinated with the Debtors, the independent directors of Grant Forest, management, the Monitor, the CRA and the First Lien Lenders' Agent in its efforts to find purchasers for or otherwise restructure the Debtors' businesses and operations.

14. During the Marketing Process, an informal committee of Grant Forest's independent directors ("**Independent Directors**") – which excludes members of the founding Grant family, and the primary non-Grant family member of management, Peter Lynch ("**Excluded Parties**") – provided consultation. In fact, management and the Excluded Parties did not receive any information as to the content of bids by prospective purchasers for the Debtors' businesses and assets, nor were the Excluded Parties involved in the evaluation of the bids at each stage of the Marketing Process.

15. The Initial Order set forth the Marketing Process, which contemplated three phases. Briefly, (i) *Phase I* consisted of the identification by the Investment Offering Advisor, the Debtors, and the CRA of potential bidders and the submission of expressions of interest; (ii) during *Phase II*, the selected bidders were invited to tour certain of the Debtors' facilities, conduct due diligence, and present purchase proposals; (iii) during *Phase IIb*, selected bidders were invited to conduct further due diligence and submit revised proposals; and (iv) during

Phase III, the Debtors were required to conduct final negotiations, enter into contracts, and seek approval by the CCAA Court.

Phase I

16. During *Phase I*, the Investment Offering Advisor, in coordination with the CRA and the Debtors, prepared an overview of the Debtors' businesses and operations and a non-disclosure agreement to be executed by interested parties desiring to participate in the Marketing Process.

17. In addition, an electronic data room was created, whereby potential bidders would have the opportunity to review materials necessary to assess the Debtors' businesses and operations.

18. The Investment Offering Advisor, with the CRA and the Debtors, compiled a list of potential bidders. The Monitor was consulted in the development of this list and also requested the First Lien Lenders' Agent and Second Lien Lenders' Agent for names to be added to the list of interested parties. The Investment Offering Advisor, with the CRA and the Debtors, then contacted 91 interested parties by phone, arranging for interested parties to move forward in the Marketing Process

19. As a result of the efforts undertaken during *Phase I*, the Investment Offering Advisor received expressions of interest from 13 potential purchasers. After review by the Investment Offering Advisor and the CRA, in consultation with the Independent Directors, and the First Lien Lenders' Agent, eight interested parties were invited to move to *Phase II* ("**Phase II Parties**").

Phase II

20. The Phase II Parties, having each signed a non-disclosure agreement, toured the Debtors' facilities and began further due diligence. The Phase II Parties initially had until August 30, 2009, to submit revised proposals to purchase the Debtors' businesses and assets, but this deadline was extended with consent of the Monitor and the First Lien Lenders' Agent until September 11, 2009.

21. Five of the Phase II Parties thereafter submitted revised bids. Two of the bids received were for either lower consideration or contained terms and conditions which made them clearly inferior to the other three; thus, only three bidders were selected to continue with their due diligence in Phase II. ("**Short Listed Parties**").

22. The Short Listed Parties' bids were complex and subject to outstanding and further diligence. Accordingly, the Monitor extended the deadline by which the Short Listed Parties must submit revised bids; all bids were due by the extended deadline, October 2, 2009.

23. The revised bids of the Short Listed Parties were timely submitted. The revised bids underwent evaluation by the Investment Offering Advisor and the CRA, including analysis of:

- a. the overall level of consideration offered by each bid;
- b. the composition of the consideration contained in each bid, including the amount of cash offered;
- c. the potential incremental realizable value, net of costs, from the assets excluded by each bid;
- d. the risk with respect to the financing of each of the bids; and
- e. the risks attendant to closing each of the bids.

24. The Investment Offering Advisor and CRA completed an overview of the bids, which was filed in the CCAA Proceeding under seal, in order to protect the Marketing Process

and, in the event the Proposed Sale (defined below) fails to close, to protect the Debtors' and the value of their businesses. The overview of the bids, however, will be made available for an *in camera* review by the Court, upon request.

25. Georgia-Pacific LLC, and certain of its affiliates and subsidiaries ("**Georgia-Pacific**"), was a Short Listed Party. As set forth herein, Georgia-Pacific's bid ("**Georgia-Pacific Bid**") was ultimately selected as providing the highest and best value to the Debtors' creditors and estates.

26. On October 15, 2009, the Monitor and the CRA conducted a conference call with certain of the Second Lien Lenders to review the status of the Marketing Process and the bids of the Short Listed Parties.

27. A steering committee of the First Lien Lenders reviewed the bids and a summary of the bids. By vote dated October 16, 2009, more than 66 2/3% of the First Lien Lenders voted in favor of selecting the Georgia-Pacific Bid for the Debtors' businesses and operations.

28. On October 16, 2009, the Independent Directors likewise approved the Georgia-Pacific Bid, and authorized management to enter into an exclusivity agreement for the purpose of negotiating the terms and conditions of the sale to Georgia-Pacific ("**Exclusivity Period**").

29. The Exclusivity Period, extended through January 8, 2010 by agreement, precluded the Debtors from seeking bids, responding to or negotiating with any other party with respect to the items included in Georgia Pacific's Bid.

Phase III

30. On January 8, 2010, the Debtors and Georgia-Pacific finalized the proposed transaction ("**Proposed Sale**"), which is comprised of a series of applicable consents and documents (collectively, the "**Agreement**"). A redacted copy of the Agreement (the

redacted/excluded portions of which have been determined by Georgia-Pacific and the Debtors), that excludes certain confidential and competitive information and all related schedules, disclosure schedules, and exhibits is attached as **Exhibit B**.³ The parties contemplate closing the Proposed Sale on or before June 30, 2010 (“**Closing**”), though this date is subject to change. At Closing, the Agreement requires certain of the Debtors and the First Lien Lenders’ Agent, on behalf of the First Lien Lenders, and on behalf of the Second Lien Lenders’ Agent, and the Second Lien Lenders, pursuant to the Intercreditor Agreement, to execute and provide certain documents, including without limitation a release agreement (the “**Release Agreement**”) and a release and discharge agreement (the “**Release and Discharge Agreement**”).

31. Overall, the Marketing Process, which resulted in a Proposed Sale with Georgia-Pacific, included a structured, fair, wide and effective canvassing of the market as demonstrated by the following:

- (a) contact by the Investment Offering Advisor of the 91 interested parties comprising both financial and strategic parties located in North America, South America, Europe and Asia;
- (b) the execution of 32 non-disclosure agreements by interested parties who were then granted access to review the data room and the subsequent submission of 13 expressions of intent;
- (c) the expressions of interest of eight interested parties that were invited to participate in *Phase II* provided a value range which was market derived and tested, and as such, supported the conclusion that the consideration included in Georgia-Pacific’s bid reflected fair value;
- (d) of the eight interested parties that were invited to *Phase II*, five submitted improved bids in respect of consideration and/or closing conditions at the close of *Phase II* and of the three interested parties that were invited to continue, each party again improved its bid in terms of consideration and/or closing conditions at the end of *Phase IIb*;

³ An unredacted version of the Agreement will be made available for an *in camera* review by the Court, upon request.

- (e) the selection of Georgia-Pacific to negotiate the Agreement was based on a thorough analysis of all of the financial and commercial terms presented in all of the bids, was recommended by the Monitor and the CRA and was approved by the First Lien Lenders steering committee, and the Independent Directors; and
- (f) the Second Lien Lenders were consulted, and their views and questions were taken into account in the final selection of Georgia-Pacific.

32. A more detailed discussion of the results of the Marketing Process is set forth in the Monitor's Reports to the CCAA Court, true and correct copies of which are attached as **Exhibits C through K.**⁴

33. Additionally, the First Lien Lenders' Agent, pursuant to an agreement dated January 8, 2010 ("**Consent Agreement**"), agreed to, among other things: (i) support the consummation of the transaction contemplated by the Agreement; (ii) effective upon Closing, release its liens, claims and other encumbrances against certain assets of the Debtors; and (iii) effective upon Closing, discharge and release certain obligations of the Obligors. A true and correct copy of the Consent Agreement is attached as **Exhibit L.**

34. In accordance with the Initial Order, through a series of extensions, the date to submit the Agreement and Proposed Sale to the CCAA Court for approval was set for February 1, 2010.

35. On January 15, 2010, the Initial Applicants gave notice of their Motion for Approval and Vesting Order ("**Canadian Sale Approval Motion**"), wherein the Debtors requested that the CCAA Court approve of the Agreement and the Proposed Sale, among other things. A true and correct copy of the Canadian Sale Approval Motion is attached as **Exhibit M.** Additionally, as discussed in more detail below, the First Lien Lenders' Agent moved the

⁴ The Monitor's Reports contained voluminous confidential and competitive information. Accordingly, a redacted version was submitted to the CCAA Court and an unredacted version was subject to a Sealing Order of the CCAA Court. Similarly, a redacted version is attached to the Declaration. Full reports will be made available for an *in camera* review by the Court if requested.

CCAA Court to add the US Entities and Grant Excluded GP (“**Excluded**”) as additional applicants in the CCAA Proceeding (collectively, “**Additional Applicants**”, and with Grant Holdings, the “**U.S. Applicants**”).

The Proposed Sale

36. The Proposed Sale proposes that a subsidiary of Georgia-Pacific, GP International Acquisition III, Ltd. (“**Canadian Purchaser**”), will purchase from Grant Forest, Alberta and Grant Sales (the “**Vendors**”) certain Canadian assets (“**Purchased Assets**”), including a mill located in Englehart, Ontario (the “**Englehart Mill**”). The Purchased Assets exclude the mill located in Timmins, Ontario (“**Timmins Mill**”), Footner Forest Products Ltd. (“**Footner**”), the Non-Core Assets,⁵ cash on closing, income tax refunds and certain other assets as described more fully in the Agreement.

37. Further, Grant Holdings, which holds interests in the Additional Applicants, has agreed to issue new partnership interests (the “**Purchasers’ Partnership Interests**” and collectively with the Purchased Assets, the “**Acquired Interests**”) in Grant Holdings to the subsidiaries of Georgia-Pacific ultimately purchasing the assets based in the United States, Georgia-Pacific LLC (the “**U.S. Purchaser**”) and GP Palmetto Holding LLC (the “**Additional U.S. Purchaser**”), and collectively with the U.S. Purchaser and Canadian Purchaser, the “**Purchasers**”) and to admit the U.S. Purchaser and the Additional U.S. Purchaser as partners of Grant Holdings. Simultaneously, Grant Forest and Alberta will surrender their partnership interests in Grant Holdings (the “**Vendors’ Partnership Interest**”) and withdraw as partners of Grant Holdings (the “**Partnership Interests Transaction**”). The Proposed Sale has the effect of transferring the interests in and assets of the U.S. Applicants to the U.S. Purchaser and

⁵ As that term is defined in the Agreement.

Additional U.S. Purchaser, including mills located in Allendale, South Carolina and Clarendon, South Carolina.

38. In furtherance of and to facilitate the Proposed Sale, the First Lien Lenders' Agent has agreed, provided that the Canadian Sale Approval Order (defined later) and the U.S. Order (defined later) are made, on its behalf and on behalf of the First Lien Lenders, the Second Lien Lenders' Agent and the Second Lien Lenders, to discharge all liens, claims and encumbrances the First Lien Lenders and Second Lien Lenders and their respective agents have pursuant to or in respect of the Credit Facilities, respectively against Grant Holdings, Southeast, Newco, Clarendon LP, Allendale LP, Excluded, and U.S. Sales. For the purposes of determining the nature and priority of any claims against Grant Holdings, the net amounts paid by the U.S. Purchaser and Additional U.S. Purchaser to acquire the Purchasers' Partnership Interests, shall stand in the place and stead of the assets of Grant Holdings.

39. The aggregate consideration being paid by the Purchasers for the Purchased Assets and the Purchasers' Partnership Interests is \$403 million, subject to, *inter alia*, adjustments for working capital relative to a target working capital and any losses calculated pursuant to a formula due to breaches of representations and warranties of the Debtors prior to closing the Proposed Sale.

40. Additionally, pursuant to the Agreement, other than the liens and claims of the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lenders' Agent, the Second Lien Lenders, and certain claims owing to affiliates of Grant Forest, the claims of the other

creditors of the U.S. Applicants, other than claims owing by Grant Holdings,⁶ will not be compromised, reduced or adversely affected simply as a result of the Proposed Sale .

CCAA Proceeding:

41. On January 15, 2010, in an exercise of its enforcement remedies under the First Lien Debt and the Intercreditor Agreement, and in accordance with the Consent Agreement, the First Lien Lenders' Agent served a notice of motion to add the Additional Applicants as parties in the CCAA Proceeding. On March 30, 2010, the CCAA Court made such order as a result of which the foregoing entities are now applicants in the CCAA Proceeding (the "**Supplemental Initial Order**"). Pursuant to the Supplemental Initial Order, E&Y was appointed Monitor of the Additional Applicants.

42. On March 31, 2010, the CCAA Court entered an order granting the Canadian Sale Approval Motion (the "**Canadian Sale Approval Order**"). A true and correct copy of the Canadian Sale Approval Order is attached to the Morrison Declaration as Exhibit C. Among other things, the Canadian Sale Approval Order: (i) approves the Agreement, the Release Agreement, and the Release and Discharge Agreement and the Debtors' entry into such agreements; (ii) authorizes and directs the Debtors to take the steps necessary to complete the transactions contemplated by the Agreement, the Release Agreement, and the Release and Discharge Agreement, including, without limitation, granting the necessary authority to approve the foregoing; (iii) approves of the entry into the Release and Discharge Agreement as provided for in the Intercreditor Agreement by (a) the First Lien Lenders' Agent (on behalf of itself and

⁶ Pursuant to the Canadian Order, all liens, claims and encumbrances against Grant Holdings' partnership interests, which are being purchased by Georgia-Pacific, were released, discharged and expunged. Upon information and belief, the Monitor and the Debtors believe that the only creditors of Grant Holdings were the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lenders' Agent, the Second Lien Lender, and certain affiliates of Grant Forest.

the First Lien Lenders), (b) the First Lien Lenders' Agent (on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders, pursuant to the Intercreditor Agreement) and (c) the Second Lien Lenders' Agent (on behalf of itself and the Second Lien Lenders); (iv) authorizes, empowers, and directs (a) the First Lien Lenders' Agent (on behalf of itself and the First Lien Lenders), (b) the First Lien Lenders' Agent (on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders, pursuant to the Intercreditor Agreement), and (c) the Second Lien Lenders' Agent (on behalf of itself and the Second Lien Lenders) to take the steps necessary to complete the transactions contemplated by the Release and Discharge Agreement, including without limitation, directing the release and discharge of the First and Second Lien Lenders' Liability and all liens of the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lenders' Agent or the Second Lien Lenders (or any one or more of them) (the "**Agents' Liens**") but provided that the Second Lien Lenders' Agent shall be relieved of its obligation to act if the First Lien Lenders' Agent takes the steps necessary to complete the transactions contemplated by the Release and Discharge Agreement on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to the Intercreditor Agreement; (v) releases the First Lien Lenders' Agent and the First Lien Lenders from any and all claims or liabilities as a result of the First Lien Lenders' Agent's execution and performance of the Release and Discharge Agreement pursuant to or in accordance with the Canadian Sale Approval Order; (vi) authorizes and directs the Monitor to carry out the actions set forth in the Agreement; (vii) vests in the Canadian Purchaser absolute, clear, and unencumbered title in and to the Purchased Assets free and clear of all Liens and claims, with such Liens and claims attaching to the proceeds generated from the sale of the Purchased Assets; (viii) vests in the U.S. Purchaser and the Additional U.S. Purchaser absolute, clear, and unencumbered title in and to

the Purchasers' Partnership Interests in Grant U.S. Holdings GP free and clear of all Liens and claims; (ix) releases, discharges, extinguishes and expunges the Agents' Liens and the First and Second Lien Lenders' Liability against the Purchasers' Partnership Interests, Grant U.S. Holdings GP and any asset, interest, right, or property, whether real, personal or mixed (collectively, the "**Collateral**") of any U.S. Applicant, other than the amounts paid by the U.S. Purchasers to acquire the Purchasers' Partnership Interests, net of applicable taxes and adjustments pursuant to the Agreement (the "**Net Partnership Interests Acquisition Proceeds**"), with any such liens and liability against the Collateral of Grant U.S. Holdings GP attaching to the Net Partnership Interests Acquisition Proceeds; (x) appoints and constitutes the Monitor as the trustee of the Net Partnership Interests Acquisition Proceeds (the "**Partnership Proceeds Trustee**"); (xi) authorizes, empowers, and directs the Monitor to initiate proceedings before this Court to obtain the U.S. Order; and (xii) grants such further and related relief as set forth in the Canadian Sale Approval Order.

43. The sale, issuance, and transfer of the Purchased Assets and Purchasers' Partnership Interests by the Debtors to the Purchasers and the consummation of the transactions described in the Agreement have been authorized and approved by the Debtors, the Monitor, the CCAA Court, the First Lien Lenders' Agent (on behalf of itself and the First Lien Lenders), and the First Lien Lenders' Agent (on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders, pursuant to the Intercreditor Agreement).

44. As a condition to their purchase and acquisition of the Acquired Interests, the Purchasers require that the Acquired Interests be sold in accordance with the terms of the Canadian Sale Approval Order and, separately, pursuant to an order from this Court that provides that: (i) the Purchasers' Partnership Interests are being sold, issued, and transferred free

and clear of the First and Second Lien Lenders' Liability and the First and Second Lien Lenders' Agents' Liens and (ii) the First and Second Lien Lenders' Liability and the First and Second Lenders' Agents' Liens be released and discharged, as against the Purchasers' Partnership Interests, the U.S. Applicants, the Collateral of each U.S. Applicant, and the U.S. Equity Interests.⁷ Without the preceding, the Purchasers would not enter into and consummate the Proposed Sale, thus adversely affecting the Debtors' estates and the Debtors' ability to maximize the value of their interests.

45. Neither E&Y nor the Debtors are affiliated with any of the Purchasers, and the Agreement and Proposed Sale were negotiated, proposed and entered into by the parties in accordance with the Initial Order without collusion, in good faith, from arm's length bargaining positions and for fair value. Accordingly, the Purchasers are good faith purchasers under Section 363(m) of the Bankruptcy Code and, as such, entitled to the protections afforded thereby.

46. In the Reasons for Decisions and the Canadian Sale Approval Order, the CCAA Court approved the Proposed Sale and found that the Agreement and Proposed Sale are commercially reasonable, are in the best interests of the Debtors and their stakeholders and, inter alia, that the release of liens and claims provided for in the Proposed Sale and Canadian Sale Approval Order reflected a valid exercise of the First Lien Lenders' and First Lien Lenders' Agent's rights under the Intercreditor Agreement.

⁷ "U.S. Equity Interests" is defined as the equity interest of each U.S. Applicant.

Chapter 15 Cases

47. On March 31, 2010, pursuant to the terms of the Canadian Sale Approval Order, the Monitor, on behalf of the Debtors, filed petitions for recognition under Chapter 15 of the Bankruptcy Code before this Court.

48. As provided for and contemplated by the Canadian Sale Approval Order, the CCAA Court ordered that Grant Holdings, Southeast, Clarendon LP, Allendale LP, US Sales, Newco, and Excluded are authorized to enter into the Agreement and authorized to sell the Acquired Interests to the Purchasers and to otherwise fulfill all of their obligations under the Agreement, the Release Agreement, and the Release and Discharge Agreement.

49. Now, pursuant to the terms of the Canadian Sale Approval Order, the Monitor, on behalf of the Debtors, files this Motion seeking an order from this Court (I) affirming and enforcing the Canadian Sale Approval Order; and (II) separately authorizing and approving the Vendors' sale and transfer of assets free and clear of certain liens, claims and encumbrances, including: (a) approving the Debtors' entry into the Agreement, the Release Agreement, and the Release and Discharge Agreement; (b) authorizing and directing the Debtors to take steps necessary to complete the Proposed Sale as contemplated by the Agreement, the Release Agreement, and the Release and Discharge Agreement; (c) approving the sale and issuance of the Purchasers' Partnership Interests; (d) authorizing and directing the First Lien Lenders' Agent, on behalf of itself, the First Lien Lenders, the Second Lien Lenders' Agent, and the Second Lien Lenders, pursuant to the Intercreditor Agreement, as applicable, to take steps necessary to complete the Proposed Sale as contemplated by the Agreement, the Consent Agreement, and the Release and Discharge Agreement; (e) releasing the First Lien Lenders' Agent and First Lien Lenders from liability or claims resulting from the First Lien Lenders'

Agents' execution of the transactions contemplated herein; (f) authorizing and directing the First Lien Lenders' Agent to execute releases, on its behalf, and on behalf of the First Lien Lenders, the Second Lien Lenders' Agent, and the Second Lien Lenders, of the First and Second Lien Lenders' Liabilities and Agents' Liens; (g) approving the sale and issuance of the Purchasers' Partnership Interests free and clear of the First and Second Lien Lenders' Liabilities and the Agents' Liens; (h) releasing and discharging the First and Second Lien Lenders' Liability and the Agents' Liens as against the Purchasers' Partnership Interests, the U.S. Equity Interests, the U.S. Applicants, and the Collateral of each U.S. Applicant; (i) authorizing the Partnership Proceeds Trustee to hold the Net Partnership Interests Acquisition Proceeds in trust for the benefit of the creditors of Grant Holdings; (j) authorizing the attachment of the First and Second Lien Lenders' and Agents' Liens to the Net Partnership Interests Acquisition Proceeds and providing for the Liens to attach in the same priority as recognized against Grant Holdings and its Collateral; (k) authorizing the Partnership Proceeds Trustee to assume all indebtedness of creditors of Grant Holdings on a non-recourse basis; (l) authorizing the Partnership Proceeds Trustee to distribute the Net Partnership Interests Acquisition Proceeds in accordance with orders by the CCAA Court; (III) setting this Motion down for a hearing to approve the Proposed Sale and enter the relief requested herein ("**Sale Hearing**"); and (IV) such other related and further relief as is just under the circumstances.

50. To the best of my information and belief, effective administration of the estate can only be achieved through recognition of the Canadian Sale Approval Order in the United States.

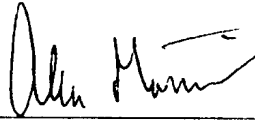
51. To the best of my information and belief, the Agreement is the result of an extensive Marketing Process overseen by the CCAA Court, the Monitor, the CRA, and

approved by the First Lien Lenders. Accordingly, it represents a reasonable business judgment of the Debtors and the highest and best price for the Acquired Interests.

52. To the best of my information and belief, the Agreement provides the Debtors with the best opportunity to maximize the value of all of their assets and it is, therefore, in the best interest of the Debtors, their respective creditors, and their respective estates that the Court enter an Order approving *Monitor's Motion Pursuant to Sections 363, 1501, 1507, 1520, 1521, and 105(a) of the Bankruptcy Code and Bankruptcy Rules 2002, and 6004 for an Order (a) Affirming and Enforcing the Order of the Canadian Court Approving the Sale of Certain Assets and Such Other Related Relief and (b) Separately, (i) Authorizing and Approving the Sale of Assets and (ii) Granting Other Related and Further Relief.*

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on March 31, 2010.



Alexander Morrison
Senior Vice President,
Ernst & Young Inc., in its capacity as the court-
appointed Monitor and Foreign representative of
the Debtors

EXHIBIT A

INTERCREDITOR AGREEMENT

This **INTERCREDITOR AGREEMENT** ("Agreement"), is dated as of March 21, 2007, and entered into by and among **GRANT FOREST PRODUCTS INC.** and **GRANT U.S. HOLDINGS LLP** (collectively, the "Company"), the other Grantors signatory hereto, **THE TORONTO-DOMINION BANK** ("TD Canada"), in its capacity as collateral agent for the First Lien Obligations (as defined below), including its successors and assigns from time to time (the "First Lien Collateral Agent"), and **TORONTO DOMINION (TEXAS) LLC** ("TD US"), in its capacity as collateral agent for the Second Lien Obligations (as defined below), including its successors and assigns from time to time (the "Second Lien Collateral Agent"). Capitalized terms used in this Agreement have the meanings assigned to them in Section 1 below.

RECITALS

The Company, Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties Inc., Grant Allendale Inc., Grant Clarendon Inc., Grant US Sales Inc., the lenders party thereto from time to time, TD US, as administrative agent for certain U.S. facility lenders, and the First Lien Collateral Agent have entered into that Credit Agreement dated as of October 26, 2005 and amended as of the date hereof providing for certain revolving credit facilities and a term loan (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "First Lien Credit Agreement");

The Company, Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties Inc., Grant Allendale Inc., Grant Clarendon Inc., Grant US Sales Inc., the lenders party thereto from time to time, TD Canada, as Canadian Collateral Agent, and the Second Lien Collateral Agent have entered into that Second Lien Credit Agreement dated as of the date hereof providing for a term loan (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Second Lien Credit Agreement");

Pursuant to (a) the First Lien Credit Agreement, certain current and future Subsidiaries of the Company, Grant Forest Products Inc. and Grant U.S. Holdings LLP have agreed to guaranty the First Lien Obligations (the "First Lien Guaranty") and (b) the Second Lien Credit Agreement, certain current and future Subsidiaries of the Company and Grant Forest Products Inc. have agreed to guaranty the Second Lien Obligations (the "Second Lien Guaranty");

The obligations of the Company under the First Lien Credit Agreement and any Hedge Agreements with a Lender Counterparty and the obligations of the guarantors under the First Lien Guaranty are secured on a first priority basis by liens on substantially all the assets of the Company and the guarantors, respectively, pursuant to the terms of the First Lien Collateral Documents;

The obligations of Grant U.S. Holdings LLP under the Second Lien Credit Agreement and the obligations of the guarantors under the Second Lien Guaranty will be secured on a second priority basis by liens on substantially all the assets of the Company and the guarantors, respectively, pursuant to the terms of the Second Lien Collateral Documents;

The First Lien Loan Documents and the Second Lien Loan Documents provide, among other things, that the parties thereto shall set forth in this Agreement their respective rights and remedies with respect to the Collateral; and

In order to induce the First Lien Collateral Agent and the First Lien Claimholders to consent to the Grantors incurring the Second Lien Obligations and to induce the First Lien Claimholders to extend credit and other financial accommodations and lend monies to or for the benefit of the Company or any other Grantor, the Second Lien Collateral Agent on behalf of the Second Lien Claimholders has agreed to the intercreditor and other provisions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. Definitions.

1.1 Defined Terms. As used in the Agreement, the following terms shall have the following meanings:

"Affiliate" means, as applied to any Person, another Person directly, or indirectly through one or more intermediaries, controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"Agreement" means this Intercreditor Agreement, as amended, restated, renewed, extended, supplemented or otherwise modified from time to time.

"Bankruptcy Code" means the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the US Bankruptcy Code or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Grantor or ordering the winding up or liquidation of its assets.

"Bankruptcy Law" means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

"Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or the Province of Ontario or is a day on which banking institutions located in such state or province are authorized or required by law or other governmental action to close.

"Cap Amount" has the meaning assigned to that term within the definition of "First Lien Obligations".

"Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, constituting both First Lien Collateral and Second Lien Collateral.

"Company" has the meaning assigned to that term in the Preamble to this Agreement.

"Comparable Second Lien Collateral Document" means, in relation to any Collateral subject to any Lien created under any First Lien Collateral Document, the Second Lien Loan Document which creates a Lien on the same Collateral, granted by the same Grantor.

"DIP Financing" has the meaning assigned to that term in Section 6.1.

"Discharge of First Lien Obligations" means, except to the extent otherwise expressly provided in Section 5.5:

(a) payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding), on all Indebtedness outstanding under the First Lien Loan Documents and constituting First Lien Obligations;

(b) payment in full in cash of all other First Lien Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid;

(c) termination or expiration of all commitments, if any, to extend credit that would constitute First Lien Obligations; and

(d) termination or cash collateralization (in an amount and manner reasonably satisfactory to the First Lien Collateral Agent, but in no event greater than 105% of the aggregate undrawn face amount) of all First Lien L/C and BA Obligations and all Hedging Obligations constituting First Lien Obligations.

"Disposition" has the meaning assigned to that term in Section 5.1(b).

"First Lien Claimholders" means, at any relevant time, the holders of First Lien Obligations at that time, including the First Lien Lenders, the First Lien L/C Issuer and the agents under the First Lien Loan Documents.

"First Lien Collateral Agent" has the meaning assigned to that term in the Preamble to this Agreement.

"First Lien Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any First Lien Obligations.

"First Lien Collateral Documents" means the Security (as defined in the First Lien Credit Agreement) and any other agreement, document or instrument pursuant to which a Lien is granted securing any First Lien Obligations or under which rights or remedies with respect to such Liens are governed.

"First Lien Credit Agreement" has the meaning assigned to that term in the Recitals to this Agreement.

"First Lien Enforcement Expenses" means all costs, expenses or fees (including fees incurred by the First Lien Collateral Agent or any attorneys or other agents or consultants retained by First Lien Collateral Agent) that First Lien Collateral Agent may suffer or incur after the occurrence of an "Event of Default" (as defined in the First Lien Loan Documents) on account or in connection with (a) the repossession, storage, repair, appraisal, insuring, completion of the manufacture of, preparing for sale, advertising for sale, selling, collecting or otherwise preserving or realizing upon any Collateral, (b) the settlement or satisfaction of any prior Lien or other encumbrance upon any Collateral or (c) the enforcement of any of the First Lien Loan Documents, or the collection of any of the First Lien Obligations.

"First Lien Guaranty" has the meaning assigned to that term in the Recitals to this Agreement.

"First Lien Indemnity Amounts" means, on any date, the amount required to be paid by any Grantor to the First Lien Collateral Agent or any other First Lien Claimholder on such date pursuant to any indemnity provision contained in the First Lien Loan Documents.

"First Lien L/C and BA Obligations" means all outstanding obligations incurred by the First Lien Claimholders pursuant to the First Lien Loan Documents in connection with the issuance of letters of credit or bankers acceptances by any First Lien Claimholder pursuant to the First Lien Loan Documents. The amount of such First lien L/C and BA Obligations shall equal the maximum amount that may be or become payable at such time or at any time thereafter by the First Lien Claimholders thereupon or pursuant thereto.

"First Lien L/C Issuer" means the "Issuing Bank" as defined under the First Lien Loan Documents or any other First Lien Claimholder who issues any First Lien L/C and BA Obligations pursuant to the First Lien Loan Documents.

"First Lien Lenders" means the "Lenders" under and as defined in the First Lien Loan Documents.

"First Lien Loan Documents" means the First Lien Credit Agreement and the Loan Documents (as defined in the First Lien Credit Agreement), including Hedge Agreements entered into with a Lender Counterparty, and each of the other agreements, documents and instruments providing for or evidencing any other First Lien Obligation, and any other document or instrument executed or delivered at any time in connection with any First Lien Obligations, including any intercreditor or joinder agreement among holders of First Lien Obligations, to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, refinanced, renewed or extended from time to time in accordance with the provisions of this Agreement.

"First Lien Mortgages" means a collective reference to each mortgage, deed of trust and other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any First Lien Obligations or under which rights or remedies with respect to any such Liens are governed.

"First Lien Obligations" means, subject to the next sentence, all Obligations outstanding under the First Lien Credit Agreement and the other First Lien Loan Documents, including Hedge Agreements entered into with any Lender Counterparty. "First Lien Obligations" shall include all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant First Lien Loan Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding, provided, for purposes of clarification, outstanding Hedging Obligations, First Lien Indemnity Amounts and First Lien Enforcement Expenses shall be considered First Lien Obligations.

Notwithstanding the foregoing, if the sum of: (a) Indebtedness for borrowed money constituting principal outstanding under the First Lien Credit Agreement and the other First Lien Documents; plus (b) the aggregate face amount of any letters of credit and bankers acceptances issued but not reimbursed under the First Lien Credit Agreement, is in excess of \$440,000,000 in the aggregate (the **"Cap Amount"**), then only that portion of such Indebtedness and such aggregate face amount of letters of credit and bankers acceptances equal to the Cap Amount shall be included in First Lien Obligations and interest and reimbursement obligations with respect to such Indebtedness and letters of credit shall only constitute First Lien Obligations to the extent related to Indebtedness and face amounts of letters of credit and bankers acceptances included in the First Lien Obligations; provided for purposes of clarification, outstanding Hedging Obligations, First Lien Indemnity Amounts and First Lien Enforcement Expenses shall not be included in calculating the amount of outstanding First Lien Obligations for purposes of the Cap Amount.

"Governmental Authority" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United

States, the United States, a Province of Canada, Canada, or any foreign entity or government.

"Grantors" means the Company, each of the guarantors under the First Lien Guaranty or Second Lien Guaranty and each other Person that has or may from time to time hereafter execute and deliver a First Lien Collateral Document or a Second Lien Collateral Document as a grantor of a security interest.

"Hedge Agreement" means any agreement governing any rate swap transaction, basis swap, forward rate transaction, equity or equity index swap or option, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations, and each reference to a "derivative" in Schedule A to the First Lien Credit Agreement shall be treated as a Hedge Agreement, or any swap or forward agreement relating to energy, fuel, raw material or oriented strand board contracts that is designed to protect against fluctuation in the price of such commodity and that are entered into *bona fide* and in good faith in the ordinary course of business for the purpose of carrying on same and not for speculative purposes.

"Hedging Obligation" of any Person means any obligation of such Person pursuant to any Hedge Agreements.

"Indebtedness" means and includes all Obligations that constitute "Indebtedness" within the meaning of the First Lien Credit Agreement or the Second Lien Credit Agreement, as applicable.

"Insolvency or Liquidation Proceeding" means:

- (a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to any Grantor;
- (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to a material portion of their respective assets;
- (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; or
- (d) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of any Grantor.

"Lender Counterparty" means each First Lien Lender counterparty to a Hedge Agreement with a Grantor.

"Lien" means, with respect to any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by such Person or arising by operation of law, in respect of any of such Person's property, or any consignment by way of security or capital lease of property by such Person as consignee or lessee, as the case may be, or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or other obligation.

"New Agent" has the meaning assigned to that term in Section 5.5.

"Obligations" means all obligations of every nature of each Grantor from time to time owed to any agent or trustee, the First Lien Claimholders, the Second Lien Claimholders or any of them or their respective Affiliates, in each case under the First Lien Loan Documents or the Second Lien Loan Documents, whether for principal, interest or payments for early termination of Hedge Agreements, fees, expenses, indemnification or otherwise and all guarantees of any of the foregoing.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pledged Collateral" has the meaning set forth in Section 5.4(a).

"Recovery" has the meaning set forth in Section 6.5.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, defease, amend, modify, supplement, restructure, replace, refund or repay, or to issue other indebtedness, in exchange or replacement for, such Indebtedness in whole or in part. **"Refinanced"** and **"Refinancing"** shall have correlative meanings.

"Second Lien Claimholders" means, at any relevant time, the holders of Second Lien Obligations at that time, including the Second Lien Lenders and the agents under the Second Lien Loan Documents.

"Second Lien Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Second Lien Obligations.

"Second Lien Collateral Agent" has the meaning assigned to that term in the Preamble of this Agreement.

"Second Lien Collateral Documents" means the Security (as defined in the Second Lien Credit Agreement) and any other agreement, document or instrument pursuant to which a Lien is granted securing any Second Lien Obligations or under which rights or remedies with respect to such Liens are governed.

"Second Lien Credit Agreement" has the meaning assigned to that term in the Recitals to this Agreement.

"Second Lien Enforcement Expenses" means all costs, expenses or fees (including fees incurred by the Second Lien Collateral Agent or any attorneys or other agents or consultants retained by Second Lien Collateral Agent) that Second Lien Collateral Agent may suffer or incur after the occurrence of an "Event of Default" (as defined in the Second Lien Loan Documents) on account or in connection with (a) the repossession, storage, repair, appraisal, insuring, completion of the manufacture of, preparing for sale, advertising for sale, selling, collecting or otherwise preserving or realizing upon any Collateral, (b) the settlement or satisfaction of any prior Lien or other encumbrance upon any Collateral or (c) the enforcement of any of the Second Lien Loan Documents, or the collection of any of the Second Lien Obligations.

"Second Lien Guaranty" has the meaning assigned to that term in the Recitals to this Agreement.

"Second Lien Indemnity Amounts" means, on any date, the amount required to be paid by any Grantor to the Second Lien Collateral Agent or any other Second Lien Claimholder on such date pursuant to any indemnity provision contained in the Second Lien Loan Documents.

"Second Lien Lenders" means the "Lenders" under and as defined in the Second Lien Credit Agreement.

"Second Lien Loan Documents" means the Second Lien Credit Agreement and the Loan Documents (as defined in the Second Lien Credit Agreement) and each of the other agreements, documents and instruments providing for or evidencing any other Second Lien Obligation, and any other document or instrument executed or delivered at any time in connection with any Second Lien Obligations, including any intercreditor or joinder agreement among holders of Second Lien Obligations to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, refinanced, renewed or extended from time to time in accordance with the provisions of this Agreement.

"Second Lien Mortgages" means a collective reference to each mortgage, deed of trust and any other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any Second Lien Obligations or under which rights or remedies with respect to any such Liens are governed.

"Second Lien Obligations" means all Obligations outstanding under the Second Lien Credit Agreement and the other Second Lien Loan Documents to the extent not incurred in violation of this Agreement; provided for purposes of clarification, outstanding Second Lien Indemnity Amounts and Second Lien Enforcement Expenses shall in all cases be considered Second Lien Obligations. "Second Lien Obligations" shall include all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant Second Lien Loan Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding.

"Standstill Period" has the meaning set forth in Section 3.1(a)(1).

"Subsidiary" means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (a) owns, directly or indirectly, securities or other ownership interests in such other Person having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and (b) directly or indirectly, through the operation of any agreement or otherwise, has the ability to elect or cause the election of a majority of the board of directors or other persons performing similar functions for such other Person or otherwise is able to exercise control over the management and policies of such other Person, and in either case will include any other Person in like relationship to a Subsidiary of such first mentioned Person.

"TD Canada" has the meaning set forth in the Preamble to this Agreement.

"TD US" has the meaning set forth in the Preamble to this Agreement.

"UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"US Bankruptcy Code" means Title 11 of the *United States Bankruptcy Code* entitled "Bankruptcy" as now and hereafter in effect, or any successor federal statute.

1.2 Terms Generally. The definitions of terms in this Agreement shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise:

(a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented, modified, renewed or extended;

(b) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns;

(c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof;

(d) all references herein to Sections shall be construed to refer to Sections of this Agreement; and

(e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. Lien Priorities.

2.1 Relative Priorities. Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any Liens securing the Second Lien Obligations granted on the Collateral or of any Liens securing the First Lien Obligations granted on the Collateral and notwithstanding any provision of the UCC, or any other applicable law or the Second Lien Loan Documents or any defect or deficiencies in, or failure to perfect, the Liens securing the First Lien Obligations or any other circumstance whatsoever, the Second Lien Collateral Agent, on behalf of itself and the Second Lien Claimholders, hereby agrees that:

(a) any Lien on the Collateral securing any First Lien Obligations now or hereafter held by or on behalf of the First Lien Collateral Agent or any other First Lien Claimholders or any agent or trustee therefor, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be senior in all respects and prior to any Lien on the Collateral securing any Second Lien Obligations; and

(b) any Lien on the Collateral securing any Second Lien Obligations now or hereafter held by or on behalf of the Second Lien Collateral Agent, any other Second Lien Claimholders or any agent or trustee therefor, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Collateral securing any First Lien Obligations. All Liens on the Collateral securing any First Lien Obligations shall be and remain senior in all respects and prior to all Liens on the Collateral securing any Second Lien Obligations for all purposes, whether or not such Liens securing any First Lien Obligations are subordinated to any Lien securing any other obligation of the Company, any other Grantor or any other Person.

2.2 Prohibition on Contesting Liens. Each of the Second Lien Collateral Agent, for itself and on behalf of each other Second Lien Claimholder, and the First Lien Collateral Agent, for itself and on behalf of each other First Lien Claimholder, agrees that it will not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of a Lien held by or on behalf of any of the First Lien Claimholders in the First Lien Collateral or by or on behalf of any of the Second Lien Claimholders in the Second Lien Collateral, as the case may be, or the provisions of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the First Lien Collateral Agent or any First Lien Claimholder to enforce this Agreement, including the provisions of this Agreement relating to the priority of the Liens securing the First Lien Obligations as provided in Sections 2.1 and 3.1.

2.3 No New Liens. So long as the Discharge of First Lien Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, the parties hereto agree that the Company shall not, and shall not permit any other Grantor to:

(a) grant or permit any additional Liens on any asset or property to secure any Second Lien Obligation unless it has granted or concurrently grants a Lien on such asset or property to secure the First Lien Obligations; or

(b) grant or permit any additional Liens on any asset or property to secure any First Lien Obligations unless it has granted or concurrently grants a Lien on such asset or property to secure the Second Lien Obligations.

To the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available to the First Lien Collateral Agent and/or the other First Lien Claimholders, the Second Lien Collateral Agent, on behalf of the Second Lien Claimholders, agrees that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 2.3 shall be subject to Section 4.2.

2.4 Similar Liens and Agreements. The parties hereto agree, subject to the relative priorities set forth in Section 2 and the other provisions of this Agreement, that it is their intention that the First Lien Collateral and the Second Lien Collateral be identical. In furtherance of the foregoing and of Section 9.9, the parties hereto agree, subject to the other provisions of this Agreement:

(a) upon request by the First Lien Collateral Agent or the Second Lien Collateral Agent, to cooperate in good faith (and to direct their counsel to cooperate in good faith) from time to time in order to determine the specific items included in the First Lien Collateral and the Second Lien Collateral and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the First Lien Loan Documents and the Second Lien Loan Documents; and

(b) that the documents and agreements creating or evidencing the First Lien Collateral and the Second Lien Collateral and guarantees for the First Lien Obligations and the Second Lien Obligations shall be in all material respects the same forms of documents other than with respect to the first lien and the second lien nature of the Obligations thereunder.

SECTION 3. Enforcement.

3.1 Exercise of Remedies.

(a) Until the Discharge of First Lien Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, the Second Lien Collateral Agent and the other Second Lien Claimholders:

(1) will not exercise or seek to exercise any rights or remedies with respect to any Collateral (including the exercise of any right of setoff or any right under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Second Lien Collateral Agent or any other Second Lien Claimholder is a party) or institute or

commence or join with any other Person (other than the First Lien Collateral Agent or the other First Lien Claimholders) in instituting or commencing any action or proceeding with respect to such rights or remedies (including any action of foreclosure, enforcement, collection or execution); provided, however, that the Second Lien Collateral Agent may exercise any or all such rights or remedies after the passage of a period of at least 180 days has elapsed since the date on which each of the First Lien Collateral Agent and Company has received notice from the Second Lien Collateral Agent of the existence of any Event of Default under any Second Lien Loan Documents and the intention of the Second Lien Claimholders to exercise remedies with respect thereto (the "Standstill Period"); provided, however, that notwithstanding anything herein to the contrary, in no event shall the Second Lien Collateral Agent or any Second Lien Claimholder exercise any rights or remedies with respect to the Collateral if, notwithstanding the expiration of the Standstill Period, the First Lien Collateral Agent or the other First Lien Claimholders, or any of them, shall have commenced and be diligently pursuing the exercise of their rights or remedies with respect to all or any material portion of the Collateral (the relevant Person to endeavor to give prompt notice after such exercise to the Second Lien Collateral Agent, but failure to give such notice shall not affect the rights and remedies of the First Lien Claimholders hereunder or under any other First Lien Loan Document);

(2) will not contest, protest or object to any foreclosure proceeding or action brought by the First Lien Collateral Agent or any other First Lien Claimholder with respect to, or any other exercise by the First Lien Collateral Agent or any other First Lien Claimholder of any rights and remedies relating to, the Collateral under the First Lien Loan Documents or otherwise; and

(3) subject to their rights under clause (a)(1) above, will not object to the forbearance by the First Lien Collateral Agent or the other First Lien Claimholders from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Collateral;

provided, that in the case of (1), (2) and (3) above, the Liens granted to secure the Second Lien Obligations of the Second Lien Claimholders shall attach to any proceeds resulting from actions taken by the First Lien Collateral Agent or any other First Lien Claimholder subject to the relative priorities described in Section 2 of this Agreement after application of such proceeds to the extent necessary to meet the requirements of a Discharge of First Obligations.

(b) Until the Discharge of First Lien Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, subject to Section 3.1(a)(1), the First Lien Collateral Agent and the other First Lien Claimholders shall have the right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the Collateral without any consultation with or the consent of the Second Lien Collateral Agent or any other Second Lien Claimholder; provided, that the First Lien Collateral Agent shall endeavor to give the

Second Lien Collateral Agent at least five (5) days' prior notice of its intent to enforce rights or exercise remedies with respect to the Collateral, but failure to give such notice shall not affect the rights and remedies of the First Lien Claimholders hereunder or under any other First Lien Loan Document; provided, further, that the Lien securing the Second Lien Obligations shall remain on the proceeds of such Collateral released or disposed of subject to the relative priorities described in Section 2. In exercising rights and remedies with respect to the Collateral, the First Lien Collateral Agent and the other First Lien Claimholders may enforce the provisions of the First Lien Loan Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(c) Notwithstanding the foregoing, the Second Lien Collateral Agent and any other Second Lien Claimholder may:

(1) file a claim or statement of interest with respect to the Second Lien Obligations; provided that an Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor;

(2) take any action (not adverse to the priority status of the Liens on the Collateral securing the First Lien Obligations, or the rights of any First Lien Collateral Agent or the First Lien Claimholders to exercise remedies in respect thereof) in order to create, perfect, preserve or protect its Lien on the Collateral and the priority of such Lien;

(3) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Second Lien Claimholders, including any claims secured by the Collateral, if any, in each case in accordance with the terms of this Agreement;

(4) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law, in each case not inconsistent with the terms of this Agreement;

(5) vote on any plan of reorganization, file any proof of claim, make other filings and make any arguments and motions that are, in each case, in accordance with the terms of this Agreement, with respect to the Second Lien Obligations and the Collateral; and

(6) exercise any of its rights or remedies with respect to the Collateral after the termination of the Standstill Period to the extent permitted by Section 3.1(a)(1).

The Second Lien Collateral Agent, on behalf of itself and the Second Lien Claimholders, agrees that it will not take or receive any Collateral or any proceeds of Collateral in its capacity as a creditor in violation of this Agreement. Without limiting the generality of the foregoing, unless and until the Discharge of First Lien Obligations has occurred, except as expressly provided in Sections 3.1(a), 6.3(b) and this Section 3.1(c), the sole right of the Second Lien Collateral Agent and the Second Lien Claimholders with respect to the Collateral is to hold a Lien on the Collateral pursuant to the Second Lien Collateral Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of First Lien Obligations has occurred.

(d) In addition to the foregoing:

(1) Subject to Section 3.1(a), the Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, agrees that the Second Lien Collateral Agent and the other Second Lien Claimholders will not take any action that would hinder, restrain, limit, delay or otherwise interfere with any exercise of remedies under the First Lien Loan Documents or is otherwise prohibited hereunder, including any sale, lease, exchange, transfer or other disposition of the Collateral, whether by foreclosure or otherwise;

(2) Subject to Section 3.1(a) and Section 6.3(b), the Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, hereby waives any and all rights it or the other Second Lien Claimholders may have as a junior lien creditor or otherwise to object to the manner in which the First Lien Collateral Agent or the other First Lien Claimholders seek to enforce or collect the First Lien Obligations or the Liens securing the First Lien Obligations granted in any of the First Lien Collateral undertaken in accordance with this Agreement, regardless of whether any action or failure to act by or on behalf of the First Lien Collateral Agent or the other First Lien Claimholders is adverse to the interest of the Second Lien Claimholders; and

(3) The Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, hereby acknowledges and agrees that no covenant, agreement or restriction contained in the Second Lien Collateral Documents or any other Second Lien Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the First Lien Collateral Agent or the First Lien Claimholders with respect to the Collateral as set forth in this Agreement and the other First Lien Credit Documents.

(e) Except as otherwise specifically set forth in Sections 3.1(a) and (d) and Section 6.1, the Second Lien Collateral Agent and the other Second Lien Claimholders may exercise rights and remedies as unsecured creditors against the Company or any other Grantor that has guaranteed or granted Liens to secure the Second Lien Obligations in accordance with the terms of the Second Lien Loan Documents and applicable law; provided that in the event that any Second Lien Claimholder becomes a judgment Lien creditor in respect of Collateral as a result of its enforcement of its rights as an unsecured creditor with respect to the Second Lien Obligations, such judgment Lien shall be subject

to the terms of this Agreement for all purposes (including in relation to the First Lien Obligations) as the other Liens securing the Second Lien Obligations are subject to this Agreement.

(f) Nothing in this Agreement shall prohibit the receipt by the Second Lien Collateral Agent or any of the other Second Lien Claimholders of the required payments of interest, principal and other amounts owed in respect of the Second Lien Obligations so long as such receipt is not the direct or indirect result of the exercise by the Second Lien Collateral Agent or any of the other Second Lien Claimholders of rights or remedies as a secured creditor (including set-off) or enforcement in contravention of this Agreement of any Lien held by any of them. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the First Lien Collateral Agent or the other First Lien Claimholders may have with respect to the First Lien Collateral.

SECTION 4. Payments.

4.1 Application of Proceeds. So long as the Discharge of First Lien Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the First Lien Collateral Agent or any of the other First Lien Claimholders, shall be applied by the First Lien Collateral Agent to the First Lien Obligations in such order as specified in the relevant First Lien Loan Documents. Upon the Discharge of First Lien Obligations, the First Lien Collateral Agent shall deliver to the Second Lien Collateral Agent any Collateral and proceeds of Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the Second Lien Collateral Agent to the Second Lien Obligations in such order as specified in the Second Lien Collateral Documents.

4.2 Payments Over in Violation of Agreement. So long as the Discharge of First Lien Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, any Collateral or proceeds thereof (including assets or proceeds subject to Liens referred to in the final sentence of Section 2.3) received by the Second Lien Collateral Agent or any of the other Second Lien Claimholders in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the First Lien Collateral Agent for the benefit of the First Lien Claimholders in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The First Lien Collateral Agent is hereby authorized to make any such endorsements as agent for the Second Lien Collateral Agent or any such other Second Lien Claimholders. This authorization is coupled with an interest and is irrevocable until the Discharge of First Lien Obligations.

SECTION 5. Other Agreements.

5.1 Releases.

(a) If in connection with the exercise of the First Lien Collateral Agent's remedies in respect of the Collateral provided for in Section 3.1, the First Lien Collateral Agent, for itself or on behalf of any of the other First Lien Claimholders, releases any of its Liens on any part of the Collateral or releases any Grantor from its obligations under its guaranty of the First Lien Obligations in connection with the sale of the stock, or substantially all the assets, of such Grantor, then the Liens, if any, of the Second Lien Collateral Agent, for itself or for the benefit of the Second Lien Claimholders, on such Collateral, and the obligations of such Grantor under its guaranty of the Second Lien Obligations, shall be automatically, unconditionally and simultaneously released. The Second Lien Collateral Agent, for itself or on behalf of any such Second Lien Claimholders, promptly shall execute and deliver to the First Lien Collateral Agent or such Grantor such termination statements, releases and other documents as the First Lien Collateral Agent or such Grantor may request to effectively confirm such release.

(b) If in connection with any other sale, lease, exchange, transfer or other disposition of any Collateral (collectively, a "Disposition") permitted under the terms of both the First Lien Loan Documents and the Second Lien Loan Documents (other than in connection with the exercise of the First Lien Collateral Agent's remedies in respect of the Collateral provided for in Section 3.1), the First Lien Collateral Agent, for itself or on behalf of any of the other First Lien Claimholders, releases any of its Liens on any part of the Collateral, or releases any Grantor from its obligations under its guaranty of the First Lien Obligations in connection with the sale of the stock, or substantially all the assets, of such Grantor, in each case other than (A) in connection with the Discharge of First Lien Obligations and (B) after the occurrence and during the continuance of any Event of Default under the Second Lien Credit Agreement, then the Liens, if any, of the Second Lien Collateral Agent, for itself or for the benefit of the other Second Lien Claimholders, on such Collateral, and the obligations of such Grantor under its guaranty of the Second Lien Obligations, shall be automatically, unconditionally and simultaneously released. The Second Lien Collateral Agent, for itself or on behalf of any such other Second Lien Claimholders, promptly shall execute and deliver to the First Lien Collateral Agent or such Grantor such termination statements, releases and other documents as the First Lien Collateral Agent or such Grantor may request to effectively confirm such release.

(c) Until the Discharge of First Lien Obligations occurs, the Second Lien Collateral Agent, for itself and on behalf of the Second Lien Claimholders, hereby irrevocably constitutes and appoints the First Lien Collateral Agent and any officer or agent of the First Lien Collateral Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Second Lien Collateral Agent or such holder or in the First Lien Collateral Agent's own name, from time to time in the First Lien Collateral Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary to accomplish the purposes of this Section 5.1, including any endorsements or other instruments of transfer or release.

(d) Until the Discharge of First Lien Obligations occurs, to the extent that the First Lien Collateral Agent or the other First Lien Claimholders (1) have released

any Lien on Collateral or any Grantor from its obligation under its guaranty and any such Liens or guaranty are later reinstated or (2) obtain any new Liens or additional guarantees from any Grantor, then the Second Lien Collateral Agent, for itself and for the other Second Lien Claimholders, shall be granted a Lien on any such Collateral, subject to the lien subordination provisions of this Agreement, and an additional guaranty, as the case may be.

(e) In the event that the principal amount of funded First Lien Obligations plus the aggregate face amount of letters of credit, if any, issued under the First Lien Credit Agreement and not reimbursed plus the aggregate principal amount of unfunded commitments under the First Lien Credit Agreement (collectively, the "First Lien Obligations Amount"), at any date of determination no longer constitute at least 15% of the sum of (1) the First Lien Obligations Amount and (2) the principal amount of funded Second Lien Obligations plus the aggregate principal amount of unfunded commitments under the Second Lien Credit Agreement (collectively, the "Second Lien Obligations Amount"), then any agreement provided for in Section 5.1(a) above (except for releases given in connection with a Disposition permitted under the First Lien Loan Documents and the Second Lien Loan Documents) shall require the consent of First Lien Claimholders and Second Lien Claimholders representing in the aggregate more than 50% of the sum of (i) the First Lien Obligations Amount and (ii) the Second Lien Obligations Amount.

5.2 Insurance. Unless and until the Discharge of First Lien Obligations has occurred, subject to the terms of, and the rights of the Grantors under, the First Lien Loan Documents, the First Lien Collateral Agent and the First Lien Claimholders shall have the sole and exclusive right to adjust settlement for any insurance policy covering the Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting the Collateral. Unless and until the Discharge of First Lien Obligations has occurred, and subject to the rights of the Grantors under the First Lien Loan Documents, all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) if in respect to the Collateral and to the extent required by the First Lien Loan Documents shall be paid to the First Lien Collateral Agent for the benefit of the First Lien Claimholders pursuant to the terms of the First Lien Credit Documents (including, without limitation, for purposes of cash collateralization of letters of credit) and thereafter, to the extent no First Lien Obligations are outstanding, and subject to the rights of the Grantors under the Second Lien Collateral Documents, to the Second Lien Collateral Agent for the benefit of the Second Lien Claimholders to the extent required under the Second Lien Collateral Documents and then, to the extent no Second Lien Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct. Until the Discharge of First Lien Obligations has occurred, if the Second Lien Collateral Agent or any of the other Second Lien Claimholders shall, at any time, receive any proceeds of any such insurance policy or any such award or payment in contravention of this Agreement, it shall segregate and hold in trust and forthwith pay such proceeds over to the First Lien Collateral Agent in accordance with the terms of Section 4.2.

5.3 Amendments to First Lien Loan Documents and Second Lien Loan Documents. (a) The First Lien Loan Documents may be amended, restated, supplemented or otherwise modified in accordance with their terms and the First Lien Credit Obligations may be Refinanced, in each case, without notice to, or the consent of, the Second Lien Collateral Agent or the other Second Lien Claimholders, all without affecting the lien subordination or other provisions of this Agreement; provided, however, that the holders of any such Refinancing debt bind themselves in a writing addressed to the Second Lien Collateral Agent and the other Second Lien Claimholders to the terms of this Agreement and provided, further that any such amendment, supplement, modification or Refinancing shall not, without the consent of the Second Lien Collateral Agent:

(1) increase, in excess of the Cap Amount, the sum of (without duplication) (A) the then outstanding aggregate principal amount of the First Lien Credit Agreement, (B) the aggregate amount of Revolving Commitment under the First Lien Credit Agreement and (C) the aggregate face amount of any letters of credit issued under the First Lien Credit Agreement and not reimbursed; provided nothing in this paragraph (1) shall preclude any amendments to the First Lien Credit Agreement by way of a Refinancing or otherwise whereby the amount available under any specific facility in the First Lien Credit Agreement is increased or decreased so long as any such changes do not cause the total of all principal amounts outstanding or available under the First Lien Credit Agreement and other First Lien Loan Documents to exceed the Cap Amount;

(2) increase the "Applicable Margin" or similar component of the interest rate by more than 3.00% per annum in the aggregate under all such amendments, supplements, modifications and Refinancings (excluding increases resulting from the accrual of interest at the default rate);

(3) extend the scheduled maturity of the First Lien Credit Agreement or any Refinancing thereof beyond the scheduled maturity of the Second Lien Credit Agreement or any Refinancing thereof; or

(4) contravene the provisions of this Agreement.

(b) Without the prior written consent of the First Lien Collateral Agent, no Second Lien Loan Document may be Refinanced, amended, supplemented or otherwise modified or entered into to the extent such Refinancing, amendment, supplement or modification, or the terms of any new Second Lien Loan Document, would:

(1) increase the principal amount of the Second Lien Credit Agreement in excess of the amount permitted under the First Lien Credit Agreement;

(2) increase the "Applicable Margin" or similar component of the interest rate or yield provisions applicable to the Second Lien Obligations by more than 3.00% per annum in the aggregate under all such amendments,

supplements, modifications and Refinancings (excluding increases resulting from the accrual of interest at the default rate);

(3) change any default or Event of Default thereunder in a manner adverse to the loan parties thereunder (other than to eliminate any such Event of Default or increase any grace period related thereto or otherwise make such Event of Default or condition less restrictive or burdensome on the Company);

(4) change (to earlier dates) any dates upon which payments of principal or interest are due thereon;

(5) change the prepayment provisions thereof in a manner adverse to the loan parties thereunder or in contravention of this Agreement (including, without limitation, by any increase in the percentage or duration of any prepayment premium with respect to the Second Lien Obligations);

(6) increase the obligations of the loan parties thereunder or confer any additional rights on the lenders under the Second Lien Credit Agreement (or a representative on their behalf) which would be adverse to the First Lien Lenders;

(7) take action to change any Collateral securing the Second Lien Obligations, other than to release Collateral;

(8) change any financial maintenance covenant thereunder in a manner adverse to the loan parties (other than to eliminate any such covenant or otherwise make such covenant less restrictive or burdensome on the Company); or

(9) contravene the provisions of this Agreement.

The Second Lien Credit Agreement may be Refinanced to the extent the terms and conditions of such Refinancing debt meet the requirements of this Section 5.3(b), the average life to maturity thereof is greater than or equal to that of the Second Lien Credit Agreement and the holders of such Refinancing debt bind themselves in a writing addressed to the First Lien Collateral Agent and the First Lien Claimholders to the terms of this Agreement.

(c) The Company and the Second Lien Collateral Agent agree that each Second Lien Collateral Document shall include the following language (or language to similar effect approved by the First Lien Collateral Agent):

"Notwithstanding anything herein to the contrary, the lien and security interest granted to the Second Lien Collateral Agent, on behalf of itself and the other Secured Parties, pursuant to this Agreement and the exercise of any right or remedy by the Second Lien Collateral Agent, or any other Secured Party, hereunder are subject to the provisions of the Intercreditor Agreement, dated as of March 21, 2007 (as amended, restated, supplemented or otherwise modified

from time to time, the "Intercreditor Agreement"), among Grant Forest Products Inc., Grant U.S. Holdings LLP, The Toronto-Dominion Bank, as First Lien Collateral Agent, and Toronto Dominion (Texas) LLC, as Second Lien Collateral Agent, and certain other persons party or that may become party thereto from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control."

In addition, the Company and the Second Lien Collateral Agent agree that each Second Lien Mortgage covering any Collateral shall contain such other language as the First Lien Collateral Agent may reasonably request to reflect the subordination of such Second Lien Mortgage to the First Lien Collateral Document covering such Collateral.

5.4 Bailee for Perfection. (a) The First Lien Collateral Agent agrees to hold that part of the Collateral that is in its possession or control (or in the possession or control of its agents or bailees) to the extent that possession or control thereof is taken to perfect a Lien thereon under the UCC (such Collateral being the "Pledged Collateral") as collateral agent for the First Lien Claimholders and as bailee for the Second Lien Collateral Agent (such bailment being intended, among other things, to satisfy the requirements of Sections 8-301(a)(2) and 9-313(c) of the UCC) or as assignee solely for the purpose of perfecting the security interest granted under the First Lien Loan Documents and the Second Lien Loan Documents, respectively, subject to the terms and conditions of this Section 5.4.

(b) The First Lien Collateral Agent shall have no obligation whatsoever to the other First Lien Claimholders, the Second Lien Collateral Agent or any other Second Lien Claimholder to ensure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.4. The duties or responsibilities of the First Lien Collateral Agent under this Section 5.4 shall be limited solely to holding the Pledged Collateral as collateral agent or as bailee or as assignee, as the case may be, in accordance with this Section 5.4 and delivering the Pledged Collateral upon a Discharge of First Lien Obligations as provided in paragraph (d) below.

(c) The First Lien Collateral Agent acting pursuant to this Section 5.4 shall not have by reason of the First Lien Collateral Documents, the Second Lien Collateral Documents, this Agreement or any other document a fiduciary relationship in respect of the First Lien Claimholders, the Second Lien Collateral Agent or any other Second Lien Claimholder.

(d) Upon the Discharge of First Lien Obligations under the First Lien Loan Documents to which the First Lien Collateral Agent is a party, the First Lien Collateral Agent shall deliver the remaining Pledged Collateral (if any), together with any necessary endorsements, first, to the Second Lien Collateral Agent to the extent Second Lien Obligations remain outstanding, and second, to the Company to the extent no First

Lien Obligations or Second Lien Obligations remain outstanding (in each case, so as to allow such Person to obtain possession or control of such Pledged Collateral). The First Lien Collateral Agent further agrees to take all other action reasonably requested by the Second Lien Collateral Agent or the Company in connection with the Second Lien Collateral Agent obtaining a first-priority interest in the Collateral or as a court of competent jurisdiction may otherwise direct.

(e) Subject to the terms of this Agreement, so long as the Discharge of First Lien Obligations has not occurred, the First Lien Collateral Agent shall be entitled to deal with the Pledged Collateral or the other Collateral within its "control" in accordance with the terms of this Agreement and other First Lien Credit Documents as if the Liens of the Second Lien Collateral Agent and Second Lien Claimholders did not exist.

5.5 When Discharge of First Lien Obligations Deemed to Not Have Occurred. If concurrently with the Discharge of First Lien Obligations, the Company thereafter enters into any Refinancing of a First Lien Obligation in a manner permitted under Section 5.3(a) hereof, then such Discharge of First Lien Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement, and, from and after the date on which the New First Lien Debt Notice is delivered to the Second Lien Collateral Agent in accordance with the next sentence, the obligations under such Refinancing of the First Lien Loan Document shall automatically be treated as First Lien Obligations for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, and the First Lien Collateral Agent under such First Lien Loan Documents shall be the First Lien Collateral Agent for all purposes of this Agreement. Upon receipt of a notice (the "New First Lien Debt Notice") stating that the Company has entered into a new First Lien Loan Document (which notice shall include the identity of the new first lien collateral agent, such agent, the "New Agent"), the Second Lien Collateral Agent shall promptly (a) enter into such documents and agreements (including amendments or supplements to this Agreement) as the Company or such New Agent shall reasonably request in order to provide to the New Agent the rights contemplated hereby, in each case consistent in all material respects with the terms of this Agreement, and (b) deliver to the New Agent any Pledged Collateral held by it together with any necessary endorsements (or otherwise allow the New Agent to obtain control of such Pledged Collateral). The New Agent shall agree in a writing addressed to the Second Lien Collateral Agent and the other Second Lien Claimholders to be bound by the terms of this Agreement. If the new First Lien Obligations under the new First Lien Loan Documents are secured by assets of the Grantors constituting Collateral that do not also secure the Second Lien Obligations, then the Second Lien Obligations shall be secured at such time by a second priority Lien on such assets to the same extent provided in the Second Lien Collateral Documents and this Agreement.

5.6 Purchase Right. Without prejudice to the enforcement of the First Lien Claimholders' remedies, the First Lien Claimholders agree that following the Second Lien Collateral Agent's receipt of written notice from the First Lien Collateral Agent of the acceleration of the First Lien Obligations in accordance with the terms of the First Lien Credit Agreement (which notice shall be delivered by the First Lien Collateral Agent promptly upon such acceleration) (the "Acceleration Notice"), the Second Lien

Claimholders will have the option to purchase by way of assignment (and shall thereby also assume all commitments and duties of the First Lien Claimholders) the entire aggregate amount of outstanding First Lien Obligations (including unfunded commitments under the First Lien Credit Agreement) at par plus accrued interest, without warranty or representation or recourse, on a pro rata basis across First Lien Claimholders. The Second Lien Claimholders shall have the right to exercise such purchase right by irrevocably delivering notice of their intention within ten (10) days of such Acceleration Notice and the parties shall endeavor to close promptly thereafter and in any event within ten (10) days thereafter. If the Second Lien Claimholders exercise such right, it shall be exercised pursuant to documentation mutually acceptable to each of the First Lien Collateral Agent and the Second Lien Collateral Agent. If the Second Lien Claimholders do not exercise such purchase right within the required timeframe, the First Lien Claimholders shall have no further obligations pursuant to this Section 5.6 and may take any further actions in their sole discretion in accordance with the First Lien Loan Documents and this Agreement. Upon the date of such purchase and sale, the Second Lien Claimholders shall (a) pay to the First Lien Collateral Agent for the benefit of the First Lien Claimholders as the purchase price therefor the sum of (a) the full amount at par of all of the First Lien Obligations then outstanding and unpaid, including any prepayment penalty or premium and, in the case of any Hedging Obligations constituting First Lien Obligations, the net aggregate amount then owing with respect to such Hedging Obligations; and (b) shall furnish cash collateral to the First Lien Collateral Agent with respect to the outstanding First Lien L/C and B/A Obligations and the Indemnified Amounts in such amounts as are required under the First Lien Credit Agreement.

SECTION 6. Insolvency or Liquidation Proceedings.

6.1 Finance and Sale Issues. (a) Until the Discharge of First Lien Obligations has occurred, if the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the First Lien Collateral Agent shall desire to permit the use of "Cash Collateral" (as such term is defined in Section 363(a) of the US Bankruptcy Code) on which the First Lien Collateral Agent or any other creditor has a Lien or to permit the Company or any other Grantor to obtain financing, whether from the First Lien Claimholders or any other Person under Section 364 of the US Bankruptcy Code or any similar Bankruptcy Law ("DIP Financing"), then, so long as the maximum principal amount of Indebtedness that may be outstanding from time to time in connection with such DIP Financing, together with the principal amount of First Lien Obligations and the aggregate face amount of any First Lien L/C and BA Obligations issued but not reimbursed outstanding at such time (after giving effect to the application of proceeds of any DIP Financing to refinance all or any portion of the First Lien Obligations) shall not exceed the Cap Amount, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that it will raise no objection to such Cash Collateral use or DIP Financing so long as such Cash Collateral use or DIP Financing is (1) on commercially reasonable terms and (2) the DIP Financing (A) does not compel the Company to seek confirmation of a specific plan of reorganization for which all or substantially all of the material terms of such plan are set forth in the DIP Financing documentation or a related document or (B) the DIP Financing documentation or Cash Collateral order does not expressly require the liquidation of the Collateral prior to a default under the DIP Financing

documentation or Cash Collateral order. To the extent the Liens securing the First Lien Obligations are subordinated to or pari passu with such DIP Financing which meets the requirements of clauses (1) and (2) above, the Second Lien Collateral Agent will, in addition to the subordination contained herein to the Liens securing the First Lien Obligations, subordinate its Liens in the Collateral to the Liens securing such DIP Financing (and all Obligations relating thereto) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the First Lien Collateral Agent or to the extent permitted by Section 6.3).

(b) If the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the First Lien Collateral Agent shall desire to permit the sale or other disposition of Collateral under Section 363 of the US Bankruptcy Code, then the Second Lien Collateral Agent, on behalf of itself and the Second Lien Claimholders, agrees that it will raise no objection to such sale or disposition so long as the proceeds thereof are used to repay First Lien Obligations; provided that the Second Lien Collateral Agent or any Second Lien Claimholder shall have the right to "credit bid" in connection with any such sale or other disposition of Collateral under Section 363(k) of the US Bankruptcy Code, so long as the Discharge of First Lien Obligations occurs concurrently with the acceptance by the trustee conducting the sale or other disposition under the US Bankruptcy Code.

6.2 Relief from the Automatic Stay. Until the Discharge of First Lien Obligations has occurred, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that none of them shall seek (or support any other Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Collateral, without the prior written consent of the First Lien Collateral Agent.

6.3 Adequate Protection.

(a) The Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that none of them shall contest (or support any other Person contesting):

(1) any request by the First Lien Collateral Agent or the other First Lien Claimholders for adequate protection; or

(2) any objection by the First Lien Collateral Agent or the other First Lien Claimholders to any motion, relief, action or proceeding based on the First Lien Collateral Agent or the other First Lien Claimholders claiming a lack of adequate protection.

(b) Notwithstanding the foregoing provisions in this Section 6.3, in any Insolvency or Liquidation Proceeding:

(1) if the First Lien Claimholders (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any Cash Collateral use or DIP Financing, then the Second Lien Collateral Agent,

on behalf of itself or any of the Second Lien Claimholders, may seek or request adequate protection in the form of a Lien on such additional collateral, which Lien will be subordinated to the Liens securing the First Lien Obligations and such Cash Collateral use or DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Second Lien Obligations are so subordinated to the First Lien Obligations under this Agreement; and

(2) in the event the Second Lien Collateral Agent, on behalf of itself or any of the Second Lien Claimholders, seeks or requests adequate protection in respect of Second Lien Obligations and such adequate protection is granted in the form of additional collateral, then the Second Lien Collateral Agent, on behalf of itself or any of the Second Lien Claimholders, agrees that it will consent to, and not oppose, any request by the First Lien Collateral Agent to also be granted a senior Lien on such additional collateral as security for the First Lien Obligations and for any Cash Collateral use or DIP Financing provided by the First Lien Claimholders and that any Lien on such additional collateral securing the Second Lien Obligations shall be subordinated to any Lien on such collateral securing the First Lien Obligations and any such DIP Financing provided by the First Lien Claimholders (and all Obligations relating thereto) and to any other Liens granted to the First Lien Claimholders as adequate protection on the same basis as the other Liens securing the Second Lien Obligations are so subordinated to such First Lien Obligations under this Agreement. Except as otherwise expressly set forth in this Agreement with respect to the exercise of rights by the Second Lien Collateral Agent or the other Second Lien Claimholders or in connection with the exercise of remedies with respect to the Collateral, nothing herein shall limit the rights of the Second Lien Collateral Agent or the other Second Lien Claimholders from seeking adequate protection with respect to their rights in the Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise).

6.4 No Waiver. Nothing contained herein shall prohibit or in any way limit the First Lien Collateral Agent or any other First Lien Claimholder from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the Second Lien Collateral Agent or any of the Second Lien Claimholders, including the seeking by the Second Lien Collateral Agent or any Second Lien Claimholders of adequate protection or the asserting by the Second Lien Collateral Agent or any Second Lien Claimholders of any of its rights and remedies under the Second Lien Loan Documents or otherwise.

6.5 Avoidance Issues. If any First Lien Claimholder is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Company or any other Grantor any amount paid in respect of First Lien Obligations (a "Recovery"), then such First Lien Claimholders shall be entitled to a reinstatement of First Lien Obligations with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto or the terms of this Agreement from such date of reinstatement.

6.6 Reorganization Securities. If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed pursuant to a plan of reorganization or similar dispositive restructuring plan, both on account of First Lien Obligations and on account of Second Lien Obligations, then, to the extent the debt obligations distributed on account of the First Lien Obligations and on account of the Second Lien Obligations are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.7 Post-Petition Interest Neither the Second Lien Collateral Agent nor any other Second Lien Claimholder shall oppose or seek to challenge any claim by the First Lien Collateral Agent or any other First Lien Claimholder for allowance in any Insolvency or Liquidation Proceeding of First Lien Obligations consisting of post-petition interest, fees or expenses to the extent of the value of any First Lien Claimholder's Lien, without regard to the existence of the Lien of the Second Lien Collateral Agent on behalf of the Second Lien Claimholders on the Collateral.

(b) Neither the First Lien Collateral Agent nor any other First Lien Claimholder shall oppose or seek to challenge any claim by the Second Lien Collateral Agent or any other Second Lien Claimholder for allowance in any Insolvency or Liquidation Proceeding of Second Lien Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the Lien of the Second Lien Collateral Agent on behalf of the Second Lien Claimholders on the Collateral (after taking into account the existence of the Lien of the First Lien Collateral Agent on behalf of the First Lien Claimholders on the Collateral).

6.8 Separate Grants of Security and Separate Classification. Each of the Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, and the First Lien Collateral Agent for itself and on behalf of the other First Lien Claimholders, acknowledges and agrees that:

(a) the grants of Liens pursuant to the First Lien Collateral Documents and the Second Lien Collateral Documents constitute two separate and distinct grants of Liens; and (b) because of, among other things, their differing rights in the Collateral, the Second Lien Obligations are fundamentally different from the First Lien Obligations and must be separately classified in any plan of reorganization proposed or adopted in an Insolvency or Liquidation Proceeding.

To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the First Lien Claimholders and the Second Lien Claimholders in respect of the Collateral constitute only one secured claim (rather than separate classes of senior and junior secured claims), then each of the parties hereto hereby acknowledges and agrees that, subject to Sections 2.1 and 4.1, all distributions shall be made as if there were separate classes of senior and junior secured claims against the Grantors in respect of the Collateral (with the effect being that, to the extent that the aggregate value of the Collateral is sufficient (for this purpose ignoring all claims held by

the Second Lien Claimholders), the First Lien Claimholders shall be entitled to receive, in addition to amounts otherwise distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, including any additional interest payable pursuant to the First Lien Credit Agreement, arising from or related to a default, which is disallowed as a claim in any Insolvency or Liquidation Proceeding) before any distribution is made in respect of the claims held by the Second Lien Claimholders with respect to the Collateral, with the Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, hereby acknowledging and agreeing to turn over to the First Lien Collateral Agent, for itself and on behalf of the other First Lien Claimholders, amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence (with respect to the payment of post-petition interest), even if such turnover has the effect of reducing the claim or recovery of the Second Lien Claimholders).

SECTION 7. Application of Proceeds of Collateral.

7.1 Application of Proceeds.

(a) Collateral. At any time following the occurrence and during the continuation of an Insolvency or Liquidation Proceeding or in connection with the exercise of remedies by the First Lien Collateral Agent (but in each case prior to the Discharge of First Lien Obligations) the First Lien Collateral Agent will apply the proceeds of any collection, sale, foreclosure or other realization upon any Collateral and the proceeds of any title insurance policy required under any First Lien Loan Document permitted to be received by it, in the following order of application:

First, to the payment of all costs and expenses incurred by the First Lien Collateral Agent or any co-trustee or agent of the First Lien Collateral Agent in connection with any such collection, sale, foreclosure or other realization upon the Collateral in accordance with the terms of this Agreement;

Second, to the First Lien Collateral Agent for application to the payment of all outstanding First Lien Obligations that are then due and payable in such order as may be provided in the First Lien Loan Documents in an amount sufficient to pay in full in cash all outstanding First Lien Obligations that are then due and payable (including the discharge or cash collateralization (at one hundred and five percent (105%) of the aggregate undrawn amount) of all outstanding letters of credit, if any, constituting First Lien Obligations), together with the concurrent permanent reduction of the revolving loan commitment thereunder in an amount equal to the aggregate amount of such payment;

Third, to the Second Lien Collateral Agent for application to the payment of all outstanding Second Lien Obligations that are then due and payable in such order as may be provided in the Second Lien Loan Documents in an amount sufficient to pay in full in cash all outstanding Second Lien Obligations that are then due and payable;

Fourth, to the First Lien Collateral Agent for application to the payment of all outstanding obligations under the First Lien Loan Documents in excess of

the Cap Amount that are then due and payable in such order as may be provided in the First Lien Loan Documents in an amount sufficient to pay in full in cash all such obligations, together with the concurrent permanent reduction of the revolving loan commitment thereunder in an amount equal to the aggregate amount of such payment;

Fifth, to the Second Lien Collateral Agent for application to the payment of all outstanding obligations under the Second Lien Documents incurred in violation of the terms of this Agreement that are then due and payable in such order as may be provided in the Second Lien Documents in an amount sufficient to pay in full in cash all such obligations; and

Sixth, any surplus remaining after the payment in full in cash of the amounts described in the preceding clauses will be paid to the Company or any other applicable Grantor, as the case may be, its successors or assigns, or as a court of competent jurisdiction may direct.

Following the Discharge of First Lien Obligations, the First Lien Collateral Agent will deliver the proceeds of any collection, sale, foreclosure or other realization upon any Collateral and the proceeds of any title insurance policy remaining after the Discharge of First Lien Obligations to the Second Lien Collateral Agent and will take such actions with respect to the Collateral as otherwise set forth in this Agreement.

(b) Sale of Non-Cash Proceeds. In connection with the application of proceeds pursuant to Section 7.1(a), except as otherwise directed by the Required Lenders under (and as defined in) the First Lien Loan Documents, the First Lien Collateral Agent may sell any non-cash proceeds for cash prior to the application of the proceeds thereof.

7.2 Letters of Credit. Any distribution to be made in respect of undrawn amounts of letters of credit or bankers acceptances (whether by cash collateralization or otherwise) pursuant to Section 7.1 shall be made to the First Lien Collateral Agent, to be retained in a separate account, for the ratable portion of the First Lien Obligations consisting of such undrawn amounts of outstanding letters of credit or bankers' acceptances, it being understood that (a) if any such letter of credit or bankers' acceptances is drawn upon, the First Lien Collateral Agent shall pay to the relevant First Lien Lenders, on a ratable basis, the amount of cash held in such separate account in respect of such letter of credit or bankers' acceptances, with any excess remaining in such separate account after Discharge of the First Lien Obligations being applied as if it were a newly received amount to be applied in accordance with Section 7.1 (whichever was the applicable section for the original distribution of such amount to such separate account) and (b) if and to the extent that any such letter of credit or bankers' acceptances shall expire or terminate undrawn or drawn only in part, the amount of cash held in such separate account therefor shall be applied as if it were a newly received amount to be applied in accordance with Section 7.1 (whichever was the applicable section for the original distribution of such amount to such separate account).

SECTION 8. Reliance; Waivers; Etc.

8.1 Reliance. Other than any reliance on the terms of this Agreement, the First Lien Collateral Agent, on behalf of itself and the other First Lien Claimholders under its First Lien Loan Documents, acknowledges that it and the other First Lien Claimholders have, independently and without reliance on the Second Lien Collateral Agent or any Second Lien Claimholders, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into such First Lien Loan Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the First Lien Credit Loan Documents or this Agreement. The Second Lien Collateral Agent, on behalf of itself and the Second Lien Claimholders, acknowledges that it and the other Second Lien Claimholders have, independently and without reliance on the First Lien Collateral Agent or any other First Lien Claimholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into each of the Second Lien Loan Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the Second Lien Loan Documents or this Agreement.

8.2 No Warranties or Liability. The First Lien Collateral Agent, on behalf of itself and the other First Lien Claimholders under the First Lien Loan Documents, acknowledges and agrees that each of the Second Lien Collateral Agent and the other Second Lien Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Second Lien Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided herein, the Second Lien Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under the Second Lien Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. Except as otherwise provided herein, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Obligations, acknowledges and agrees that the First Lien Collateral Agent and the other First Lien Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the First Lien Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided herein, the First Lien Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under their respective First Lien Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Second Lien Collateral Agent and the other Second Lien Claimholders shall have no duty to the First Lien Collateral Agent or any of the other First Lien Claimholders, except as otherwise provided in this Agreement, and the First Lien Collateral Agent and the other First Lien Claimholders shall have no duty to the Second Lien Collateral Agent or any of the other Second Lien Claimholders, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Company or any other Grantor (including the First Lien Loan Documents and the Second Lien Loan Documents), regardless of any knowledge thereof which they may have or be charged with.

8.3 No Waiver of Lien Priorities. (a) No right of the First Lien Claimholders, the First Lien Collateral Agent, or any of them, to enforce any provision of this Agreement or any other First Lien Loan Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or any other Grantor or by any act or failure to act by any First Lien Claimholder or the First Lien Collateral Agent, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the First Lien Loan Documents or any of the Second Lien Loan Documents, regardless of any knowledge thereof which the First Lien Collateral Agent or the other First Lien Claimholders, or any of them, may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Company and the other Grantors under the First Lien Loan Documents and subject to the provisions of Section 5.3(a)), the First Lien Claimholders, the First Lien Collateral Agent and any of them may, at any time and from time to time in accordance with the First Lien Loan Documents and/or applicable law, without the consent of, or notice to, the Second Lien Collateral Agent or any of the other Second Lien Claimholders, without incurring any liabilities to the Second Lien Collateral Agent or any of the other Second Lien Claimholders and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy of the Second Lien Collateral Agent or any of the other Second Lien Claimholders is affected, impaired or extinguished thereby) do any one or more of the following:

(1) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the First Lien Obligations or any Lien on any First Lien Collateral or guaranty thereof or any liability of the Company or any other Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the First Lien Obligations, without any restriction as to the tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the First Lien Collateral Agent or any of the other First Lien Claimholders, the First Lien Obligations or any of the First Lien Loan Documents;

(2) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the First Lien Collateral or any liability of the Company or any other Grantor to the First Lien Claimholders or the First Lien Collateral Agent, or any liability incurred directly or indirectly in respect thereof;

(3) settle or compromise any First Lien Obligation or any other liability of the Company or any other Grantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including the First Lien Obligations) in any manner or order; and

(4) exercise or delay in or refrain from exercising any right or remedy against the Company or any security or any other Grantor or any other Person, elect any remedy and otherwise deal freely with the Company, any other Grantor or any First Lien Collateral and any security and any guarantor or any liability of the Company or any other Grantor to the First Lien Claimholders or any liability incurred directly or indirectly in respect thereof.

(c) Except as otherwise provided herein, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, also agrees that the First Lien Claimholders and the First Lien Collateral Agent, or any of them, shall have no liability to the Second Lien Collateral Agent or any of the other Second Lien Claimholders, and the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, hereby waives any claim against any First Lien Claimholder or the First Lien Collateral Agent, or any of them, arising out of any and all actions which the First Lien Claimholders or the First Lien Collateral Agent, or any of them, may take or permit or omit to take with respect to:

- (1) the First Lien Loan Documents (other than this Agreement);
- (2) the collection of the First Lien Obligations; or
- (3) the foreclosure upon, or sale, liquidation or other disposition of, any First Lien Collateral. The Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that the First Lien Claimholders and the First Lien Collateral Agent have no duty to them in respect of the maintenance or preservation of the First Lien Collateral, the First Lien Obligations or otherwise.

(d) Until the Discharge of First Lien Obligations, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshaling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Collateral or any other similar rights a junior secured creditor may have under applicable law.

8.4 Obligations Unconditional. All rights, interests, agreements and obligations of the First Lien Collateral Agent and the other First Lien Claimholders and the Second Lien Collateral Agent and the other Second Lien Claimholders, respectively, hereunder shall remain in full force and effect irrespective of:

- (a) any lack of validity or enforceability of any First Lien Loan Documents or any Second Lien Loan Documents;
- (b) except as otherwise expressly set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the First Lien Obligations or the Second Lien Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of

conduct or otherwise, of the terms of any First Lien Loan Document or any Second Lien Loan Document;

(c) except as otherwise expressly set forth in this Agreement, any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the First Lien Obligations or the Second Lien Obligations or any guaranty thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the Company or any other Grantor in respect of the First Lien Collateral Agent, any other First Lien Claimholder, the First Lien Obligations, the Second Lien Collateral Agent, any other Second Lien Claimholder or the Second Lien Obligations in respect of this Agreement.

SECTION 9. Miscellaneous.

9.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of the First Lien Loan Documents or the Second Lien Loan Documents, the provisions of this Agreement shall govern and control.

9.2 Effectiveness; Continuing Nature of this Agreement; Severability. This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement of lien subordination and the First Lien Claimholders may continue, at any time and without notice to the Second Lien Collateral Agent or any other Second Lien Claimholder, to extend credit and other financial accommodations and lend monies to or for the benefit of the Company or any Grantor constituting First Lien Obligations in reliance hereof. The Second Lien Collateral Agent, on behalf of itself and the Second Lien Claimholders, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to the Company or any other Grantor shall include the Company or such Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding. This Agreement shall terminate and be of no further force and effect:

(a) with respect to the First Lien Collateral Agent, the other First Lien Claimholders and the First Lien Obligations, upon the date of Discharge of First Lien Obligations, subject to the rights of the First Lien Claimholders under Section 6.5; and

(b) with respect to the Second Lien Collateral Agent, the other Second Lien Claimholders and the Second Lien Obligations, upon the later of (1) the date upon which the obligations under the Second Lien Credit Agreement terminate if there are no other Second Lien Obligations outstanding on such date and (2) if there are other Second Lien Obligations outstanding on such date, the date upon which such Second Lien Obligations terminate.

9.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Second Lien Collateral Agent or the First Lien Collateral Agent shall be deemed to be made unless the same shall be in writing signed on behalf of each party hereto or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, the Company shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent its rights are directly and adversely affected (which includes, but is not limited to, any amendment to the Grantors' ability to cause additional obligations to constitute First Lien Obligations or Second Lien Obligations as the Company may designate).

9.4 Information Concerning Financial Condition of the Company and its Subsidiaries. The First Lien Collateral Agent and the First Lien Claimholders, on the one hand, and the Second Lien Collateral Agent and the other Second Lien Claimholders, on the other hand, shall each be responsible for keeping themselves informed of (a) the financial condition of the Company and its Subsidiaries and all endorsers and/or guarantors of the First Lien Obligations or the Second Lien Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the First Lien Obligations or the Second Lien Obligations. The First Lien Collateral Agent and the other First Lien Claimholders shall have no duty to advise the Second Lien Collateral Agent or any other Second Lien Claimholder of information known to it or them regarding such condition or any such circumstances or otherwise. In the event the First Lien Collateral Agent or any of the other First Lien Claimholders, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Second Lien Collateral Agent or any other Second Lien Claimholder, it or they shall be under no obligation:

(a) to make, and the First Lien Collateral Agent and the other First Lien Claimholders shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided;

(b) to provide any additional information or to provide any such information on any subsequent occasion;

(c) to undertake any investigation; or

(d) to disclose any information, which pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

9.5 Subrogation. With respect to the value of any payments or distributions in cash, property or other assets that any of the Second Lien Claimholders or the Second Lien Collateral Agent pays over to the First Lien Collateral Agent or the other First Lien Claimholders under the terms of this Agreement, the Second Lien Claimholders and the Second Lien Collateral Agent shall be subrogated to the rights of the First Lien Collateral Agent and the other First Lien Claimholders; provided that, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of First Lien Obligations has occurred. The Company acknowledges and agrees that the value of any payments or distributions in cash, property or other assets received by the Second Lien Collateral Agent or the other Second Lien Claimholders that are paid over to the First Lien Collateral Agent or the other First Lien Claimholders pursuant to this Agreement shall not reduce any of the Second Lien Obligations.

9.6 Application of Payments. All payments received by the First Lien Collateral Agent or the other First Lien Claimholders may be applied, reversed and reapplied, in whole or in part, to such part of the First Lien Obligations provided for in the First Lien Loan Documents. The Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, assents to any extension or postponement of the time of payment, of the First Lien Obligations or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security which may at any time secure any part of the First Lien Obligations and to the addition or release of any other Person primarily or secondarily liable therefor.

9.7 SUBMISSION TO JURISDICTION; WAIVERS. (a) ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY ARISING OUT OF OR RELATING HERETO MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY:

(1) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(2) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(3) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED,

TO THE APPLICABLE PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 9.8;

(4) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (3) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND

(5) AGREES THAT THE FIRST LIEN COLLATERAL AGENT, EACH OTHER FIRST LIEN CLAIMHOLDER, THE SECOND LIEN COLLATERAL AGENT AND EACH SECOND LIEN LENDER RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST ANY CREDIT PARTY IN THE COURTS OF ANY OTHER JURISDICTION.

(b) EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER HEREOF, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE; MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 9.7(b) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(c) EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER FIRST LIEN LOAN DOCUMENT OR SECOND LIEN LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF

DEALING, VERBAL OR WRITTEN STATEMENT OR ACTION OF ANY PARTY HERETO.

9.8 Notices. All notices to the Second Lien Claimholders and the First Lien Claimholders permitted or required under this Agreement shall also be sent to the Second Lien Collateral Agent and the First Lien Collateral Agent, respectively. Unless otherwise specifically provided herein, any notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto shall be as set forth on Annex I hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties delivered as provided in this Section 9.8.

9.9 Further Assurances. The First Lien Collateral Agent, on behalf of itself and the other First Lien Claimholders under the First Lien Loan Documents, and the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders under the Second Lien Loan Documents, and the Grantors, agree that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the First Lien Collateral Agent or the Second Lien Collateral Agent may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

9.10 APPLICABLE LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

9.11 Binding on Successors and Assigns. This Agreement shall be binding upon the First Lien Collateral Agent, the other First Lien Claimholders, the Second Lien Collateral Agent, the other Second Lien Claimholders and their respective successors and assigns.

9.12 Specific Performance. Each of the First Lien Collateral Agent and the Second Lien Collateral Agent may demand specific performance of this Agreement. The First Lien Collateral Agent, on behalf of itself and the other First Lien Claimholders under the First Lien Loan Documents, and the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, hereby irrevocably waive any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the First Lien Collateral Agent or the other First Lien Claimholders or the Second Lien Collateral Agent or the other Second Lien Claimholders, as the case may be.

9.13 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

9.14 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

9.15 Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

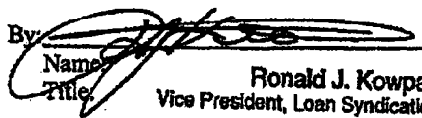
9.16 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and its respective successors and assigns and shall inure to the benefit of each of the First Lien Claimholders and the Second Lien Claimholders. Nothing in this Agreement shall impair, as between the Company and the other Grantors and the First Lien Collateral Agent and the other First Lien Claimholders, or as between the Company and the other Grantors and the Second Lien Collateral Agent and the other Second Lien Claimholders, the obligations of the Company and the other Grantors to pay principal, interest, fees and other amounts as provided in the First Lien Loan Documents and the Second Lien Loan Documents, respectively.

9.17 Provisions Solely to Define Relative Rights. The provisions of this Agreement are intended solely for the purpose of defining the relative rights of the First Lien Collateral Agent and the other First Lien Claimholders on the one hand and the Second Lien Collateral Agent and the other Second Lien Claimholders on the other hand. None of the Company, any other Grantor or any other creditor thereof shall have any rights hereunder and neither the Company nor any Grantor may rely on the terms hereof. Nothing in this Agreement is intended to or shall impair any rights of the Company or any other Grantor under the First Lien Loan Documents or Second Lien Loan Documents or impair the obligations of the Company or any other Grantor, which are absolute and unconditional, to pay the First Lien Obligations and the Second Lien Obligations as and when the same shall become due and payable in accordance with their terms.

IN WITNESS WHEREOF, the parties hereto have executed this
Intercreditor Agreement as of the date first written above.

First Lien Collateral Agent

THE TORONTO-DOMINION BANK,
as First Lien Collateral Agent,

By: 

Name:

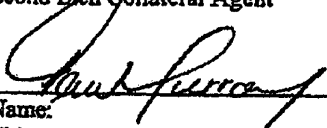
Title:

Ronald J. Kowpak

Vice President, Loan Syndications - Agency

Second Lien Collateral Agent

**TORONTO DOMINION (TEXAS) LLC,
as Second Lien Collateral Agent**

By: 

Name:

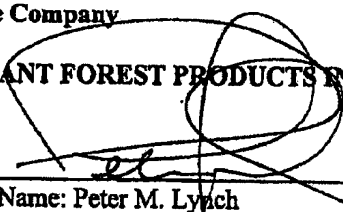
Title:

**IAN MURRAY
AUTHORIZED SIGNATORY**

Acknowledged and Agreed to by:

The Company

GRANT FOREST PRODUCTS INC.

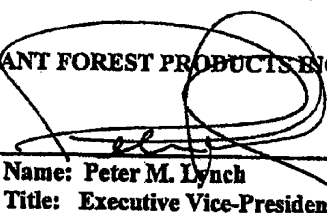
By: 

Name: Peter M. Lynch

Title: Executive Vice-President

GRANT U.S. HOLDINGS LLP, by its partners

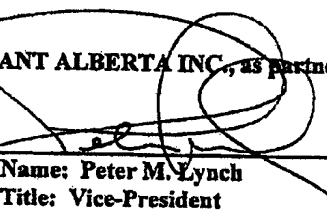
GRANT FOREST PRODUCTS INC., as partner

By: 

Name: Peter M. Lynch

Title: Executive Vice-President

GRANT ALBERTA INC., as partner

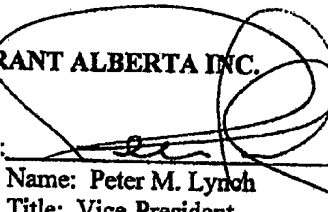
By: 

Name: Peter M. Lynch

Title: Vice-President

OTHER GRANTORS:

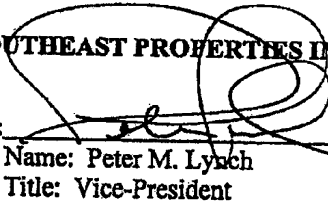
GRANT ALBERTA INC.

By: 

Name: Peter M. Lynch

Title: Vice-President

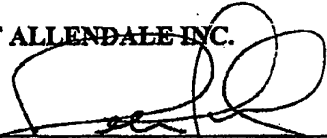
SOUTHEAST PROPERTIES INC.

By: 

Name: Peter M. Lynch

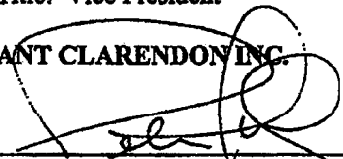
Title: Vice-President

GRANT ALLENDALE INC.

By: 

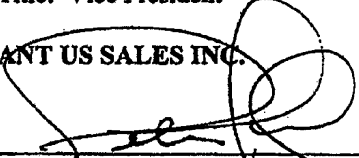
Name: Peter M. Lynch
Title: Vice President

GRANT CLARENDON INC.

By: 

Name: Peter M. Lynch
Title: Vice President

GRANT US SALES INC.

By: 

Name: Peter M. Lynch
Title: President

GRANT FOREST PRODUCTS SALES INC.

By: 

Name: Peter M. Lynch
Title: President

Annex I

Notices

First Lien Collateral Agent

The Toronto-Dominion Bank
77 King Street West
18th Floor, Royal Trust Tower
TD Centre
Toronto, Ontario M5K 1A2
Attention Wayne Shiplo
Facsimile: (416) 982-5535

Second Lien Collateral Agent

Toronto Dominion (Texas) LLC
31 West 52nd Street
22nd Floor
New York, New York 10019
Attention: Deborah G. Gravinese
Facsimile: (212) 827-7820
With a Copy Faxed to: (415) 307-3826

The Company and the other Grantors

c/o Grant Forest Products Inc.
181 Bay St., Suite 1520
Toronto, Ontario M5J 2T3
Attention: Peter Grant, Jr.
Facsimile: (416) 214-1360
and

c/o Grant U.S. Holdings LLP
9918 Buford's Bridge Road
P.O. Box 1000
Fairfax, SC 29827
Attention Scott Pearson, Vice President
Facsimile: (803) 632-2475

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

IN THE MATTER OF THE A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST
PRODUCTS INC. et al.

Court File No. CV-09-8247-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AFFIDAVIT OF WILLIAM
O'CONNOR
(SWORN JANUARY 15, 2010)

McCarthy Tétrault LLP
Suite 5300, P.O. Box 48
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Kevin P. McElcheran
LSUC#: 22119H
Tel: (416) 601-7730
Fax: (416) 868-0673

Solicitors for the Toronto-Dominion
Bank
#916265

EXHIBIT B

PURCHASE AGREEMENT

BY AND AMONG

GEORGIA-PACIFIC LLC

GP INTERNATIONAL ACQUISITION III, LTD.

GP PALMETTO HOLDING LLC

GRANT FOREST PRODUCTS INC.

GRANT FOREST PRODUCTS SALES INC.

GRANT ALBERTA INC.

GRANT U.S. HOLDINGS GP

SOUTHEAST PROPERTIES LLC

GRANT NEWCO LLC

GRANT US SALES INC.

GRANT CLARENDON LP

GRANT ALLENDALE LP

AND

GRANT EXCLUDED GP

January 8, 2010

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PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into as of January 8, 2010, by and among **GEORGIA-PACIFIC LLC**, a limited liability company organized under the laws of Delaware (hereinafter referred to as the "**U.S. Purchaser**"), **GP INTERNATIONAL ACQUISITION III, LTD.**, an exempted company formed under the laws of the Cayman Islands (hereinafter referred to as the "**Canadian Purchaser**"), **GP PALMETTO HOLDING LLC**, a limited liability company organized under the laws of Delaware (hereinafter referred to as the "**Additional U.S. Purchaser**"), and together with Georgia-Pacific LLC and GP International Acquisition III, Ltd., the "**Purchasers**"), **GRANT FOREST PRODUCTS INC.**, a corporation incorporated under the laws of Ontario, **GRANT FOREST PRODUCTS SALES INC.**, a corporation incorporated under the laws of Ontario, **GRANT ALBERTA INC.**, a corporation incorporated under the laws of Alberta (hereinafter, Grant Forest Products Inc., Grant Forest Products Sales Inc. and Grant Alberta Inc., are collectively referred to herein as the "**Vendors**"), **GRANT U.S. HOLDINGS GP**, a general partnership registered under the laws of Delaware; (hereinafter referred to as the "**Grant Partnership**"), **SOUTHEAST PROPERTIES LLC**, a limited liability company organized under the laws of Delaware, **GRANT NEWCO LLC**, a limited liability company organized under the laws of Delaware, **GRANT US SALES INC.**, a corporation incorporated under the laws of Delaware, **GRANT CLARENDON LP**, a limited partnership organized under the laws of Delaware, **GRANT ALLENDALE LP**, a limited partnership organized under the laws of Delaware, and **GRANT EXCLUDED GP**, a general partnership registered under the laws of Delaware. Southeast Properties LLC, Grant Newco LLC, Grant US Sales Inc., Grant Clarendon LP, Grant Allendale LP, and Grant Excluded GP are referred to collectively herein as the "**Additional CCAA Applicants**." Grant Partnership and the Additional CCAA Applicants are referred to collectively herein as the "**U.S. Applicants**" and together with the Vendors, the "**Grant Entities**" and individually, each a "**Grant Entity**."

I. WHEREAS, the Grant Entities are in the businesses of, among other things, manufacturing and selling oriented strand board;

II. AND WHEREAS, Grant Forest Products Inc., Grant Forest Products Sales Inc., Grant Alberta Inc., and the Grant Partnership (collectively, the "**Canadian Applicants**") commenced proceedings (the "**CCAA Proceeding**") in the Ontario Superior Court of Justice (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") on June 25, 2009 with respect to which Ernst & Young Inc. (the "**Monitor**") was appointed as the monitor;

III. AND WHEREAS, the Additional CCAA Applicants intend to apply to the CCAA Court (or the First Lien Lenders' Agent may apply to the CCAA Court) for them to be added as additional applicants, in the CCAA Proceeding;

IV. AND WHEREAS, the Grant Entities intend to obtain authority and direction from the CCAA Court for the Monitor, as representative, to take steps to commence proceedings (the "**U.S. Bankruptcy Proceedings**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**") under Chapter 15 of Title 11 of the United States Code (the "**U.S. Bankruptcy Code**") for (a) recognition of the CCAA Proceeding as a foreign proceeding, and (b) to obtain the U.S. Order;

V. AND WHEREAS, subject to the issuance of the Canadian Order and the U.S. Order:

- (a) the Vendors have agreed to sell to the Canadian Purchaser, and the Canadian Purchaser has agreed to purchase from the Vendors, all of the Vendors' Interest in and to the Purchased Assets; and

- (b) the Grant Partnership has agreed to issue the Purchasers' Partnership Interests to the U.S. Purchaser and the Additional U.S. Purchaser and admit the U.S. Purchaser and the Additional U.S. Purchaser as partners simultaneously with the surrender and cancellation of the Vendors' Partnership Interests, and the effective withdrawal of Grant Forest Products Inc. and Grant Alberta Inc. as partners.

NOW THEREFORE this Agreement witnesses that in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each Party to the other, the Parties hereto agree as follows:

ARTICLE I INTERPRETATION

Section 1.01 Definitions

In this Agreement:

"Accounting Arbitrator" has the meaning ascribed to that term in Section 13.07;

"Accounts" has the meaning ascribed to that term in Section 10.05(a)(xi);

"Accounts Receivable" of a Grant Entity means all the Grant Entity's accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing (including interest thereon) due to the Grant Entity other than in respect of the Excluded Assets as at the Closing Date, together with any security or collateral for such items, including recoverable deposits;

"Acquired Interests" means the Purchased Assets and the Purchasers' Partnership Interests, together;

"Actual Average Cost" per gross cubic metre of all timber acquired by the Canadian Purchaser for the Englehart facility during the Holdback Period means the actual average cost, calculated in a manner consistent with Grant Forest Products Inc.'s historical wood costs accounting practices, per gross cubic metre of such timber comprised only of the following and without duplication:

- (a) the price paid by the Canadian Purchaser for the acquisition and delivery of such timber to the Englehart mill gate;
- (b) the stumpage fees paid by the Canadian Purchaser directly or indirectly to the Ontario government with respect to such timber; and
- (c) \$[REDACTED] per gross cubic metre (in respect of the Canadian Purchaser's departmental and overhead costs or other indirect costs);

"Additional Applicants Order" has the meaning ascribed to that term in Section 10.02(a);

"Additional CCAA Applicants" has the meaning ascribed to that term in the Preamble;

"Additional U.S. Purchaser" has the meaning ascribed to that term in the Preamble;

"Advance Ruling Certificate" means a certificate from the Competition Commissioner in accordance with Section 103 of the Competition Act in form and substance satisfactory to the Purchasers, acting reasonably;

"Affiliate" means, with regard to any Person, (a) any Person, directly or indirectly, Controlled by, under common Control of, or Controlling such Person, (b) any Person, directly or indirectly, in which such Person holds, of record or beneficially, five percent or more of the equity or voting securities of such Person, (c) any Person that holds, of record or beneficially, five percent or more of the equity or voting securities of such Person, or (d) any director, officer, partner or individual holding a similar position in respect of such Person; but in no event shall Affiliate include any of the Forest Management Companies. For purposes of this definition of Affiliate, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise;

"Affiliated Group" means any affiliated group within the meaning of Section 1504 of the Internal Revenue Code or any comparable or analogous group under state, local or foreign Law;

"Affirmation Agreement" has the meaning ascribed to that term in Section 10.15(i);

"Agents" means, collectively, the First Lien Lenders' Agent and the Second Lien Lenders' Agent.

"Agents' Liens" means the Liens held by the Agents listed in Schedule 1 hereto;

"Agreement" means this purchase agreement and all Schedules, Disclosure Schedules, and Exhibits attached hereto;

"Amended and Restated Partnership Agreement" has the meaning ascribed to that term in Section 12.02(a) and in the form attached hereto as Exhibit A;

"Assignment and Assumption Agreement" has the meaning ascribed to that term in Section 12.03(e);

"Assumed Liabilities" has the meaning ascribed to that term in Section 3.03;

"Books and Records" of a Grant Entity means all the Grant Entity's books, records, books of account, lists of suppliers and customers, business, research and development information, information relating to sales, marketing, customer licensing, maintenance and support, and plans and projections of or relating to the Businesses or the Purchased Assets within the control or possession of the Grant Entity on the Closing Date and all other documents, files, records, correspondence, workpapers, electronic information (including emails and web page content), and other data and information, financial, tax or otherwise, which relate to the Businesses or the Purchased Assets within the control or possession of the Grant Entity on the Closing Date (and for greater certainty includes all drawings, surveys, calculations, project plans, project summaries, budgets, estimates, quotations, agreements and attachments, and change orders referencing equipment or facilities purchased, including projects or equipment currently under review for purchase), including all data and information stored electronically, digitally or on computer related media;

"Businesses" means the business of the Grant Entities of manufacturing and selling oriented strand board, excluding the business conducted at the Grant Forest Products Inc. facility in Timmins, Ontario and the business conducted by Footner Forest Products Ltd.;

"Business Day" means a day other than a Saturday, Sunday or any other day on which either the principal chartered banks located in the City of Toronto or New York are not open for the transaction of domestic business during normal banking hours;

"Canadian Applicants" has the meaning ascribed to that term in the second recital hereof;

"Canadian Material Contracts" has the meaning ascribed to that term in Section 7.08(a);

"Canadian Order" has the meaning ascribed to that term in Section 10.02(b);

"Canadian Purchaser" has the meaning ascribed to that term in the Preamble;

"Causes of Action" of a Vendor means the Vendor's interests in any and all causes of actions and rights of recovery existing or accruing before the Closing other than any cause of action or right of recovery related solely to the Excluded Assets;

"CCAA" has the meaning ascribed to that term in the second recital hereof;

"CCAA Court" has the meaning ascribed to that term in the second recital hereof;

"CCAA Proceeding" has the meaning ascribed to that term in the second recital hereto;

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §§9601 *et seq*;

"Clean Air Act" means the Clean Air Act, 42 U.S.C. §§ 7401 *et seq*;

"Closing" means the completion of the transactions referred to in this Agreement pursuant to Sections 12.02 through 12.07;

"Closing Date" means the day of Closing;

"Collateral" means any asset, interest, right or property, whether real, personal or mixed;

"Competition Act" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

"Competition Commissioner" means the Commissioner of Competition appointed under the Competition Act;

"Consent" means any consent, approval, authorization, clearance, exception, waiver or similar affirmation by any Person pursuant to any Contract, Law, Order or Permit;

"Consent Agreement" has the meaning ascribed to that term in Section 1.03;

"Contract(s)" of a Grant Entity means all the Grant Entity's purchase orders, contracts, agreements, instruments, licenses and other legally binding commitments or arrangements, written or oral, including any amendments, extensions and renewals thereof, entered into by (i) a Vendor in respect of Purchased Assets and the Businesses of the Canadian Applicants and listed in Schedule 2 attached hereto or (ii) any of the U.S. Applicants;

"Criminal Penalty" shall mean any (i) criminal penalty, criminal fine or similar criminal Liability, in each case, imposed upon any Person for such Person's actions, omissions or violations in

connection with the Purchased Assets or the U.S. Applicants and, requiring the payment of more than US\$3,000,000 per occurrence or series of related occurrences or (ii) (A) felony criminal jail sentence in the United States or (B) criminal jail sentence involving incarceration of more than one (1) year outside of the United States;

"Debt Instrument" means any note, debenture, bond, equipment trust agreement, letter of credit agreement, loan agreement, or other contract for the borrowing of money or agreement or arrangement for a line of credit or guarantee, pledge, or undertaking of the Indebtedness of any other Person;

"Deemed Cost Addition" has the meaning ascribed to that term in Section 10.10(e)(ii);

"Default" means (a) any breach or violation of, default under, contravention of, or conflict with, any Contract, Law, Order, or Permit, (b) any occurrence of any event that with the passage of time or the giving of notice or both would constitute a breach or violation of, default under, contravention of, or conflict with, any Contract, Law, Order, or Permit, or (c) any occurrence of any event that with or without the passage of time or the giving of notice would give rise to a right of any Person to exercise any remedy or obtain any relief under, terminate or revoke, suspend, cancel, or modify or change the current terms of, or renegotiate, or to accelerate the maturity or performance of, or to increase or impose any Liability under, any Contract, Law, Order, or Permit;

"Delaware Partnership Act" means the provisions of the Delaware Revised Uniform Partnership Act (6 Del. C. § 15-101 *et seq.*), as amended;

"Employee Benefit Plan" means each pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, share purchase, severance pay, vacation, bonus, retention, change in control or other incentive plan, medical, vision, dental or other health plan, any life insurance plan, flexible spending account, cafeteria plan, vacation, holiday, disability or any other employee benefit plan or fringe benefit plan, including any "employee benefit plan," as that term is defined in Section 3(3) of ERISA and any other plan, fund, policy, program, practice, custom understanding or arrangement providing compensation or other benefits, whether or not such Employee Benefit Plan is or is intended to be (A) covered or qualified under the Internal Revenue Code, ERISA, Income Tax Act, Pension Benefits Act (Ontario) or any other applicable Law, (B) written or oral, (C) funded or unfunded, (D) actual or contingent or (E) arrived at through collective bargaining or otherwise. For clarity, the term Employee Benefit Plan includes, but is not limited to, the Canada Pension Plan, the Ontario Health Insurance Plan, and other similar health and benefit plans established in Canada pursuant to statute;

"Environmental Law" means any and all Laws, Orders, field alerts and agreements with Governmental Authorities (including, without limitation, agency rules, regulations, and guidance having the force of law), relating to pollution, enhancement or protection of human, public or occupational health and safety of the environment (being all components of the earth including all layers of the atmosphere, air, surface water, ground water, land surface, or subsurface strata, organic and inorganic matter, living organisms), or emissions, discharges, releases, or threatened releases of, or the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or release of any Hazardous Material, on or offsite including, and by way of example, (A) CERCLA; (B) RCRA; (C) the Emergency Planning and Community Right to Know Act (42 U.S.C. §§11001 *et seq.*); (D) the Clean Air Act; (E) the Clean Water Act (33 U.S.C. I 1251 *et seq.*); (F) the Toxic Substances Control Act (15 U.S.C. I 2601 *et seq.*); (G) the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 *et seq.*); (H) the Safe Drinking Water Act (41 U.S.C. I 300f *et seq.*); (I) any state, county, municipal or local Laws similar or analogous to the federal Laws listed in parts (A)-(H) of this subparagraph, (J) any Canadian federal or province of Ontario Laws, Orders, field alerts or agreements with Governmental Authorities similar or analogous to the U.S. federal

statutes listed in parts (A)-(H) of this subparagraph; (K) any amendments to the Laws listed in parts (A)-(J) of this subparagraph, (L) any Laws or Orders adopted pursuant to or implementing the Laws listed in parts (A)-(K) of this subparagraph; and (M) any other Law or Order in effect relating to pollution or environmental protection matters;

“Environmental Permits” means applicable permits, licenses, approvals, Consents, Orders, and authorizations which are required under applicable Environmental Laws in connection with the Businesses or the ownership, use, or lease of the Purchased Assets;

“Equipment” means all machinery, equipment, furniture, tools, computers, terminals, computer equipment, office equipment, business machines, telephones and telephone systems, parts, accessories, and the like, wherever located, and any and all assignable warranties of Third Parties with respect thereto;

“Equipment Operating Leases” of a Grant Entity means all the Grant Entity’s operating leases of equipment or other personal property used in the Businesses to which the Grant Entity is a lessee or under which the Grant Entity has rights as lessee and listed on Schedule 3 attached hereto but excluding: (i) all leases with respect to which the lessee is, in accordance with GAAP, required concurrently to recognize the acquisition of an asset and the incurrence of a liability; and (ii) all leases solely relating to Excluded Assets;

“Equity Interests” means all of the capital stock, membership interests, partnership interests, limited partnership interests or other securities or equity interests of a Grant Entity (other than Grant Forest Products Inc.);

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended;

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is under common control, or that is treated as a single employer, with any Grant Entity under Section 414(b), (c), (m), (n) or (o) of the Code or Section 4001(b) of ERISA;

“Escrow Agent” means Ernst & Young Inc.;

“Excluded Assets” has the meaning ascribed to that term in Section 3.02;

“Excluded Liabilities” has the meaning ascribed to that term in Section 3.03;

“Excluded Permits” means the Permits, Licenses and Deposits described on Schedule 20;

“Final Order” means an Order as to which (i) the time to appeal has expired and no notice of appeal, application for leave to appeal or appeal has been filed within the time permitted or (ii) if a notice of appeal or appeal was timely filed, the appeal (including any further or related appeal, petition, proceeding or writ) has been fully and finally resolved on terms that have not modified or altered the Order as originally made or entered or modified or altered any party’s rights or duties (unless such change or alteration is not substantive or adverse to Purchasers in any way or is approved by the Purchasers, in each case in their sole and absolute discretion) and the time for any further appeal, leave to appeal application for petition, proceeding or writ has expired;

“Financial Statements” means the audited consolidated balance sheets and related statements of income and cash flows of the Grant Entities as of December 31, 2007 and 2006 and for the fiscal years then ended, the unaudited consolidated balance sheets and related statements of income and cash flows of the Grant Entities as of December 31, 2008 and for the fiscal year then ended, and the unaudited

consolidated balance sheets and related statements of income of the Grant Entities prepared by a Grant Entity as at and for the nine months ended September 30, 2009;

"First and Second Lien Lenders' Liability" means collectively, the First Lien Lenders' Liability and the Second Lien Lenders' Liability;

"First Lien Credit Agreement" means the credit agreement made as of October 26, 2005 among Grant Forest Products Inc. and the Grant Partnership as borrowers, Grant Forest Product Sales Inc., Grant Alberta Inc., Southeast Properties Inc., Grant Allendale Inc., and Grant Clarendon Inc. and Grant US Sales Inc., as guarantors and The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC, as agents and the lenders from time to time party thereto, as amended from time to time;

"First Lien Lenders" means all Lenders (as defined by the First Lien Credit Agreement);

"First Lien Lenders' Agent" means collectively The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC as agents for the First Lien Lenders and their respective successors and assigns as such agents;

"First Lien Lenders' Liability" means the First Lien Obligations, as that term is defined in the Intercreditor Agreement (but without regard to the Cap Amount, as that term is defined in the Intercreditor Agreement), owing at the Closing Date by the U.S. Applicants (or any one or more of them);

"First Lien Loan Documents" has the meaning ascribed to that term in the Intercreditor Agreement;

"Forest Management Companies" has the meaning ascribed to that term by Section 7.01(b);

"FSC" has the meaning ascribed to that term in Section 10.10(e)(i)(B);

"GAAP" means generally accepted accounting principles as employed in Canada on June 30, 2009 applied consistently with prior periods and with the Vendors' and the U.S. Applicants' historical practices and methods;

"Goodwill" of a Vendor means all the Vendor's goodwill as at the Closing Date, together with the right of the Canadian Purchaser to represent itself as carrying on the Businesses in succession to the Vendors and the right of a Vendor to use any words indicating that the Businesses are so carried on, including the Vendor's non-exclusive right to use the name "Grant Forest Products", or any variation thereof, as part of the name or style under which the Businesses or any part thereof are carried on by the Canadian Purchaser;

"Governmental Authority" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal and any governmental agency, ministry, department, Tribunal, commission, court, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government;

"Grant Confidential Information" has the meaning ascribed to that term by Section 15.01(b);

"Grant Entities" has the meaning ascribed to that term in the Preamble;

"Grant Partnership" has the meaning ascribed to that term in the Preamble;

“Grant U.S. Intellectual Property” means (i) all Intellectual Property used, licensed, or distributed by the U.S. Applicants in the conduct of their Businesses, whether owned by or licensed to a U.S. Applicant, and (ii) all other Intellectual Property owned (in whole or in part) by any U.S. Applicant;

“Group Working Capital Amount” means the total amount, determined on a consolidated basis, of the current assets of the Grant Entities including cash, cash equivalents, Inventory, Accounts Receivable and Prepaid Expenses (other than Inventory, Accounts Receivable and Prepaid Expenses relating to Excluded Assets) of the Grant Entities, less the cash and cash equivalents of the Vendors and less the total amount, determined on an unconsolidated basis and without duplication, of the current Liabilities of the Grant Partnership and its Subsidiaries all in accordance with the principles described in Schedule 4;

“GST” means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15 and the regulations made thereunder; and **“GST Legislation”** means such act and regulations collectively;

“Hazardous Materials” means any chemical, substance, waste, material, pollutant, or contaminant or any combination thereof defined as or deemed hazardous, hazardous waste, designated waste, special waste, toxic or pollutant, or otherwise regulated under any Environmental Law, including, without limitation, RCRA hazardous wastes, CERCLA hazardous substances, oil and petroleum products or byproducts and any constituents thereof, urea formaldehyde insulation, mold, lead in paint or drinking water, radon, asbestos, and polychlorinated biphenyls (PCBs) in each case, whether or not defined as hazardous under any Environmental Law;

“Hazardous Waste Information Network” means a web-based system that allows generators, carriers, and receivers to register online their activities with the Ministry of the Environment online, and enables users to pay the generator registration fee and to create and process electronic manifests over the internet;

“Hedging Arrangement” of a Grant Entity means, any arrangement or transaction entered into by a Vendor or U.S. Applicant that is a rate swap transaction, basis swap, forward rate transaction, equity or equity index swap or option, commodity hedge arrangement, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations;

“HSR Act” means Section 7A of the Clayton Act, as added by Title II of the *Hart-Scott Rodino Antitrust Improvements Act* of 1976, as amended, and the rules and regulations promulgated thereunder;

“Holdback Period” has the meaning ascribed to that term in Section 10.10(c);

“Immigration Laws” means the Immigration Reform and Control Act of 1986, the Immigration and Refugee Protection Act (Canada), and any and the rules and regulations promulgated thereunder;

“Income Tax Act” means, collectively, the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c. 1, the Income Tax Application Rules, R.S.C. 1985 (5th Supp.), c. 2, and the Income Tax Regulations, C.R.C., c.945, in each case as amended to the date hereof;

“Indebtedness” means, for any Person without double counting, (a) all indebtedness or other obligations, including any guaranties, of such Person for borrowed money or for the deferred purchase

price of property or services, (b) all indebtedness created or arising under any Lien with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (c) all obligations under leases that are or should be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable as lessee, (d) liabilities in respect of unfunded vested benefits under any Employee Benefit Plan and (e) all obligations owed pursuant to any interest rate Hedging Arrangement;

"Initial Order" means the order of the CCAA Court dated June 25, 2009, with respect to the Canadian Applicants;

"Insolvency Defaults" has the meaning ascribed to that term in Section 7.08(b);

"Insurance Policies" has the meaning ascribed to that term by Section 7.17;

"Intellectual Property" of a Grant Entity means all the Grant Entity's intellectual property including:

- (a) all trade-marks, trade names, designs, graphics, slogans, logos, service marks, brand names, internet domain names, telephone numbers, facsimile numbers and directory listings and other commercial symbols and all registrations and applications therefor;
- (b) all patents, patent rights (including divisions, reissues, renewals, re-examinations, continuations, continuations in part and extensions) and all applications therefor;
- (c) all copyrights, writings and other copyrightable works of authorship, including computer software, programs, databases and documentation therefor, integrated circuit topographies, industrial designs and other industrial property rights and all applications and registrations therefor and all renewals or extensions of such applications and registrations;
- (d) all proprietary and non-public business information, including know-how, trade secrets, improvements, concepts, ideas, technical data, drawings, specifications therefor, business methodologies and processes, confidential information and any licensed property or technology; and
- (e) all computer software used by or relating to the Businesses, including the source code and all associated documentation for all software other than "off-the-shelf" software, and all rights under licences, and other agreements and instruments relating thereto,

as at the Closing Date, including such property listed in Schedule 5 attached hereto;

"Intercreditor Agreement" means the intercreditor agreement dated as of March 21, 2007, among Grant Forest Products Inc., Grant U.S. Holdings LLP, the other grantors signatory thereto, The Toronto-Dominion Bank, as collateral agent for the First Lien Lenders and Toronto Dominion (Texas) LLC, as collateral agent for the Second Lien Lenders, and including any amendment thereof;

"Interested Person" has the meaning ascribed to that term in Section 8.09;

"Interim Financial Statements" means the monthly unaudited balance sheets and related statements of income of the Vendors prepared by a Grant Entity, beginning with the period ended July 31, 2009;

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder;

“Inventories” of a Grant Entity means all the Grant Entity’s inventories of every kind and nature and wheresoever situated used by the Grant Entity in the Businesses and owned by and in the possession or control of the Grant Entity on the Closing Date, including all finished goods, work in process, raw materials, spare parts in equipment (unless included in Machinery and Equipment), new and unused production and shipping supplies, new and unused major maintenance items and all other materials and supplies on hand on the Closing Date;

“Investment Canada Act” means the *Investment Canada Act*, R.S.C., 1985, c.28 (1st Supp.), as amended;

“IRS” means the Internal Revenue Service of the United States of America;

“Knowledge” and the phrases “to the Knowledge of,” and any other similar phrases as used with respect to a Grant Entity or a Vendor or the Vendors (including references to such Grant Entity or Vendor being aware of a particular matter) means the knowledge of Peter Lynch, Kyle Sinclair and Jim Lake and in addition, for the purposes of the following representations and warranties, means the knowledge of the following persons:

- Sections 7.11, 7.18 and 8.11 – Bob Fleet
- Sections 7.08 and 8.08 – Bill Chalmers
- Section 7.18 - Dan Dedo
- Article 8 -- Scott Pearson
- Section 7.04(b) – J. Pascoli and Gary Lafrance
- Section 7.11 – Ed Griffin
- Section 8.04(b) – Jim Heinemann and Chad Eisner
- Section 8.11 – Ed Griffin;

“Labor Claims” means claims, investigations, charges, citations, hearings, consent decrees, or litigation concerning: wages, compensation, bonuses, commissions, awards, or payroll deductions; equal employment or human rights violations regarding race, color, religion, sex, national origin, age, handicap, veteran’s status, marital status, disability, or any other recognized class, status, or attribute under any federal, provincial, state, local or foreign equal employment law prohibiting discrimination; representation petitions or unfair labor practices; grievances or arbitrations pursuant to current or expired collective bargaining agreements; occupational safety and health; workers’ compensation; wrongful termination, negligent hiring, invasion of privacy or defamation; immigration or any other claim based on the employment relationship or termination of the employment relationship;

“Law” means any domestic or foreign by-law (zoning or otherwise), code, directive, law (including common law), Order, ordinance, regulation, reporting or licensing requirement, rule, statute, treaty (to the extent having the force of law), in each case, of a Governmental Authority applicable to a Person or its assets, Liabilities, or business, property, transaction or event (to the extent having the force of law), including, to the extent having the force of law, policies, guidelines, notices and protocols of any Governmental Authority;

“Legal Proceeding” means any litigation, legal action, suit, prosecution, compliance or enforcement action, governmental investigation (of which the Vendors have Knowledge), hearing, served claim for lien, grievance, arbitration proceeding or other proceeding and includes any appeal or review and any application for same;

“Liability” means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, cost or expense (including costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills, checks, and drafts presented for collection or deposit in the Ordinary Course of Business) of any type, secured or unsecured whether accrued, absolute or contingent, direct or indirect, liquidated or unliquidated, matured or unmatured, known or unknown or otherwise;

“Lien” means any conditional sale agreement, covenant, default of title, easement, encroachment, encumbrance, guaranty, hypothecation, infringement, lien, mortgage, pledge, reservation, restriction, right of way, security interest, title retention or other security arrangement, construction lien or any adverse right or interest, charge, or claim of any nature whatsoever including, without limitation, any lien, charge, trust or encumbrance arising under or pursuant to any Law, of, on, or with respect to any property or property interest, other than Permitted Encumbrances;

“Losses” means, with respect to any failure to meet any of the Threshold Conditions or in the determination of whether there has occurred any Material Adverse Effect or Material Adverse Change, the total amount (without duplication) of;

- (a) direct losses and damages (including out-of-pocket expenses), including any losses or damages arising from claims of Third Parties which may include fines, penalties, and punitive, exemplary and consequential damages and any out-of-pocket expenses associated with such Third Party claims;
- (b) the diminution in the value of applicable assets; and
- (c) the present value of lost after-tax profits (determined based on a discount rate equivalent to the Canadian prime lending rate of Bank of Montreal as at the date of determination and assuming a tax rate of [REDACTED] and for greater certainty no inquiry shall be made of the actual tax rate applicable to the Businesses or the Purchasers),

which are or will be incurred or suffered by a Purchaser following the Closing and caused by or arising as a direct result of the failure to meet a Threshold Condition, or, if applicable, the occurrence of a Material Adverse Effect or Material Adverse Change and further provided that:

- (i) Losses related to a Threshold Condition (A) shall be calculated by deducting all insurance proceeds received on Closing by Purchasers (or to be received after Closing and appropriately reduced to take into account the likelihood of receipt, historical recovery levels of insurance proceeds from insurance claims made by insureds in the timber industry, and discount for future receipt) with respect to any such losses, damages, diminution in value or lost profits, and (B) shall be determined by the arbitrator in accordance with Section 11.04(c); and
- (ii) Losses calculated to determine whether there has occurred a Material Adverse Effect or Material Adverse Change (A) shall be calculated less insurance proceeds received on Closing by the Purchasers, and (B) shall be determined by the CCAA Court;

“Losses Statement” has the meaning ascribed to that term in Section 11.04(c);

“Machinery and Equipment” of a Grant Entity means all the Grant Entity’s machinery, equipment (including trucks, cars and other vehicles), spare parts, tools, jigs, dies, office equipment

(including computers, computer hardware, computer software and computer accessories, including those listed in Schedule 21), furniture, fixtures and furnishings of all kinds used in the Businesses and in the possession or control of the Grant Entity on the Closing Date, or not used in the Businesses on the Closing Date but so used at any time since June 30, 2008 (unless disposed of in the Ordinary Course of Business after June 30, 2008), and excluding the equipment previously sold (and so identified on Schedule 13) and either owned by the Grant Entity or in which the Grant Entity has an interest, including the items referred to in Schedule 13 but, for greater certainty, excluding Inventories;

"Major Conditions Satisfaction Date" means the date on which the conditions precedent specified in Sections 11.01(c), (d), (f), (g), (h), (k), (m) and (n), 11.02(d), (e), (f), (g) and (h) and 11.03(d), (e) and (f) have been satisfied (or, in the Vendors' view, will be satisfied on Closing);

"Material Adverse Effect" or "Material Adverse Change" when used in connection with a Party means any single (or series of related) change, event, violation, or circumstance after the date of this Agreement the effect of which is adverse to (A) the property, business, operations, assets (tangible and intangible), or financial condition of the Grant Entities, taken as a whole or (B) the ability of such Party to perform any of its material obligations under this Agreement, and in respect of which the Losses caused by either or both of the foregoing (A) and (B) are equal to or greater than US\$ [REDACTED] provided that the following shall not be considered when determining whether a Material Adverse Effect or a Material Adverse Change has occurred: any effect resulting from (i) any change in economic conditions or financial markets generally or in the industry in which the Grant Entities operate; (ii) any change, including in the financial condition or results of operation of the Grant Entities, caused by the announcement or disclosure of the transactions contemplated herein and the pending nature of such transactions prior to the date hereof; (iii) any actions to be taken pursuant to this Agreement; or (iv) any change in applicable Law, GAAP or political conditions; provided that none of the foregoing exclusions shall diminish or impact the closing conditions other than the condition set out in Section 11.01(j);

"Material Contracts" means the Canadian Material Contracts and the U.S. Material Contracts;

"Monitor" has the meaning ascribed to that term in the second recital hereof;

"Monitor's Certificate" is the certificate to be delivered by the Monitor to the Purchasers and filed by the Monitor with the CCAA Court, confirming that (i) the Purchasers have paid, and the Monitor has received payment of, the Purchase Price in relation to the purchase by the Purchasers of the Purchased Assets and the Partnership Interests Acquisition Price in relation to the acquisition by the Purchasers of the Partnership Interests; and (ii) the conditions to Closing as set out in Article 11 and in Sections 12.01 to 12.07 of Article 12 of this Agreement have been satisfied or waived by the Vendors, the Grant Partnership, and the Purchasers, as applicable;

"Neutral Third Party" has the meaning ascribed to that term in Section 11.04(c);

"Order" means any decree, injunction, judgment, order, ruling, writ, quasi-judicial decision or award or administrative decision or award of any Governmental Authority to which any Person is a party or that is or may be binding on any Person or its securities, assets or business;

"Ordinary Course of Business" means the following: an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action: (A) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person; (B) does not require authorization by the board of directors or shareholders, partners, limited partners, or members of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special

authorization of any nature; and (C) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person;

"Organizational Documents" means (a) the articles of incorporation or formation, the certificate of incorporation or formation, the bylaws of a corporation and the operating agreement of a limited liability company; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; (e) any management agreement related to any of the foregoing; and (f) any amendment to any of the foregoing;

"Original Confidentiality Agreement" means the confidentiality agreement dated July 14, 2009, entered into by Grant Forest Products Inc. and confirmed and agreed to by Georgia-Pacific LLC on July 16, 2009 in connection with the transactions contemplated hereunder;

"Other Payables Escrow Agreement" has the meaning ascribed to that term in Section 5.02(c) in the form attached hereto as Exhibit H;

"Other Payables Escrow Amount" has the meaning ascribed to that term in Section 5.02(c);

"Partnership Agreement" has the meaning ascribed to that term by Section 4.01(a);

"Partnership Interests" means the partnership interests in the Grant Partnership;

"Partnership Interests Acquisition Price" means the amount payable by the U.S. Purchaser and the Additional U.S. Purchaser to the Grant Partnership pursuant to this Agreement to acquire the Purchasers' Partnership Interests from the Grant Partnership;

"Partners" has the meaning ascribed to that term in Section 11.01(q);

"Party" means any party hereto and **"Parties"** means all parties hereto;

"Permit" means any Governmental Authority approval, authorization, certificate, easement, filing, franchise, license, notice, permit, or right to which any Person is a party or that is or may be binding upon or inure to the benefit of any Person or its securities, assets, or business (other than the Excluded Permits);

"Permits, Licenses and Deposits" of a Grant Entity means all the Grant Entity's Permits, licenses, financial assurances in favour of Governmental Authorities, security deposits, approvals and authorizations (other than the Excluded Permits);

"Permitted Encumbrances" means Liens listed on Schedule 7;

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, limited liability partnership, joint venture, estate, trust, business association, organization, labor union, group acting in concert, person acting in a representative capacity, or other legal or commercial entity or Governmental Authority;

"Prepaid Expenses" of a Vendor means all the Vendor's prepaid expenses relating to the Businesses as at the Closing Date;

"Priority Liens and Claims" means the Liens described on Schedule 17;

"Private Purchase Deficiency" has the meaning ascribed to that term in Section 10.10(e)(ii);

"Product Insurance Policies" means those Insurance Policies that provide insurance for liabilities arising from products or services provided by (i) a Vendor or its predecessors, or (ii) any of the U.S. Applicants;

"Purchaser Confidential Information" has the meaning ascribed to that term by Section 15.01(b);

"Purchasers" has the meaning ascribed to that term in the Preamble;

"Purchasers' Partnership Interests" means the Partnership Interests to be acquired by the U.S. Purchaser and the Additional U.S. Purchaser on Closing pursuant to this Agreement;

"Purchase Price" has the meaning ascribed to that term in Section 5.01;

"Purchased Assets" has the meaning ascribed to that term by Section 3.01;

"RCRA" means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§6901 et seq.;

"Real Property" means the real property referred to in Schedule 8 together with the buildings, structures, improvements and appurtenances situated thereon;

"Real Property Leases" means any real estate leases (including, any assignment of a real estate lease or sublease) pursuant to which the Grant Entities leased any leased premises, and any and all assignable warranties of Third Parties with respect thereto, and any amendments, extensions and renewals of such real estate leases;

"Real Property Taxes" means all ad valorem or realty taxes imposed upon the Real Property whether payable in full or by instalments prior to the Closing Date;

"Related Person" means with respect to a particular individual: (A) each other member of such individual's Family; (B) any Person that is directly or indirectly controlled by any one or more members of such individual's Family; (C) any Person in which members of such individual's Family hold (individually or in the aggregate) a Material Interest; and (D) any Person with respect to which one or more members of such individual's Family serves as a director, officer, partner, executor or trustee (or in a similar capacity). With respect to a specified Person other than an individual: (aa) any Person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with such specified Person; (bb) any Person that holds a Material Interest in such specified Person; (cc) each Person that serves as a director, officer, partner, executor or trustee of such specified Person (or in a similar capacity); (dd) any Person in which such specified Person holds a Material Interest; and (ee) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity). For purposes of this definition, (I) "control" (including "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall be construed as such term is used in the rules promulgated under the Securities Act; (II) the "Family" of an individual includes (1) the individual, (2) the individual's spouse, (3) any other natural person who is the parent, child,

grandparent, grandchild or sibling of the individual or the individual's spouse and (4) any other natural person who resides with such individual; and (III) "**Material Interest**" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of voting securities or other voting interests representing at least five percent (5%) of the outstanding voting power of a Person or equity securities or other Equity Interests representing at least five percent (5%) of the outstanding equity securities or Equity Interests in a Person;

"**Release Agreement**" has the meaning ascribed to that term in Section 10.12, in the form of Exhibit D attached hereto;

"**Release and Discharge Agreement**" shall mean that certain agreement in the form attached hereto as Exhibit E;

"**Representative**" means, in respect of a Person, each director, officer, employee, agent, solicitor, attorney, accountant, professional advisor and other representative of such Person;

"**Required Consents**" means the third party consents and approvals listed in Schedule 9 attached hereto, each in form and substance satisfactory to the Purchasers, acting reasonably;

"**RST**" means taxes, interest and penalties imposed under the *Retail Sales Tax Act*, R.S.O. 1990, c. R.31 and the regulations made thereunder;

"**SCDHEC**" has the meaning ascribed to that term in Section 8.11(a)(iv);

"**Second Lien Credit Agreement**" means the Second Lien Credit Agreement made as of March 21, 2007, among the Grant Partnership, as borrower, Grant Forest Products Inc., Grant Forest Product Sales Inc., Grant Alberta Inc., Southeast Properties Inc., Grant Allendale Inc. and Grant Clarendon Inc. and Grant US Sales Inc., as guarantors, The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC, as agents and the lenders, as amended from time to time;

"**Second Lien Lenders**" means the Lenders (as defined by the Second Lien Credit Agreement);

"**Second Lien Lenders' Agent**" means The Bank of New York Mellon as agent for the Second Lien Lenders, and its successors and assigns as such agent;

"**Second Lien Lenders' Liability**" means the Second Lien Obligations, as that term is defined in the Intercreditor Agreement, owing at the Closing Date by the U.S. Applicants (or any one or more of them);

"**Second Lien Loan Documents**" has the meaning ascribed to that term in the Intercreditor Agreement;

"**Shared Contract**" has the meaning ascribed to that term in Section 10.07(c);

"**Shares**" of a Vendor means all the Vendor's interests in shares of any corporation that holds a sustainable forest license or interest in any partnership that holds a sustainable forest license including the Forest Management Companies but, for the purposes of clarification, excluding the Vendors' Partnership Interests and Grant Forest Products Inc.'s shares in Grant Forest Product Sales Inc., Footner Forest Products Ltd., Grant Equipment Corp, or Grant Alberta Inc.;

"Subsidiary" of a Person means any business entity of which the Person either (A) owns or controls 50% or more of the outstanding equity securities, either directly or indirectly, (provided, there shall not be included any such entity the equity securities of which are owned or controlled in a fiduciary capacity), (B) in the case of partnerships, serves as a general partner, (C) in the case of a limited liability company, serves as a managing member, or (D) otherwise has the ability to elect a majority of the directors, trustees, managing members or others thereof;

"Target Working Capital Amount" means \$[REDACTED], the Group Working Capital Amount on July 31, 2009 determined based on the applicable financial statements of Grant Forest Products Inc. and its subsidiaries as at July 31, 2009 less the cash and cash equivalents of the U.S. Applicants as at July 31, 2009 and the details of which are set out in Schedule 4;

"Tax" or "Taxes" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation including United States or Canadian federal, provincial, state, territorial, county, municipal and local, foreign or other income, gross receipts, capital, GST, RST, goods and services, employment, sales, use, transfer, license, payroll, franchise, severance, stamp, occupation, windfall profits, environmental, federal highway use, commercial rent, customs duties, capital stock, paid-up capital, profits, consumption, excise, value-added, business, real property, personal property, transfer, franchise, withholding, payroll, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, Social Security, single business and unemployment, disability, Real Property Taxes, personal property, registration, ad valorem, goods and services, harmonized sales, alternative or add-on minimum, estimated, employment insurance premiums, provincial workers' compensation payments or other tax or governmental fee of any kind whatsoever, including any interest, penalties and fines associated therewith and additions imposed thereon or with respect thereto, and including any transferee, successor or secondary liability in respect of any tax (whether imposed by law, contractual agreement or otherwise) and any liability in respect of any tax as a result of being a member of any affiliated, consolidated, combined, unitary or similar group;

"Tax Legislation" means, collectively, the Income Tax Act, the GST Legislation, the Internal Revenue Code and all federal, provincial, state, territorial, county, municipal, local, foreign, or other statutes imposing a Tax, including all treaties, conventions, rules, regulations, orders, and decrees of any jurisdiction;

"Tax Refund Transfers" means the transfer from Grant Forest Products Inc. to Peter Grant Sr. of the Sold 2009 Refund (as defined in the tax refund purchase and sale agreement dated as of the 31st day of March, 2008 between Peter Grant Sr. and Grant Forest Products Inc.) in accordance with the endorsement of Justice Newbould of the CCAA Court dated October 13, 2009, and all payments made or to be made to Peter Grant Sr. with respect thereto;

"Tax Returns" means all reports, elections, returns, and other documents required to be filed under the provisions of any Tax Legislation and any tax forms required to be filed, whether in connection with a Tax Return or not, under any provisions of any applicable Tax Legislation;

"Taxing Authority" means the IRS, Canada Revenue Agency and any other federal, provincial, state, local or foreign Governmental Authority responsible for the administration of any Tax;

"Third Party" means any Person other than a Party;

"Threshold Conditions" has the meaning ascribed to that term in Section 11.04;

"Timber Escrow Agreement" has the meaning ascribed to that term in Section 5.02(a) in the form attached hereto as Exhibit F;

"Timber Escrow Amount" has the meaning ascribed to that term in Section 5.02(a);

"Timber Supply Allocation" has the meaning ascribed to that term in Section 10.10(b);

"Timber Supply Allocation Tenures Agreements" has the meaning ascribed to that term in Section 7.18(a);

"Time of Closing" means 10:00 o'clock in the morning Toronto time on the Closing Date, or such other time on the Closing Date as the Parties hereto agree that the Closing shall take place;

"Transfer Taxes" means all United States or Canadian federal, provincial, state, territorial, county, municipal and local Taxes levied on or measured by, or referred to as transfer, land transfer, registration charges, sales, retail sales (RST), goods and services (GST), use, consumption, harmonized sales, value-added, turnover, excise, stamp or other similar non-income based taxes;

"Tribunal" means any court (including a court of equity), agency, arbitrator or arbitration panel, tribunal and any other Governmental Authority, professional or business organization or association or other body exercising adjudicative, regulatory, judicial or quasi-judicial powers;

"Undisclosed Liabilities" means any Liability that is not fully reflected or that is not reserved against in the Financial Statements;

"U.S. Applicants" has the meaning ascribed to that term in the Preamble;

"U.S. Applicants Assumption Agreement" has the meaning ascribed to that term in Section 10.12;

"U.S. Bankruptcy Code" has the meaning ascribed to that term in the fourth recital hereof;

"U.S. Bankruptcy Court" has the meaning ascribed to that term in the fourth recital hereof;

"U.S. Bankruptcy Proceedings" has the meaning ascribed to that term in the fourth recital hereof;

"U.S. Employee Benefit Plan" has the meaning ascribed to that term in Section 8.15(a);

"U.S. Material Contracts" has the meaning ascribed to the term in Section 8.08(a);

"U.S. Order" has the meaning ascribed to that term in Section 10.03;

"U.S. Purchaser" has the meaning ascribed to that term in the Preamble;

"U.S. Real Property" has the meaning ascribed to that term in Section 8.10;

"Vehicles" means all motor vehicles, trucks, forklifts, and other rolling stock and all assignable warranties of Third Parties related thereto;

"Vendor Employees" has the meaning ascribed to that term by Section 7.14;

"Vendors" has the meaning ascribed to that term in the Preamble, but when used in Article 7 or Article 8, **"Vendors"** and **"Vendor"** exclude Grant Alberta Inc.;

"Vendors' Interest" means all the right, title and interest of the Vendors;

"Vendor Intellectual Property" means (i) all Intellectual Property used, licensed, or distributed by the Vendors in the conduct of their Businesses, whether owned by or licensed to a Vendor, and (ii) all Intellectual Property owned (in whole or in part) by any Vendor;

"Vendors' Partnership Interests" means the Partnership Interests held by Grant Forest Products Inc. and Grant Alberta Inc. to be surrendered by them and cancelled on Closing pursuant to this Agreement;

"Working Capital Closing Estimate" means the estimate referred to in Section 13.01(a) of the Group Working Capital Amount as at the Closing Date;

"Working Capital Closing Schedule" means the schedule referred to in Section 13.01(b) specifying the actual Group Working Capital Amount as at the Closing Date;

"Working Capital Escrow Agreement" has the meaning ascribed to that term in Section 5.02(b), in the form attached hereto Exhibit I; and

"Working Capital Escrow Amount" has the meaning ascribed to that term in Section 5.02(b).

Section 1.02 Currency

Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean Canadian dollars. In the event that any calculation contemplated by this Agreement is completed in any other currency, the amount payable hereunder as a result of such calculation shall be converted to the applicable currency using the Bank of Canada noon spot rate on the effective date of such calculation.

Section 1.03 Entire Agreement; Amendment; Waiver

This Agreement constitutes the entire agreement among the Parties with respect to its subject matter, and supersedes any and all prior negotiations, understandings and agreements between the Parties; provided that this Agreement shall not operate so as to supersede the first exclusivity agreement dated October 20, 2009 (as amended previously and on the date hereof), the Original Confidentiality Agreement, or the Consent Agreement of even date hereof (the **"Consent Agreement"**) by and among the Purchasers and the First Lien Lenders' Agent (and acknowledged by the Grant Entities), which agreements shall remain unaffected hereby and legal and binding as between the Parties thereto. This Agreement may not be amended or modified in any respect except by written agreement signed by all the Parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby.

Section 1.04 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another

jurisdiction). Each Party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any dispute between the Parties regarding the interpretation and/or application of any term of this Agreement.

Section 1.05 Singular, Plural and Gender

Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

Section 1.06 Certain Words

In this Agreement, the words "including" and "includes" means "including (or includes) without limitation".

Section 1.07 Headings

The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation hereof.

Section 1.08 Schedules and Exhibits

The Schedules, Disclosure Schedules and Exhibits are attached to and incorporated in this Agreement by reference and deemed to be a part hereof.

**ARTICLE 2
APPROVAL ORDERS**

Section 2.01 Court Orders Required

The Parties hereto acknowledge that this Agreement contains a condition that, prior to the Closing, the Vendors, the U.S. Applicants, or the First Lien Lenders' Agent shall have obtained:

- (a) the Canadian Order, in the form of a Final Order; and
- (b) the U.S. Order, in the form of a Final Order.

**ARTICLE 3
PURCHASE AND SALE OF PURCHASED ASSETS AND ASSUMPTION OF LIABILITIES**

Section 3.01 Purchase and Sale of Purchased Assets

Subject to the provisions of this Agreement, each Vendor hereby agrees to sell, assign and transfer to the Canadian Purchaser, and the Canadian Purchaser hereby agrees to purchase from such Vendor at the Time of Closing, all of such Vendor's Interest in and to the following assets, property and undertaking of such Vendor (collectively, the "Purchased Assets"):

- (a) the Machinery and Equipment;
- (b) the Vendors' Contracts (including the Vendors' Insurance Policies listed in Schedule 2, and all of the Vendors' rights and interest under or pursuant to warranties, representations

and guaranties made by suppliers or others in connection with the Purchased Assets or otherwise arising from the operation of the Businesses);

- (c) the Accounts Receivable;
- (d) the Inventories;
- (e) the Causes of Action (including claims of any Vendor under any of the Insurance Policies), including any insurance or condemnation proceeds to be paid or payable to the Purchasers pursuant to Section 12.08 ;
- (f) the Vendors' Real Property;
- (g) the Shares;
- (h) the Equipment Operating Leases;
- (i) the Vendor Intellectual Property and associated Goodwill;
- (j) the Prepaid Expenses;
- (k) the Books and Records;
- (l) the Goodwill;
- (m) the Permits, Licenses and Deposits (other than the Excluded Permits);
- (n) demands of each Vendor (whether known or unknown, matured or unmatured, accrued or contingent), including rights to returned or repossessed goods and rights as an unpaid vendor; rights of recovery, rights of warranty and indemnity, rights of set-off and rights of recoupment;
- (o) the Uniform Product Code Symbols of each Vendor; and
- (p) the assets of the Pension Plan for the Hourly Employees of Grant Forest Products Inc. – Englehart Plant (Reg. #1013044).

Section 3.02 Excluded Assets

Notwithstanding anything to the contrary in Section 3.01 or elsewhere in this Agreement, the Purchased Assets shall not include any of the assets listed in Schedule 10 or Schedule 20 (collectively, the “Excluded Assets”). The Excluded Assets shall not form part of the purchase and sale contemplated hereunder and shall remain the property of the applicable Vendor after Closing.

Section 3.03 Assumption of Liabilities

The Canadian Purchaser shall assume and shall pay, discharge and perform all obligations to be performed by any of the Vendors arising on and after the Time of Closing (a) listed in Schedule 11(a) attached hereto but only to the extent such liabilities arise from or after the Time of Closing and (b) listed on Schedule 11(b) attached hereto to the extent such liabilities arose before, on or after the Time of Closing (collectively, the “Assumed Liabilities”); and the Canadian Purchaser shall not be liable for, or assume, any other liabilities, debts or obligations of any of the Vendors, whether past, present or future,

absolute or contingent. For greater certainty, in addition to those liabilities that are not Assumed Liabilities, the Canadian Purchaser shall not assume any of the liabilities not listed on Schedule 11(a) or Schedule 11(b) and shall not assume any of the liabilities listed in Schedule 12 attached hereto (the "Excluded Liabilities").

Section 3.04 No Representations and Warranties Survive Closing

Except as otherwise set out herein the Canadian Purchaser acknowledges that the Vendors are selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date. The Canadian Purchaser further acknowledges that it will conduct such inspections of the condition of and title to the Purchased Assets as it deems appropriate and that it will satisfy itself with regard to these matters. Except as expressly represented or warranted in this Agreement, no representation, warranty or condition is expressed or implied pursuant to this Agreement, any schedule to this Agreement (including any list of any Purchased Assets) or otherwise as to title, encumbrances, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendors to sell any Purchased Assets. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by the Vendors expressed or implied pursuant to the Sale of Goods Act (Ontario) or similar legislation in any other jurisdiction shall not apply hereto and are hereby waived by the Canadian Purchaser. Notwithstanding anything herein to the contrary, nothing herein shall affect the obligations and covenants of the Vendors set forth in Article 10 and Article 11 and the Vendors acknowledge and agree that as a condition to the Canadian Purchaser's obligation to acquire the Purchased Assets and proceed with the Closing, the conditions precedent to Closing in Article 11 shall have been satisfied or waived. Except as otherwise set forth herein, each Vendor on behalf of itself and each of its Affiliates acknowledges and agrees that no representation or warranty of the Purchasers shall survive the Closing.

**ARTICLE 4
ACQUISITION OF THE PURCHASERS' PARTNERSHIP INTERESTS**

Section 4.01 Agreement to Acquire Partnership Interests

- (a) Subject to the provisions of this Agreement, Grant Forest Products Inc. and Grant Alberta Inc. agree to take all action necessary under the Partnership Agreement of Grant Partnership (as amended and supplemented as of August 17, 2007, the "Partnership Agreement") and the Delaware Partnership Act:
 - (i) to admit (or to have the Grant Partnership admit) as partners of the Grant Partnership, the U.S. Purchaser and the Additional U.S. Purchaser;
 - (ii) to simultaneously withdraw as partners of the Grant Partnership; and
 - (iii) to simultaneously surrender the Vendors' Partnership Interests and cause them to be cancelled,

in each case, pursuant to the Amended and Restated Partnership Agreement attached hereto as Exhibit A.
- (b) Subject to the provisions of this Agreement, the Vendors and the Grant Partnership agree to take all action necessary under the Partnership Agreement and the Delaware Partnership Act:

- (i) to effect the admissions and withdrawals and the surrender and cancellation of the Vendors' Partnership Interests described in Subsection (a) above;
- (ii) to issue to the U.S. Purchaser, Partnership Interests comprising 99.99% of all Partnership Interests simultaneous with the cancellation of the Vendors' Partnership Interests; and
- (iii) to issue to the Additional U.S. Purchaser, Partnership Interests comprising 0.01% of all Partnership Interests simultaneous with the cancellation of the Vendors' Partnership Interests.

Section 4.02 No Representations or Warranties to Survive Closing

Except as otherwise provided herein the U.S. Purchaser and the Additional U.S. Purchaser acknowledge that they are acquiring the Purchasers' Partnership Interests on an "as is, where is" basis as they shall be issued on the Closing Date. Each of the U.S. Purchaser and the Additional U.S. Purchaser further acknowledge that it will conduct such inspections of the condition of and title to the Purchasers' Partnership Interests and the assets and liabilities of the Grant Partnership and the U.S. Applicants as it deems appropriate and that it will satisfy itself with respect to these matters. Except as expressly represented or warranted in this Agreement, no representation, warranty or condition is express or implied pursuant to this Agreement, any schedule to this Agreement or otherwise as to title, encumbrances, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect to any other matter or thing whatsoever concerning the Purchasers' Partnership Interests acquired by it, the right of the Grant Partnership to issue any Purchasers' Partnership Interest, or any asset or liability of the Grant Partnership or of any of its subsidiaries. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by the Grant Partnership or the Vendors, expressed or implied, pursuant to any legislation in any jurisdiction, shall not apply hereto and are hereby waived by the U.S. Purchaser and the Additional U.S. Purchaser. Notwithstanding anything herein to the contrary, nothing herein shall affect the obligations and covenants of the Grant Entities set forth in Article 10 and Article 11 and the Grant Entities acknowledge and agree that as a condition to the U.S. Purchaser's and the Additional U.S. Purchaser's obligation to acquire the Purchasers' Partnership Interests and proceed with the Closing, the conditions precedent to Closing in Article 11 shall have been satisfied or waived. Except as otherwise set forth herein each Grant Entity on behalf of itself and each of its Affiliates acknowledges and agrees that no representation or warranty of the Purchasers shall survive the Closing.

Section 4.03 Liabilities of U.S. Applicants

Subject to the U.S. Order, all Liabilities of the U.S. Applicants as at Closing, other than:

- (a) the First and Second Lien Lenders' Liability;
- (b) any Excluded Liabilities of a U.S. Applicant owing to a Vendor; and
- (c) all obligations and Liabilities of any U.S. Applicant to Grant Forest Products Inc. or any other Vendor,

shall remain Liabilities of the U.S. Applicants as at and from Closing to the same extent that those Liabilities may exist and subject to all available defenses and counter claims that exist and the Vendors shall have no payment obligation or other obligations with respect thereto, except as otherwise set forth herein. Subject to the Canadian Order being obtained and upon the

assumption by the Partnership Proceeds Trustee (as defined in the Canadian Order) of the Assumed Partnership Indebtedness (as defined in the Canadian Order) as required by the Canadian Order, all Liabilities, Indebtedness, and Liens against the Grant Partnership and the Collateral of the Grant Partnership (other than the Partnership Interests Acquisition Price) shall be released and discharged in their entirety by the Canadian Order.

ARTICLE 5

PURCHASE PRICE OF THE PURCHASED ASSETS

Section 5.01 Purchase Price

The purchase price (the "Purchase Price") for the Purchased Assets shall be US\$ [REDACTED]. The amount of the Purchase Price shall be adjusted in accordance with Section 5.02, Section 11.04 and Article 13 of this Agreement but no other adjustment to the Purchase Price shall be made.

Section 5.02 Payment of Purchase Price

On the Closing Date, the Canadian Purchaser shall pay the Purchase Price to the Monitor on behalf of the Vendors as follows:

- (a) the Canadian Purchaser shall pay the sum of US\$ [REDACTED] (the "Timber Escrow Amount") to be held in trust by the Escrow Agent pursuant to the Timber Escrow Agreement attached hereto as Exhibit F (the "Timber Escrow Agreement"), to be paid to the Canadian Purchaser or the Vendors, as the case be may, pursuant to Section 10.10 hereof and the terms of the Timber Escrow Agreement;
- (b) the Canadian Purchaser shall pay the sum of US\$ [REDACTED] (the "Working Capital Escrow Amount") to be held in trust by the Escrow Agent pursuant to the Working Capital Escrow Agreement attached hereto as Exhibit I (the "Working Capital Escrow Agreement"), to be paid to the Canadian Purchaser or the Vendors, as the case may be, pursuant to the terms of Article 13 hereof and the Working Capital Escrow Agreement;
- (c) the Canadian Purchaser shall pay the Other Payables Escrow Amount (in the amount specified by Section 10.11(a)) to be held in trust by the Escrow Agent pursuant to the Other Payables Escrow Agreement attached hereto as Exhibit H (the "Other Payables Escrow Agreement"), to be paid to (i) the Vendor employees hired by the Canadian Purchaser, (ii) post-filing creditors of the Vendors, or (iii) to the Vendors, as the case may be, pursuant to the terms of Section 10.11(a) hereof and the Other Payables Escrow Agreement; and
- (d) the Canadian Purchaser shall pay the balance of the Purchase Price to the Monitor on the Closing Date pursuant to Section 12.05, by wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing) no later than five (5) Business Days prior to the Closing.

Section 5.03 Allocation of Purchase Price

The Vendors and the Canadian Purchaser hereby agree to allocate the Purchase Price among the Purchased Assets as determined by the Canadian Purchaser in a commercially reasonable manner and communicated to the Vendors in writing prior to Closing (subject to any appropriate changes required to reflect adjustments to the Purchase Price made pursuant to Section 5.02, Section 11.04 and Article 13).

The Vendors and the Canadian Purchaser shall report the sale and purchase of the Purchased Assets for all Tax purposes in mutually agreeable form and in a manner consistent with such allocation, and shall take no position inconsistent with such allocation.

Section 5.04 Transfer Taxes

- (a) Subject to Section 5.04(b) below, the Canadian Purchaser shall be liable for and shall pay all Transfer Taxes exigible in connection with the transfer of the Purchased Assets to the Canadian Purchaser. The Canadian Purchaser shall pay to the Vendors at the Time of Closing, all applicable GST and RST payable in connection with the transfer of the Purchased Assets. Each of the Vendors covenants to remit any GST and RST that it receives from the Canadian Purchaser in accordance with this subsection (a) to the Canada Revenue Agency as required by GST Legislation or to the Ministry of Revenue (Ontario) as required by the *Retail Sales Tax Act* (Ontario), as applicable. The Canadian Purchaser shall at the Time of Closing pay directly to the appropriate Taxing Authority all other applicable Transfer Taxes including land transfer tax exigible in connection with the transfer of the Purchased Assets to the Canadian Purchaser and shall deliver to the Vendors, at the Closing or as soon as practicable thereafter, evidence to confirm the Canadian Purchaser's payment of the foregoing, in form and substance reasonably acceptable to the Vendors and their counsel in all respects. The Canadian Purchaser may provide the Vendors with applicable purchase exemption certificates with respect to any RST, which exemption certificates, if in form and substance acceptable to the Vendors and their counsel, acting reasonably, will be accepted by the Vendors in lieu of the Canadian Purchaser's payment of such tax. The Canadian Purchaser shall and hereby does indemnify and hold the Vendors harmless in respect of any Transfer Taxes, penalties and interest which may be assessed against the Vendors or either of the Vendors as a result of the sale of the Purchased Assets and the failure of the Canadian Purchaser to pay any and all of the Transfer Taxes payable in connection with the transfer of the Purchased Assets to the Canadian Purchaser, whether arising from a re-assessment or otherwise. The foregoing indemnification obligation shall survive the Closing.
- (b) If appropriate, the Vendors and the Canadian Purchaser shall jointly elect at Closing under subsection 167(1) of the GST Legislation such that no GST will be payable with respect to the sale and purchase of the Purchased Assets pursuant to this Agreement. If appropriate, each Vendor and the Canadian Purchaser shall make such election in the prescribed form containing prescribed information pursuant to the GST Legislation, the Canadian Purchaser and each Vendor shall jointly complete the appropriate election forms in respect of such election and the Canadian Purchaser shall file the joint elections in compliance with the requirements of the GST Legislation. Notwithstanding any election pursuant to this Section 5.04, in the event that it is determined by Canada Revenue Agency that there is a liability of the Canadian Purchaser to pay GST or the Vendors (or any of them) to collect GST, in respect of all or part of Purchase Price for the Purchased Assets hereunder, the Canadian Purchaser shall indemnify and hold the Vendors harmless in respect of any GST, penalties and interest which may be assessed against the Vendors (or any of them) under the GST Legislation, as a result of the transfer of the Purchased Assets to the Canadian Purchaser not being eligible for the election or for the failure of the Canadian Purchaser to file such election in the manner and in the time prescribed by the GST Legislation. The foregoing indemnification obligation shall survive the Closing.

- (c) The Canadian Purchaser declares that it is acquiring all or substantially all of the property of the Vendors that can be reasonably regarded as being necessary for it to be capable of carrying on the Businesses of each of the Vendors and that the Businesses of each of the Vendors is a "commercial activity" for the purposes of the GST Legislation.

ARTICLE 6

PARTNERSHIP INTERESTS ACQUISITION PRICE

Section 6.01 Partnership Interests Acquisition Price

The Partnership Interests Acquisition Price for the Purchasers' Partnership Interests shall be US\$ [REDACTED]. Subject to the provisions hereof, including Section 11.04 and Article 13, no other adjustment to the Partnership Interests Acquisition Price shall be made. The Monitor shall be required to distribute the Partnership Interests Acquisition Purchase Price in accordance with (a) the Canadian Order, (b) the U.S. Order and (c) any other distribution order made by the CCAA Court authorizing and directing the Monitor to distribute such proceeds to the persons entitled thereto. The Parties acknowledge and confirm that Partners shall not receive any cash consideration pursuant to this Agreement in exchange for their surrender and the cancellation of the Vendors' Partnership Interests.

Section 6.02 Payment of the Partnership Interests Acquisition Price

The U.S. Purchaser and the Additional U.S. Purchaser shall pay the Partnership Interests Acquisition Price to the Monitor on behalf of the Grant Partnership as follows:

- (a) the U.S. Purchaser shall pay the sum of US\$ [REDACTED], subject to the applicable adjustment referred to in Section 6.01, to the Monitor on Closing, by wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing) no later than five (5) Business Days prior to the Closing Date; and
- (b) the Additional U.S. Purchaser shall pay the sum of US\$ [REDACTED], subject to the applicable adjustment referred to in Section 6.01, to the Monitor on Closing, by wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing) no later than five (5) Business Days prior to the Closing Date.

Section 6.03 Acquisition Taxes

The U.S. Purchaser and the Additional U.S. Purchaser shall at the Time of Closing pay to the Taxing Authorities all applicable Transfer Taxes, if any, exigible in connection with the acquisition by the U.S. Purchaser and the Additional U.S. Purchaser of the Purchasers' Partnership Interests.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE VENDORS REGARDING THE PURCHASED ASSETS

Each Vendor, jointly and severally, hereby represents and warrants to the Purchasers that:

Section 7.01 Organization and Qualification

- (a) Each of the Vendors and Grant Alberta Inc. is a corporation duly organized and validly existing under the Laws of its jurisdiction of incorporation. The Vendors are duly registered as an extra-provincial or foreign corporation in each of the jurisdictions set forth on Schedule 7.01.
- (b) Except for Grant Forest Products Inc.'s ownership of Shares in Nipissing Forest Resource Management Inc., Timiskaming Forest Alliance Inc., The Vermillion Forest Management Company Limited, and Abitibi River Forest Management Inc. (the "Forest Management Companies"), none of the Grant Entities own, or have owned since December 31, 2008, any shares and/or securities of any other body corporate or is a partner in any partnership or member of any joint venture or other business association that holds a sustainable forest licence granted by the Minister of Natural Resources (Ontario). Schedule 7.01 sets forth the issued capital of each of the Forest Management Companies based on information provided to the Vendors by such Forest Management Companies and contains a list of each of the shareholders agreements to which a Vendor is a party with respect to each of the Forest Management Companies. A true and correct copy of each such shareholder agreement and any amendments thereto has been provided to the Purchasers.
- (c) Grant Forest Products Inc. is the legal and beneficial owner of the Shares set forth on Schedule 7.01, with good and marketable title thereto, except for restrictions on resale pursuant to applicable securities laws or shareholders agreements. Without limiting the generality of the foregoing, except for the shareholder agreements set forth in Schedule 7.01, none of the Shares are subject to any voting trust, shareholder agreement or voting agreement to which a Vendor is a party.
- (d) Except pursuant to the shareholder agreements set forth in Schedule 7.01, to the Knowledge of the Grant Entities, no Person has any (i) written or oral agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement (including convertible securities, warrants or convertible obligations of any nature) to acquire shares or other securities or equity interests of any of the Forest Management Companies, or (ii) option for the purchase, issuance, sale, subscription, allotment, issuance, acquisition or transfer of any issued or unissued shares or other securities or equity interests of any of the Forest Management Companies.
- (e) Grant Forest Products Inc. has no Undisclosed Liabilities to the Forest Management Companies or to the other shareholders of the Forest Management Companies by virtue of its ownership of the Shares.

Section 7.02 No Violation; Power and Authority; Validity; Enforceability

The execution, delivery and performance by the Vendors and Grant Alberta Inc. of this Agreement or any other instrument or document executed and delivered hereunder by the Vendors and Grant Alberta Inc. and the consummation of the transactions contemplated hereby: (a) does not conflict with any Vendor's or Grant Alberta Inc.'s Organizational Documents, and (b) provided the Canadian Order is obtained prior to Closing, does not violate any order or ruling of any Governmental Authority applicable to the Vendors and Grant Alberta Inc. Except as set forth on Schedule 7.02, Schedule 7.11(a)(v) (Environmental Permits) or Schedule 7.16 (Permits), no notice to, filing (other than the filing of financing statements) with, or Consent of, any Governmental Authority is required in

connection with the execution, delivery, and performance of this Agreement by the Vendors or Grant Alberta Inc. or the consummation by the Vendors or Grant Alberta Inc. of the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein have been approved by the ad hoc independent committee of the board of Grant Forest Products Inc. in respect of each of the Vendors, and by prior written approval the First Lien Lenders' Agent (in the form of the Consent Agreement), at the direction of the First Lien Lenders holding not less than 66 2/3 of the total amount of outstanding indebtedness of the Grant Entities to the First Lien Lenders. This Agreement will, upon the Canadian Order being obtained, represent a legal, valid and binding obligation of each of the Vendors and Grant Alberta Inc., enforceable against each of the Vendors and Grant Alberta Inc. in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization or other laws affecting creditors rights generally and subject to general principles of equity.

Section 7.03 Related Persons

Except as set forth on Schedule 7.03, no Related Person of any of the Grant Entities (other than other Grant Entities), Peter Grant Jr. or Peter Grant Sr. has, or since January 1, 2008 has had, any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in such Grant Entity's Businesses (for certainty, other than an interest in the Excluded Assets) but excluding cash and works of art. Except as set forth on Schedule 7.03, to the knowledge of the Grant Entities no Related Person of any of the Grant Entities (other than other Grant Entities), Peter Grant Jr. or Peter Grant Sr. owns, or since January 1, 2008 has owned, (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, any Person that has (i) had material business dealings or a material financial interest in any transaction with any of the Grant Entities other than business dealings or transactions conducted in the Ordinary Course of Business with any of the Grant Entities at substantially prevailing market prices and on substantially prevailing market terms, or (ii) engaged in competition with any of the Grant Entities with respect to any line of the products or services of the Grant Entities in any market presently served by the Grant Entities. Except as set forth on Schedule 7.03, no Related Person of any of the Grant Entities, Peter Grant Jr. or Peter Grant Sr. is a party to any Contract with, or has any claim or right against, any of the U.S. Applicants pertaining to any of the U.S. Applicants or the assets or liabilities any of the U.S. Applicants.

Section 7.04 Ownership of Assets

- (a) The Vendors have good and indefeasible or marketable, as appropriate, title to, or a valid leasehold interest in, or valid license to use, all of the Purchased Assets. The Purchased Assets include all of the assets, rights, interests and property of every kind necessary or used (or that have been used at any time since June 30, 2008) in the conduct of the Vendors' Businesses at Englehart and Earlton, Ontario other than inventory, receivables, and worn-out equipment disposed of or collected and other assets of an aggregate value of less than \$100,000.
- (b) To the Knowledge of the Vendors, except as set out in Schedule 7.04(b) the buildings included in the Purchased Assets are in the aggregate, structurally sound, in good condition and state of repair, reasonable wear and tear and normal depreciation excepted and are adequate for the conduct of such Vendor's Businesses as currently conducted and the uses for which they are being put.
- (c) To the Knowledge of the Vendors, except as set out on Schedule 7.04(c), each item of Equipment listed on Schedule 7.04(c) is in good condition and state of repair, reasonable wear and tear and normal depreciation excepted (and for certainty, taking into account the

age and length of service of such Equipment) and is adequate for the conduct of such Vendor's Businesses as currently conducted and the uses for which it is being put.

Section 7.05 Accounts Receivable

All Accounts Receivable shown on the Financial Statements represent sales actually made or services actually performed or other transactions entered into in the Ordinary Course of Business in bona fide transactions completed substantially in accordance with the terms and provisions contained in any documents relating thereto. To the Knowledge of the Vendors, adequate reserves have been established for such Accounts Receivable in accordance with GAAP.

Section 7.06 Personal Property

- (a) Schedule 7.06(a) contains a true and correct list and a description (including license plate number) of all owned licensed Vehicles which are included within the Purchased Assets including under capital leases that are not Equipment Operating Leases.
- (b) Schedule 7.06(b) contains a list of all Equipment Operating Leases included within the Purchased Assets. No rights of the Vendors under such leases have been assigned or otherwise transferred as security for any obligation of the Vendors except to the First Lien Lenders' Agent and to the Second Lien Lenders' Agent. Except as described on Schedule 7.06(b), no Third Party consents are required under the Equipment Operating Leases as a result of the transactions contemplated by this Agreement.

Section 7.07 Inventories

All Inventory of the Vendors, except Inventory in transit and Inventory sold or disposed of in the Ordinary Course of Business consistent with past practices, whether reflected on the Vendors' Financial Statements or subsequently acquired, (a) except as set forth in Schedule 7.07 is now and at the Closing Date will be located on the Real Property or wood storage, volume managed inventory or reload locations that support the Vendors' operations at Englehart, Ontario or Earlington, Ontario, (b) has been or will be acquired by the applicable Vendor only in bona fide transactions entered into in the Ordinary Course of Business consistent with past practices, (c) is of good and merchantable quality except to the extent adequately reserved for in the balance sheets included in the Vendors' Financial Statements or other ledger on which such Inventory is shown, which reserves are consistent with past practice, (d) is not now and at the Closing Date will not be subject to any write-down or write-off in excess of the reserves established based on past practice, (e) is valued at each month end, in the case of finished goods, at the lesser of cost or net realizable market value, with appropriate adjustments in accordance with the Vendors' established practice for obsolete, damaged, discontinued and slow moving Inventory, and (f) is valued, in the case of Inventory other than finished goods, at cost, with appropriate adjustments in accordance with the Vendors' established practice for obsolete, damaged, discontinued and slow moving Inventory.

Section 7.08 Contracts

- (a) Schedule 7.08(a) contains a true and correct list of all contracts of the Vendors (including all written or oral legally binding commitments) not related to Excluded Assets and not otherwise listed on Schedules 7.06(b) (Equipment Operating Leases), Schedule 7.11(a)(v) (Environmental Permits), Schedule 7.13 (Labor Matters), Schedule 7.03 (Related Party Contracts), Schedule 7.17 (Insurance), or Schedule 7.18 (Timber Contracts) that are material to the operation of the Businesses (as described

below) (the "Canadian Material Contracts"). True and correct copies (or, if oral, an accurate written description) of each Canadian Material Contract listed on Schedule 7.08(a) have been provided to the Purchasers.

For purposes of this Section 7.08, a contract is material to the operation of the Businesses (and a Canadian Material Contract) only if it is within any of the following categories:

- (i) a contract for the future purchase of, or payment for, supplies or products, or for the performance of services by a Third Party which supplies, products or services involve in any one case \$[REDACTED] or more;
 - (ii) a contract or commitment to sell or supply products, to perform maintenance, services or similar duties, involving in any one case \$[REDACTED] or more;
 - (iii) a distribution, dealer, representative, or sales agency contract with a term of longer than six (6) months and which: (x) cannot be terminated by the Vendor on notice of six months or less; or (y) that, upon termination or non-renewal, would result in a liability to the Vendors or any successor thereto of \$[REDACTED] or more.
- (b) Each of the Canadian Material Contracts is in full force and effect and to the Knowledge of the Vendors, there exists no Default under any of the Canadian Material Contracts by the Vendors since June 25, 2009 or, any other party to such Canadian Material Contracts or any event which, will create a Default thereunder (in each case except for minor Defaults which would not reasonably be expected to affect the ongoing relationship with the other party to such Canadian Material Contract) by the Vendors or, to the Knowledge of the Vendors, any other party to such Canadian Material Contracts other than the Vendors' or U.S. Applicants' insolvencies, CCAA filings and failure to pay pre-filing amounts or comply with pre-filing obligations and the failure to honour "Grant Miles" obligations (collectively, "Insolvency Defaults"). Except as set forth on Schedule 7.08(b), each Canadian Material Contract is fully assignable without the Consent of any Third Party.
- (c) Except as indicated on Schedule 7.08(c), there exists no actual or, to the Knowledge of the Vendors, any threatened termination, cancellation, or limitation of, or since January 1, 2009 any amendment, modification, or change to, any Canadian Material Contract.
- (d) Schedule 7.08(d) contains a true and correct list of the ten (10) largest customers, as measured and ranked by revenues from such customers, of the Vendors during the fiscal years ended 2007, 2008, and for the period commencing January 1, 2009, to September 30, 2009. Except as disclosed on Schedule 7.08(d), none of the Vendors has any Knowledge that any such customer has ceased, or will cease, to purchase the Vendors' merchandise or services.

Section 7.09 Vendor Intellectual Property

To the Knowledge of the Vendors, the Vendors' Businesses, as currently conducted do not violate, infringe or otherwise conflict with any third party Intellectual Property.

Section 7.10 Real Property

- (a) **Schedule 7.10(a)** contains a summary description of all plants and significant structures located on each parcel of Real Property owned by the Vendors. The Vendors have good and marketable fee simple title to the Real Property, subject to Permitted Encumbrances and claims and encumbrances which will be vested out by the Canadian Order ("Vesting Order Claims").
- (b) [Intentionally Deleted]
- (c) To the Knowledge of the Vendors, all improvements on the Real Property owned by the Vendors conform to all applicable Laws or use restrictions, and the property is zoned for the various purposes for which such Real Property and improvements thereon are presently being used. No Vendor has received any work order, deficiency notice or other written notice from any authority, board of fire insurance underwriters, tenant or anyone else, advising of any breach of any applicable Law, by-law, code, regulation or standard or suggesting that any repair or work is necessary to such Real Property or any part thereof.
- (d) No Vendor has received any written notice of any pending or threatened expropriations, condemnations, planned public improvements, annexation, special assessments, zoning or subdivision changes, or other adverse claims affecting the Real Property owned by the Vendors, and the Vendors have no Knowledge of any such expropriations, condemnations, planned public improvements, annexation, special assessments, zoning or subdivision changes, or other adverse claims affecting the Real Property owned by the Vendors other than Vesting Order Claims. To the Knowledge of the Vendors, there is no private unregistered restrictive covenant on all or any portion of the Real Property owned by the Vendors which prohibits the current use of such Real Property, except as described in Permitted Encumbrances.
- (e) No Vendor has in its possession any studies or reports which indicate any material defects in the design or construction of any of the improvements on the Real Property owned by the Vendors.
- (f) The Real Property owned by the Vendors is not, to the Knowledge of the Vendors, subject to or affected by any special assessment for public improvements or otherwise, whether or not it is presently a Lien upon such Real Property. To the Knowledge of the Vendors, no Vendor has made any commitment to any Governmental Authority, utility company, school board, church or other religious body, homeowner or homeowner's association or any other organization, group or individual relating to the Real Property owned by the Vendors which would impose a material obligation upon any Vendor or its successors or assigns to make any contributions or dedications of money or land, or to construct, install or maintain any improvements of a public or private nature as part of such Real Property. No Governmental Authority has imposed any requirement that any Vendor pay, directly or indirectly, any special fees or contributions or incur any expenses or obligations in connection with the development of the Real Property owned by the Vendors or any portion thereof, other than any regular municipal real estate, business or school Taxes assessed against such Real Property. Except as set forth on **Schedule 7.10(f)**, since January 1, 2009, no Vendor has received any written notice of any contemplated or actual reassessment of the Real Property owned by the Vendors or any portion thereof for general real estate Tax purposes. Except as set forth on

Schedule 7.10(f), as of the date hereof, all due and payable Taxes, water charges and sewer charges affecting the Real Property, or any portion thereof have been paid.

- (g) No Vendor has any interest in any real property abutting any Real Property to be conveyed hereunder.
- (h) Since June 25, 2009 there has been no Default by any Vendor nor, to the Vendors' Knowledge, any other party thereto, under any Liens which may affect the Real Property owned by the Vendors or any portion thereof which are to be performed or complied with by the owner of the Real Property (except for: (i) Defaults occurring before June 25, 2009 which by their terms continue after June 25, 2009 other than in respect of events occurring before June 25, 2009, and (ii) Defaults under the First and Second Lien Lenders' Liability and any security held therefor and (iii) Insolvency Defaults), and no condition or circumstance exists which would constitute a Default by any Vendor nor, to the Vendors' Knowledge, any other party thereto, under any such Liens (except as set out above).

Section 7.11 Environmental Matters

- (a) Each of the Vendors with respect to the Real Property: (i) except as set forth in Schedule 7.11(a)(i) is, and has been at all times in the last 3 years, in material compliance with all Environmental Laws, including with respect to any "hazardous waste" generated at the Ontario facilities including registration under the Hazardous Waste Information Network; (ii) except as set forth in Schedule 7.11(a)(ii), has not in the last 3 years (A) been notified that it is potentially liable under or (B) received any requests from any environmental enforcement or regulatory governmental department or agency for information or other correspondence concerning any site or facility under any Environmental Law; (iii) except as set forth in Schedule 7.11(a)(iii), has in the last 3 years accurately prepared and timely filed with the appropriate jurisdictions all reports and filings required pursuant to any federal, provincial or local Law or Order, including any Environmental Law or Order (except for such reports and filings where the failure to file is not material); (iv) except as set forth in Schedule 7.11(a)(iv) and Schedule 7.11(a)(i), has not in the last 3 years entered into or received, and is not in Default under, any Order; and (v) except as set forth in Schedule 7.11(a)(v) has obtained all Environmental Permits, and Schedule 7.11(a)(v) contains a complete list and description of each such Environmental Permit, a true and correct copy of which has been provided to the Purchasers. Except as described in Schedule 7.11(a)(vi), each of the Vendors with respect to the Real Property are in compliance with each applicable Environmental Permit (including any information provided on the applications therefor) except for such defects as would not be reasonably expected to result in the termination of the applicable Environmental Permit and no Environmental Permit restricts any of the Vendors with respect to the Real Property from operating its Businesses covered by such Environmental Permit as currently being conducted.
- (b) With respect to the Real Property owned by the Vendors: (i) except as set forth in Schedule 7.11(b)(i) there are no Legal Proceedings or, to the Vendors' Knowledge, Legal Proceedings pending or threatened in writing by any Governmental Authority, municipality, community, citizen, or other entity, against the Vendors relating to compliance with Environmental Laws; (ii) except as set forth in Schedule 7.11(b)(ii) to the Knowledge of the Vendors, there has been no dumping, discharge, disposal, release, burial, placement or migration of Hazardous Materials onto, under, in, at, from or about

any of such Real Property; (iii) except as set forth in Schedule 7.11(b)(iii) to the Knowledge of the Vendors, all above-ground and underground storage tanks, ancillary sumps, ancillary oil/water separators, and septic systems now or previously located on such Real Property have been identified on Schedule 7.11(b)(iii), together with a description of the materials stored therein and a statement as to whether such tanks are currently used by the Vendors, and none of such tanks, ancillary sumps, ancillary oil/water separators and septic systems is leaking or has previously leaked; (iv) except as set forth in Schedule 7.11(b)(iv) no amounts are currently owing under any Lien or, to the Knowledge of the Vendors, is threatened in writing, on any of assets or properties of the Vendors as a result of any Environmental Law; (v) except as set forth in Schedule 7.11(b)(v) to the Knowledge of the Vendors, none of such Real Property contains any asbestos-containing materials and polychlorinated biphenyls (PCBs) are not used or stored on or in any such properties; and (vi) except as set forth in Schedule 7.11(b)(vi) to the Knowledge of the Vendors, there are no conditions or restrictions that have been imposed by a Governmental Authority, at any time in the last 3 years for any period of time, on the use, ownership, occupancy or transferability, including a closure or limitation of access, with respect to the Vendors or such Real Property due to the use, manufacture, storage, handling, disposal or transport of Hazardous Materials other than conditions or restrictions of general application to real property in the proximate geographical area.

Section 7.12 Legal Proceedings

Schedule 7.12 lists and describes each legal action, suit, prosecution, compliance or enforcement action instituted, pending or, to any Vendor's Knowledge threatened in writing against, or adversely affecting, any Vendor, its Businesses or any of the Purchased Assets since June 30, 2006 (other than the CCAA filing made on June 25, 2009 and the bankruptcy application made by GE Canada Leasing Services Company (among others) in 2009). Except as listed and described on Schedule 7.12, the Vendors have timely paid to the applicable Third Party all amounts required by Law or agreement that, with notice or lapse of time, or both, could result in the creation of any Lien upon any of the Purchased Assets pursuant to the *Forestry Workers Lien for Wages Act* (Ontario) or the *Crown Forest Sustainability Act* (Ontario) except for stumpage fees payable on or before June 24, 2009.

Section 7.13 Labor Matters

Other than in respect of Peter Grant, Sr., Peter Grant, Jr. and employees employed at Grant Forest Products Inc.'s Timmins, Ontario and Twin Lakes facilities, in respect of whom no disclosure is required in this Section 7.13: (a) the employee list provided by the Vendors to the Purchasers with reference to this Section 7.13 contains a true and correct and complete list (except as qualified in (c) below) of all present employees employed or engaged by the Vendors, their job position, years of service, their current remuneration, and a description of all perquisites and fringe benefits they receive or are eligible to receive (except as disclosed in Schedule 7.14), and, in the case of any employees having a base salary of \$100,000 or greater, any bonus received by, or obligated to be paid to, such employees during the nine months ended September 30, 2009, and any bonus paid to such employees during the twelve months ended December 31, 2008; (b) no Vendor has, within the last three (3) years, experienced any organized slowdown, work interruption, strike, or work stoppage, (in all cases initiated by its employees) or a lockout (initiated by management) with respect to any of the Businesses; (c) except as set forth in Schedule 7.13(c), no Vendor is a party to or has any obligation pursuant to any oral and legally binding or written agreement, collective bargaining or otherwise, with any party regarding the rates of pay or working conditions or any other terms and conditions of employment of any of the employees of the Vendors, nor is such Vendor obligated under any Contract (provided that such employee list is not

required to describe oral or written contracts for salaried employees earning less than \$100,000 per annum if such contracts have no unusual terms and the employee subject thereto may be terminated upon prior notice not longer than if no contract existed), Order or Law to recognize or bargain with any labor organization, employee association or trade union on behalf of such employees (other than the Englehart facility employees union); (d) to the Vendors' Knowledge, no Vendor, or any of its officers, directors, or employees have been charged or threatened with the charge of any unfair labor practice or other labor relations board proceeding, since December 31, 2007; (e) none of the Vendors has to the Vendor's Knowledge received a written notice of any breach of or non-compliance with any applicable federal, provincial, state, municipal, local and foreign Laws concerning the employment relationship or any agreements relating to the employment of its employees; (f) to the Vendors' Knowledge there are no pending Labor Claims; and (g) no Vendor is liable for any unpaid wages, bonuses, or commissions (other than those not yet due) or any Tax, penalty, assessment, or forfeiture for failure to comply with any of the foregoing.

Section 7.14 Employee Benefit Plans

Schedule 7.14 contains a true and complete list of all Employee Benefit Plans (excluding the unregistered Supplemental Pension Arrangement agreements for five head office employees) which are presently in effect and cover current employees of the Vendors other than Peter Grant, Sr., Peter Grant, Jr., and employees at the Timmins and Twin Lakes facilities ("Vendor Employees"). With respect to each Employee Benefit Plan required to be disclosed on **Schedule 7.14**: (i) the Employee Benefit Plan has been provided to the Purchasers for review, including correct and complete copies of all documentation related thereto; (ii) each Employee Benefit Plan, and, if any, related trust complies with and has been administered in accordance with its terms in all material respects and in compliance with, the applicable provisions of the Income Tax Act, the Pension Benefits Act (Ontario) and other applicable Law; (iii) no oral or written representation with respect to any aspect of the Employee Benefit Plan has been made to Vendor Employees that is not in accordance with the written terms of such plan; (iv) all Employee Benefit Plan documents and annual reports or returns, financial statements, actuarial valuations and summary plan descriptions issued with respect to the Employee Benefit Plan are correct and complete, have been timely filed with the Canada Revenue Agency and the Financial Services Commission of Ontario (if required), have been timely distributed to participants in the Employee Benefit Plan, and there have been no changes in the information set forth therein; and (v) there are (1) no pending investigations by any Governmental Authority involving the Employee Benefit Plans, (2) no termination proceedings involving the Employee Benefit Plans, (3) no threatened or pending claims (except for claims for benefits payable in the normal operation of the Employee Benefit Plans), suits or proceedings against any Employee Benefit Plan or asserting any rights or claims to benefits under any Employee Benefit Plan which could give rise to any material Liability, and (4) no facts which could give rise to any material Liability in the event of such investigation, claim, suit or proceeding.

Section 7.15 Taxes

- (a) The Purchasers have received complete copies of all federal, state, provincial, local and foreign income or franchise Tax Returns of each of the Vendors (including any Person which merged with or was liquidated into such Vendor) relating to the taxable periods since 2005.
- (b) Each Vendor and Grant Alberta Inc. is not a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada).
- (c) Each Vendor and Grant Alberta Inc. is registered for purposes of the GST Legislation, Grant Forest Products Inc.'s registration number is 87286 1265 RT0001, Grant Forest

Products Sales Inc.'s registration number is 86551 4939 RT0001 and Grant Alberta Inc.'s registration number is 82073 8474 RT001.

- (d) With respect to employees of the Vendors, the applicable Vendors have deducted and remitted to the relevant Governmental Authority, all income taxes, unemployment insurance contributions, Canada Pension Plan contributions, Ontario Employer Health Tax remittances and any Taxes or deduction or other amounts which it is required to collect from amounts paid to employees and remit to any Governmental Authority or other entities entitled, as required by Law, to receive payment of such deduction. Except as disclosed in Schedule 7.15(d), all levies under the *Workplace Safety and Insurance Act, 1997* (Ontario), or under the worker's compensation legislation of any other jurisdiction where the Businesses are carried on by the Vendors, have been paid by the applicable Vendors, other than those stayed by the Court Order.

Section 7.16 Compliance with Laws; Permits and Orders

To the Knowledge of the Vendors, no Vendor is engaging in any activity or omitting to take any action that is or creates a material violation of any Law applicable to such Vendor. The Vendors are not subject to any Order issued by any Governmental Authority which has had or may result in a Material Adverse Effect on the Businesses other than the CCAA Order. Each of the Vendors possesses all Permits necessary for the lawful operation of its Businesses as presently conducted and is in compliance with all such Permits and all applicable Laws and Orders issued by any court or Governmental Authority other than such non-compliance which would not have a negative effect on the Businesses. Schedule 7.16 contains a true and correct and complete list of all such Permits or Orders other than the CCAA Order.

Section 7.17 Insurance

Schedule 7.17(a) sets forth a complete and correct list of all insurance policies of any kind, including all "occurrence based" liability policies, in force during the period commencing October 31, 2005 with respect to each Grant Entity (the "Insurance Policies"). The Vendors have made available to the Purchasers true and correct copies of such Insurance Policies (including the applications that the Vendors have in their possession) and a full list of all claims made by any Grant Entity with respect to any of the Insurance Policies since January 1, 2005; and claims history, including the amount of any payment made by any insurer under any of the Insurance Policies and particulars and the details of any claims made, paid, reserved, denied and/or outstanding. The Vendors have made available to the Purchasers a complete listing of all Legal Proceedings and any other written claims brought against a Grant Entity with respect to which a Grant Entity has, since October 31, 2005, made a monetary payment to resolve or settle such claim ("Settled Claims"), irrespective of whether such claims were submitted to the general liability insurers, from October 31, 2005 to the present (and the name of the entity against which such Legal Proceedings and/or Settled Claims were brought), the status of such Legal Proceedings and/or Settled Claims, amounts paid to resolve such Legal Proceedings and/or Settled Claims, amounts incurred to defend against such Legal Proceedings and/or Settled Claims, the name of the law firm defending any such Legal Proceedings and/or Settled Claims, and a brief description of the Settled Claims). The policy limits under each Grant Entity Insurance Policy have not since October 31, 2005 been reduced or in any manner impaired as a result of claims made, or for any other reason. Each Grant Entity's assets, their business operations, their employees and activities are insured under the various applicable policies of general liability and other forms of insurance set forth on Schedule 7.17(a). No Grant Entity has been refused any primary insurance by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the past five (5) years. There are no outstanding written requirements or written recommendations by any current insurer or underwriter of any Grant Entity which require or recommend changes in the conduct of such Grant Entity's Businesses, or require

any repairs or other work to be done with respect to any of such Grant Entity's assets, properties or operations other than as set out on the site inspection reports for the Purchased Assets, copies of which have been made available to the Purchaser and are listed on Schedule 7.17(b). All premiums payable under all such policies have been paid, and were paid when due, and each Grant Entity is otherwise, to its Knowledge, in full compliance with the terms and conditions of all such policies, including any consent and notice requirements contained in either any application for such policies or the policies themselves with respect to all known claims and as to all matters described in Section 8.12 except as set forth on Schedule 7.17(c).

Section 7.18 Timber Warranty

- (a) Schedule 7.18(i) sets forth a complete and correct list of all Permits, contracts, agreements, licenses and other legally binding commitments, written or oral, to which any Vendor is a party, including any amendments, extensions or renewals thereof, pursuant to which (i) any Vendor has rights to harvest or use timber, (ii) any other Person has an obligation to supply any Vendor with timber, (iii) any Vendor has an obligation to supply any other Person with timber, or (iv) the Province of Ontario may direct any other Person to supply any Vendor with timber, in each case that are material to the operation of the Businesses (as described below) (the "**Timber Supply Allocation Tenures Agreements**"), including all forest resource processing facility licences, commitment letters, supply agreements, licences to harvest or use forest resources, memoranda of agreement, purchase agreements, timber swap agreements, shareholder agreements of cooperative sustainable forest licence holders, land use permits and agreements respecting the measurement and the payment of charges, dues or other costs related to timber entitlements. For the purposes of this Section 7.18, a commitment is material to the operation of the Businesses (and is a Timber Supply Allocation Tenures Agreement) only if it involves, relates or applies to the commitment, purchase, sale, harvesting or allocation of timber to the Englehart facility after March 31, 2010 having a cost of \$[REDACTED] or more. Schedule 7.18(ii) sets forth, with respect to each management unit listed thereon, the amount of timber allocated to the Vendors, and the amount of timber actually acquired by the Vendors, in each case during 2007, 2008 and from January 1, 2009 to August 31, 2009.
- (b) Except as disclosed in Schedule 7.18(iii), (i) each of the Timber Supply Allocation Tenures Agreements is validly subsisting and all levies, fees, rentals, charges, dues, stumpage and other costs payable up to Closing under each of the Timber Supply Allocation Tenures Agreements have been or will be paid by the Vendors, (ii) each of the Vendors has observed and performed in all material respects all covenants, agreements and obligations on its part to be observed or performed under the provisions of the Timber Supply Allocation Tenures Agreements and all applicable Laws, (iii) the Vendors have not received any written notice of breach by any of the Vendors of any Timber Supply Allocation Tenure Agreements or applicable Law that has not been remedied by the Vendors or abandoned by the Person alleging such breach, (iv) no Governmental Authority has given any written notice to the Vendors since June 30, 2008 with respect to one or more of the Timber Supply Allocation Tenures Agreements which would have the effect of reducing, impairing, suspending or terminating in a material manner such Timber Supply Allocation Tenure Agreements or any rights or privileges attached thereto, and (v) none of the Vendors has entitlement to acquire the right to harvest and/or use additional timber pursuant to any currently outstanding notice received from another party to any Timber Supply Allocation Tenure Agreements.

**ARTICLE 8
REPRESENTATIONS AND WARRANTIES OF THE VENDORS REGARDING THE U.S.
APPLICANTS**

Each Vendor, jointly and severally, hereby represents and warrants to the Purchasers that:

Section 8.01 Organization and Qualification

- (a) Each of the U.S. Applicants is, as applicable, a corporation, general partnership, limited liability company or limited partnership, duly organized, validly existing and, subject to the CCAA Proceeding and the U.S. Bankruptcy Court Proceeding, in good standing under the Laws of the state set forth on Schedule 8.01(a). Each U.S. Applicant is duly qualified as a corporation, general partnership, limited liability company or limited partnership, as applicable, in each of the jurisdictions set forth on Schedule 8.01(a). Each U.S. Applicant (i) has furnished to the Purchasers a complete and correct copy of the Organizational Documents of each such entity, as currently in effect, and (ii) is not in violation of any of the provisions of its Organizational Documents. Complete and accurate copies of all the minute books of the U.S. Applicants and complete records of the ownership history of the Equity Interests of the U.S. Applicants have been provided to the Purchasers. The equity transfer ledger of each U.S. Applicant accurately reflects the ownership, as applicable, of the Equity Interests of such U.S. Applicant.
- (b) Each Subsidiary of the Grant Partnership is set forth on Schedule 8.01(b) and none of the U.S. Applicants has any contract or right to acquire any Equity Interests of any other Person or any direct or indirect equity ownership interest in any other Person. The Grant Partnership owns, directly or indirectly, all Equity Interests of each Subsidiary of the Grant Partnership. No Person has any written or oral agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement (including convertible securities, warrants or convertible obligations of any nature) for the purchase, issuance, sale, subscription, allotment, issuance, acquisition or transfer of any issued or unissued Equity Interests of any U.S. Applicant. All of the Equity Interests of each U.S. Applicant are duly and validly issued and outstanding, are fully paid and non-assessable, and were issued pursuant to a valid exemption from registration under applicable federal and state securities laws. None of the Equity Interests of any U.S. Applicant has been issued in violation of any pre-emptive or similar rights of any of the current or past holders of any Equity Interests of any of the U.S. Applicants.
- (c) Each entity below is an owner free and clear of all Liens other than the Agents' Liens, except for restrictions on resale pursuant to applicable state and federal securities laws, as follows: (i) Grant Forest Products Inc. and Grant Alberta Inc. are the owners of all right, title and interest (legal and beneficial) in and to 100% of the partnership interests of the Grant Partnership; (ii) Grant Partnership is the sole member and owner of all, right, title and interest (legal and beneficial) in and to 100% of membership interests of Southeast Properties LLC; (iii) Southeast Properties LLC is the sole member and owner of all, right, title and interest (legal and beneficial) in and to 100% of membership interests of Grant Newco LLC; (iv) Southeast Properties LLC is the owner of all right, title and interest (legal and beneficial) in and to 100% of the issued and outstanding shares of capital stock of Grant US Sales, Inc.; (v) Grant Newco LLC, Southeast Properties LLC and the Grant Partnership are the owners of all right, title and interest (legal and beneficial) in and to 100% of the partnership interests of Grant Allendale LP; (vi) Grant Newco LLC, Southeast Properties LLC and the Grant Partnership are the owners of all right, title and

interest (legal and beneficial) in and to 100% of the partnership interests of Grant Clarendon LP; and (vii) Grant Allendale LP and Grant Clarendon LP are the owners of all right, title and interest (legal and beneficial) in and to 100% of the partnership interests of Grant Excluded GP.

- (d) Upon delivery to the U.S. Purchaser and the Additional U.S. Purchaser at the Closing of the certificates (or other evidence of ownership) representing the Equity Interests of the U.S. Applicants (other than the Grant Partnership) included in the Books and Records, the U.S. Purchaser and the Additional U.S. Purchaser shall hold (through the Grant Partnership and as set forth in Section 8.01(c)) as at Closing good, valid and marketable title to such Equity Interests of the U.S. Applicants, free and clear of all Liens, except for restrictions on resale pursuant to applicable state and federal securities laws. Upon the admission of the U.S. Purchaser and the Additional Purchaser as partners of the Grant Partnership, the U.S. Purchaser and the Additional U.S. Purchaser shall hold (through the Grant Partnership and as set forth in Section 8.01(c)) as at Closing good, valid and marketable title to such Equity Interests, free and clear of all Liens, except for restrictions on resale pursuant to applicable state and federal securities laws.

Section 8.02 No Violation; Power and Authority; Validity; Enforceability

The execution, delivery and performance by the U.S. Applicants of this Agreement or any other instrument or document executed and delivered hereunder by the U.S. Applicants and the consummation of the transactions contemplated hereby: (a) does not conflict with any and, except for the approval of the partners of Grant U.S. Holdings GP which has not been obtained, does not require any approval under the U.S. Applicant's Organizational Documents (provided that such approval of such partners should be deemed received and not otherwise required upon the issuance of the Canadian Order), (b) subject to the issuance of the Canadian Order and the U.S. Order, does not violate any Law or any order or ruling of any Governmental Authority applicable to the U.S. Applicants, (c) does not result in the creation or imposition of any Lien on the Equity Interests or properties of the U.S. Applicants, and (d) to the Knowledge of the Vendors, does not result in a breach of or constitute a default (or an event which with the passage of time or giving of notice, or both, would constitute a default) under, or cause or permit the acceleration of the maturity of or give rise to any right of termination, cancellation, imposition of fees or penalties under, any U.S. Material Contract (except for the First Lien Loan Documents and the Second Lien Loan Documents) to which any U.S. Applicant is a party or by which any U.S. Applicant, or any of its assets or properties, may be bound provided that the consents to change of control listed on Schedule 8.02 are obtained. Each of the U.S. Applicants will, upon the Canadian Order being obtained, have the right, power and capacity necessary under its respective Organizational Documents to execute and perform its obligations under this Agreement and, subject to the Canadian Order and the U.S. Order being obtained, to consummate the transactions contemplated hereby. Upon receipt of the Canadian Order, the execution, delivery and performance of this Agreement will be duly and validly authorized by all necessary action in respect of each of the U.S. Applicants under its respective Organizational Documents, and the consummation of the transactions contemplated herein will be duly and validly authorized by all necessary action in respect of each of the U.S. Applicants under its respective Organizational Documents. Upon receipt of the Canadian Order, this Agreement will represent a legal, valid and binding obligation of the each U.S. Applicant, enforceable against each U.S. Applicant in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization or other Laws affecting creditor rights generally and subject to general principles of equity. No consent, approval, or authorization of or declaration, filing, or registration with any Governmental Authority is required in connection with the execution, delivery, and performance of this Agreement by the U.S. Applicants including the consummation by the U.S. Applicants of the transactions contemplated hereby except for

the activities and approvals pertaining to the HSR Act, the Competition Act, the Investment Canada Act, and the Canadian Order and the U.S. Order.

Section 8.03 Financial Statements and Books and Records

- (a) Attached as Schedule 8.03 are correct and complete copies of the Financial Statements of the Grant Entities. Except as disclosed on Schedule 8.03, such Financial Statements have been prepared from the Books and Records of the Vendors and Grant Entities, and present fairly in accordance with GAAP the financial position and results of operation of the U.S. Applicants as at the dates and for the periods indicated consistent with prior periods and the audited financial statements of Grant Forest Products Inc.; provided that the Interim Financial Statements do not include footnotes or annual adjustments. No Vendor or U.S. Applicant has received any advice or notification from its independent certified public accountants that it has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Financial Statements or the Books and Records of the Vendors or U.S. Applicants, any properties, assets, Liabilities, revenues, or expenses. The Financial Statements of the Grant Entities do not contain any items of extraordinary income, or other income not earned in the Ordinary Course of Business, individually or in the aggregate in excess of US\$ [REDACTED] per annum. The books of account and other financial records of the U.S. Applicants, all of which have been made available to the Purchasers, accurately and fairly reflect, in reasonable detail, the transactions and the assets and Liabilities of the U.S. Applicants.
- (b) Except as disclosed in any Schedule to the Agreement, the Vendors have no Knowledge of any Undisclosed Liabilities or any basis for or threat of an assertion against the U.S. Applicants that would be reasonably likely to constitute an Undisclosed Liability, except for Liabilities incurred since October 31, 2009 in the Ordinary Course of Business consistent with past practice, none of which, individually or in the aggregate, are material. At the Closing, all of the Books and Records will be in the possession or control of the U.S. Applicants, or delivered to the Purchasers or located at the Real Property.

Section 8.04 Ownership of Assets

- (a) Each U.S. Applicant has good and indefeasible or marketable, as appropriate, title to, or a valid leasehold interest in, or valid license to use, the assets and properties shown on the Financial Statements or acquired thereafter and all other assets and properties it uses in the conduct of such U.S. Applicant's Businesses as presently conducted, except for assets and properties disposed of in the Ordinary Course of Business since the date of the Financial Statements, and subject to no Liens except for Permitted Encumbrances listed on Schedule 7 and the Agents' Liens. To the Knowledge of the Vendors, the buildings and Equipment of each U.S. Applicant necessary or used for the operation of its Businesses are in the aggregate, in good condition and state of repair, reasonable wear and tear and normal depreciation excepted (taking into account the age and length of service thereof). To the Knowledge of the Vendors, the buildings of each U.S. Applicant necessary or used for the operation of its Businesses are structurally sound.
- (b) At the Closing, except for those disposed of in the Ordinary Course of Business, the assets, rights, interests and properties of the U.S. Applicants will constitute all of the assets, rights, interests and properties of every nature and kind whatsoever currently used (or have been used at any time since June 30, 2008) or held for use in the conduct of the U.S. Applicants' Businesses, or otherwise necessary for the U.S. Purchaser and the

Additional U.S. Purchaser to conduct and operate the U.S. Applicants' Businesses after Closing in all material respects as conducted and operated by the U.S. Applicants immediately prior to Closing.

- (c) Without limiting the generality of Section 8.04(a) or (b), to the Knowledge of the Vendors, each item of Equipment listed on Schedule 8.04(c) is in good condition and state of repair, reasonable wear and tear and normal depreciation excepted, and is adequate for the conduct of such U.S. Applicant's Businesses as currently being conducted and the uses for which it is being put.

Section 8.05 Accounts Receivable

All Accounts Receivable shown on the Financial Statements represent sales actually made or services actually performed or other transactions entered into in the Ordinary Course of Business in bona fide transactions, and such transactions have been completed substantially in accordance with the terms and provisions contained in any documents relating thereto. To the Knowledge of the Vendors, adequate reserves have been established for the Accounts Receivable in accordance with GAAP.

Section 8.06 Personal Property

- (a) (i) Schedule 8.06(a)(i) contains a true and correct list and a description (including license plate number and state) of all licensed Vehicles which are owned or leased by the U.S. Applicants including under capital leases that are not Equipment Operating Leases, (ii) Schedule 8.06(a)(ii) contains a true and correct list of all owned Equipment (excluding items of Equipment having a value of less than US\$1,000,000 individually, or US\$10,000,000 in the aggregate) which are owned or leased by the U.S. Applicants including under capital leases that are not Equipment Operating Leases; and (iii) Schedule 8.06(a)(iii) contains a true and correct list of all other items of tangible personal property (excluding inventory, Equipment and items of other personal property having a value of less than US\$1,000,000 individually, or US\$10,000,000 in the aggregate) owned or leased by the U.S. Applicants.
- (b) Each U.S. Applicant has good and transferable title to all of its owned Equipment, Vehicles, and other items of owned personal property (whether or not disclosed in Schedules 8.06(a)(i), (ii) or (iii)) free and clear of all Liens, and other than as disclosed on Schedule 8.06(b), all of which shall be removed prior to Closing and other than Permitted Encumbrances. Copies of all documents evidencing Liens disclosed on Schedule 8.06(b) are attached to that Schedule. The consummation of the Agreement will not cause a Default under any Permitted Encumbrance.
- (c) Schedule 8.06(c) contains a list of all Equipment Operating Leases for Vehicles, Equipment or other items of personal property (except miscellaneous leases having an aggregate value of remaining lease payments of less than US\$ [REDACTED] leased by the U.S. Applicants. No rights of the U.S. Applicants under such leases have been assigned or otherwise transferred as security for any obligation of the U.S. Applicants and except for the Agents' Liens. Except as described on Schedule 8.06(c), no Third Party consents are required under such Equipment Operating Leases as a result of the transactions contemplated by this Agreement.

Section 8.07 Inventories

All Inventory of the U.S. Applicants, except Inventory in transit and Inventory sold or disposed of in the Ordinary Course of Business consistent with past practices, whether reflected on the U.S. Applicants' Financial Statements or subsequently acquired, (a) except as set forth in Schedule 8.07 is now and at the Closing Date will be located on the U.S. Real Property or at wood storage, volume managed inventory or reload locations that support the U.S. Applicants' operations, (b) has been or will be acquired by the U.S. Applicants only in bona fide transactions entered into in the Ordinary Course of Business consistent with past practices, (c) is of good and merchantable quality except to the Knowledge of the Vendors to the extent adequately reserved for in the balance sheets included in the U.S. Applicants' Financial Statements or other ledger on which such Inventory is shown, which reserves are consistent with past practice, (d) to the Knowledge of the Vendors is not now and at the Closing Date will not be subject to any write-down or write-off in excess of the reserves established based on past practice, (e) is valued at each month end, in the case of finished goods at the lesser of cost or net realizable market value, with appropriate adjustments in accordance with the U.S. Applicants established practice for obsolete, damaged, discontinued and slow moving Inventory and (f) is valued, in the case of Inventory other than finished goods, at cost, with appropriate adjustments in accordance with the U.S. Applicants established practice for obsolete, damaged, discontinued and slow moving Inventory. No U.S. Applicant is under any Liability or obligation with respect to the return of its Inventory in the possession of wholesalers, retailers, or other customers which has been reserved against in the Financial Statements.

Section 8.08 Contracts

- (a) Schedule 8.08(a) contains a true and correct list of all Contracts not otherwise listed on Schedules 8.06(b) (Equipment Operating Leases), Schedule 7.17 (Insurance), Schedule 8.14(a) (Labor Matters) or Schedule 8.16 (Taxes) that are material to the operations of the Businesses of the U.S. Applicants (the "U.S. Material Contracts"). True and correct copies (or, if oral, an accurate written description) of each U.S. Material Contract have been provided to the Purchasers. The U.S. Applicants have not granted any power of attorney affecting or with respect to the U.S. Applicants or their assets, properties or Businesses (except pursuant to the First and Second Lien Loan Documents). No U.S. Applicant has incurred any obligation or Liability to any party for any brokerage fees, agent's commissions, or finder's fees in connection with the transactions contemplated by this Agreement.

For the purposes of this Section 8.08, a Contract is material to the operation of the Businesses (and a U.S. Material Contract) only if it is within any of the following categories:

- (i) a contract for the future purchase of, or payment for, supplies or products, or for the performance of services by a Third Party which supplies, products or services involve in any one case US\$ [REDACTED] or more;
- (ii) a contract or commitment to sell or supply products, to perform maintenance, services or similar duties, including any "take or pay" contracts, involving in any one case US\$ [REDACTED] or more;
- (iii) a distribution, dealer, representative, or sales agency contract with a term of longer than six (6) months and which (x) cannot be terminated by the U.S. Applicants on notice of six (6) months or less; or (y) that, upon termination or

non-renewal, would result in a Liability to the Vendors or any successor thereto of US\$ [REDACTED] or more;

- (iv) a Debt Instrument other than the First and Second Lien Loan Documents;
- (v) a contract containing a non-competition, non-solicitation or exclusivity covenant or other provision that materially prohibits the manner in which the Businesses are currently carried on; or
- (vi) a Contract required to be listed on Schedule 7.03 (Related Persons),

but excluding any Contract that, upon termination or non-renewal, would result in a liability to the U.S. Applicants or any successor thereto of less than US\$ [REDACTED].

- (b) Schedule 8.08(b) contains a true and correct list of all commitments for capital expenditures that have been approved or made by the U.S. Applicants prior to the date of this Agreement in excess of US\$2,000,000 in the aggregate and that remain outstanding as of the date hereof.
- (c) Except as set forth in Schedule 8.08(c), each of the U.S. Material Contracts is in full force and effect and to the Knowledge of the Vendors there exists (i) no Default under any of such Contracts by the U.S. Applicants or any other party to such Contracts and (ii) any event which, will create a Default thereunder (in each case except for minor Defaults which would not reasonably be expected to affect the ongoing relationship established by the Contract) by the U.S. Applicants or, to the Knowledge of the Vendors, any other party to such Contracts. Except as set forth on Schedule 8.08(c), each such U.S. Material Contract listed therein is not affected by any change of control or similar provision, whether by operation of law or otherwise. The U.S. Applicants have satisfied, or will satisfy, in full all of their material obligations under the U.S. Material Contracts to which they are parties, which have accrued prior to the date hereof and the Closing Date. The foregoing excludes Defaults or events arising from the Insolvency Defaults.
- (d) Except as indicated on Schedule 8.08(d), there exists no actual or, to the Knowledge of the Vendors, any threatened termination, cancellation, or limitation of, or since January 1, 2009 any amendment, modification, or change to any U.S. Material Contract.
- (e) Schedule 8.08(e)(i) contains a true and correct list of the ten (10) largest customers, as measured and ranked by revenues from such customers, of the U.S. Applicants during the fiscal years ended 2007, 2008, and for the period commencing January 1, 2009, to September 30, 2009. Except as disclosed on Schedule 8.08(e)(ii), none of the Vendors has any Knowledge that any such customer has ceased, or will cease, to purchase the U.S. Applicants' merchandise or services. Except as listed on Schedule 8.08(e)(ii), there exists no actual or, to the Knowledge of the Vendors, threatened termination to the business relationship with any supplier which supplied more than US\$ [REDACTED] of goods in the one year period ending December 31, 2009.
- (f) Except as indicated on Schedule 8.08(f), no U.S. Applicant is party to any Hedging Arrangement. No U.S. Applicant has been party to any Hedging Arrangement, other than such Hedging Arrangements with the First Lien Lenders and any and all Liability associated with such terminated Hedging Arrangements is included in the First Lien Lenders' Liability.

Section 8.09 Grant U.S. Intellectual Property

To the Knowledge of the Vendors, the U.S. Applicants' Businesses, as currently conducted do not violate, infringe or otherwise conflict with any third party Intellectual Property.

Section 8.10 U.S. Real Property

- (a) Schedule 8.10(a) contains a true and correct list of each parcel of Real Property owned by the U.S. Applicants ("U.S. Real Property") and a summary description of all significant plants and structures located thereon. The U.S. Applicants have good and marketable fee simple title to the U.S. Real Property, free and clear of all Liens, other than the Agents' Liens and Permitted Encumbrances and other than as listed on Schedule 8.10(a). The issue of the Purchasers' Partnership Interests to the U.S. Purchaser and the Additional U.S. Purchaser will not cause a Default, or event of Default under any of the Permitted Encumbrances except for those Permitted Encumbrances identified on Schedule 8.10(a) as requiring Consents. The U.S. Applicants are not a party to any Real Property Leases.
- (b) To the Knowledge of the Vendors, The U.S. Real Property conforms to all applicable Laws or use restrictions, and the property is zoned for the various purposes for which the U.S. Real Property and improvements thereon are presently being used. No U.S. Applicant has received any written work order, deficiency notice or other written notice from any authority, board of fire insurance underwriters, tenant or anyone else, advising of any breach of any applicable Law, by-law, code, regulation or standard or suggesting that any repair or work is necessary to the U.S. Real Property or any part thereof.
- (c) There is no filed or, to the Knowledge of the Vendors, no threatened expropriations, condemnations, planned public improvements, annexation, special assessments, zoning or subdivision changes, or other adverse claims affecting the U.S. Real Property. To the Knowledge of the Vendors, there is no private unrecorded restrictive covenant or governmental use restriction (including zoning) on all or any portion of the U.S. Real Property which prohibits the current use of the U.S. Real Property. No U.S. Applicant has in its possession any studies or reports which indicate any defects in the design or construction of any of the improvements on the U.S. Real Property.
- (d) To the Knowledge of the Vendors, the U.S. Real Property is not subject to or affected by any special assessment for public improvements or otherwise, whether or not it is presently a Lien upon the U.S. Real Property. To the Knowledge of the Vendors, no U.S. Applicant has made any commitment to any Governmental Authority, utility company, school board, church or other religious body, homeowner or homeowner's association or any other organization, group or individual relating to the U.S. Real Property which would impose a material obligation upon any U.S. Applicant or its successors or assigns to make any contributions or dedications of money or land, or to construct, install or maintain any improvements of a public or private nature as part of the U.S. Real Property. No Governmental Authority has imposed any requirement that any U.S. Applicant pay, directly or indirectly, any special fees or contributions or incur any expenses or obligations in connection with the development of the U.S. Real Property or any portion thereof, other than any regular local, municipal, real estate, business or school Taxes assessed against the U.S. Real Property. Except as set forth in Schedule 8.10(d), no U.S. Applicant has received any written notice of any contemplated or actual reassessment of the U.S. Real Property or any portion thereof for general real estate Tax purposes. Except as set forth on Schedule 8.10(d), as of the date hereof, all

due and payable Taxes, water charges and sewer charges affecting the U.S. Real Property or any portion thereof have been paid.

- (c) The parcels comprising the U.S. Real Property constitute legally distinct parcels of land. No U.S. Applicant has any interest in any real Property abutting any U.S. Real Property. There is no Default by any U.S. Applicant nor, to the U.S. Applicants' Knowledge, any other party thereto, under any Liens (except for the Agents' Liens) which may affect the U.S. Real Property or any portion thereof which are to be performed or complied with by the owner of the U.S. Real Property, and no condition or circumstance exists which would constitute a Default by any U.S. Applicant nor, to the U.S. Applicants' Knowledge, any other party thereto, under any such Liens (except for the Agents' Liens).

Section 8.11 Environmental Matters

- (a) With respect to the U.S. Real Property:
 - (i) except as set forth in Schedule 8.11(a)(i), each of the U.S. Applicants is, and has been at all times in the last five (5) years, in material compliance with all Environmental Laws, and none of the foregoing entities has (A) been notified that it is potentially liable under or (B) received any requests in writing for information or other correspondence concerning any site or facility under, nor does any of the Vendors have any reason to believe that any of them is considered potentially liable under any Environmental Law;
 - (ii) except as set forth on Schedule 8.11(a)(ii), none of the U.S. Applicants in the last five (5) years has entered into or received, nor are any of the foregoing entities in Default under, any Order relating to environmental protection;
 - (iii) except as set forth in Schedule 8.11(a)(iii), each of the U.S. Applicants have obtained all Environmental Permits, and Schedule 8.11(a)(iii) contains a complete list and description of each such Environmental Permit; a true and correct copy of each of which has been provided to the Purchasers. Except as described in Schedule 8.11(a)(iii), each of the foregoing entities with respect to the U.S. Real Property are in compliance with each such applicable Environmental Permit (including any information provided on the applications therefor) and no such Environmental Permit restricts any of the foregoing entities with respect to the U.S. Real Property from operating its Businesses covered by such Environmental Permit as currently being conducted; and
 - (iv) except as set forth in Schedule 8.11(a)(iv), each of the U.S. Applicants, to the best of the Vendor's Knowledge has accurately prepared semi-annual and/or annual compliance certifications pursuant to the Clean Air Act Part 70 Title V operating permits and/or other legal requirements associated with the Clean Air Act (including but not limited to periodic reports required by Maximum Achievable Control Technology (MACT) requirements) and submitted such certifications to the State of South Carolina Department of Health and Environmental Control ("SCDHEC"), true and complete copies of which submittals have been provided to Purchasers and listed on Schedule 8.11(a)(iv)(A) attached hereto.
- (b) With respect to each of the U.S. Applicants and the U.S. Real Property,

- (i) except as identified in Schedule 8.11(b)(i), there are no Legal Proceedings or Orders filed or, to the Vendors' Knowledge, threatened in writing by any Governmental Authority, municipality, community, citizen, or other entity, against the U.S. Applicants relating to environmental protection, compliance with Environmental Laws or the environmental conditions of the U.S. Real Property;
- (ii) to the Knowledge of the Vendors, except as set forth on Schedule 8.11(b)(ii), there has been no dumping, discharge, disposal, release, burial, placement or migration of Hazardous Materials onto, under, in, at, from or about any of the U.S. Real Property or any facilities or property currently or previously owned, leased, operated or used by the U.S. Applicants;
- (iii) to the Knowledge of the Vendors, all above-ground and underground storage tanks, sumps, oil/water separators, and septic systems now or previously located on the U.S. Real Property have been identified on Schedule 8.11(b)(iii), together with a description of the materials stored therein and a statement as to whether such tanks are currently used by the U.S. Applicants, and none of such tanks, sumps, oil/water separators and septic systems is leaking or has leaked;
- (iv) no Lien has arisen or, to the Knowledge of the U.S. Applicants, is threatened, on any of assets or properties of the U.S. Applicants as a result of any Environmental Law;
- (v) to the Knowledge of the Vendors, except as identified in Schedule 8.11(b)(v), none of the U.S. Real Property contains any asbestos-containing materials and polychlorinated biphenyls (PCBs) are not used or stored on or in any such properties; and
- (vi) to the Knowledge of the Vendors, except as disclosed in Schedule 8.11 (b)(vi), there are no conditions or restrictions that have been imposed by a Governmental Authority, at any time in the last five (5) years, on the use, ownership, occupancy or transferability, including a closure or limitation of access, with respect to the U.S. Applicants or any U.S. Real Property due to the use, manufacture, storage, handling, disposal or transport of Hazardous Materials.

Section 8.12 Legal Proceedings

Except as listed and briefly described on Schedule 8.12, since June 30, 2006 there have been no Legal Proceedings filed, or to the Knowledge of the Vendors threatened in writing against, or adversely affecting any U.S. Applicant, its Businesses or any of its assets or properties, at law or in equity or admiralty, or before or by any Governmental Authority, nor does any U.S. Applicant have Knowledge of any unasserted Legal Proceeding the assertion of which could reasonably be expected to result in a Legal Proceeding against any of the U.S. Applicants. No U.S. Applicant is a party to or bound by any Order that affects such U.S. Applicant, its Businesses or any of its assets or properties (other than the CCAA Proceedings and U.S. Bankruptcy Proceeding contemplated herein). The U.S. Applicants have delivered to the Purchasers copies of all pleadings and prior to the Closing, will deliver all material correspondence and other documents relating to the Legal Proceedings listed on Schedule 8.12.

Section 8.13 **[Intentionally Deleted]**

Section 8.14 **Labor Matters**

- (a) The Purchasers have been provided a true and correct and complete list of all present employees employed or engaged by the U.S. Applicants, any bonus received by any of them during the twelve months ended September 30, 2009 and any bonus received by any of them during the twelve months ended December 31, 2008, their current remuneration, years of service, a description of all perquisites and fringe benefits they receive or are eligible to receive, and current job title and any prior job positions of employment with the Vendors or the U.S. Applicants; and
 - (i) except as set forth in **Schedule 8.14(a)**, no U.S. Applicant is a party to or has any obligation pursuant to any oral and legally binding or written agreement, collective bargaining or otherwise, with any party regarding the rates of pay or working conditions or any other terms and conditions of employment of any of the employees of the U.S. Applicants, nor is such U.S. Applicant obligated under any Contract (provided that such Schedule is not required to describe oral or written contracts for salaried employees earning less than US\$100,000 per annum if the employee subject thereto may be terminated upon prior notice not longer than if no contract existed), Order or Law to recognize or bargain with any labor organization, employee association or trade union on behalf of such employees;
 - (ii) to the Knowledge of the Vendors, none of the U.S. Applicants has received a written notice of any breach of or non-compliance with any applicable federal, provincial, state, municipal, local and foreign Laws concerning the employment relationship or any agreements relating to the employment of its employees, including applicable wage and hour Laws, fair employment Laws, safety Laws, worker compensation Laws, unemployment Laws, Laws regarding hiring, Laws regarding termination of employment and social security Laws;
 - (iii) no U.S. Applicant is liable for any unpaid wages, bonuses, or commissions (other than those not yet due) or any Tax, penalty, assessment, or forfeiture for failure to comply with any of the foregoing;
 - (iv) except as set forth on **Schedule 8.14(a)**, there is no outstanding policy, practice, plan, agreement or arrangement with respect to severance payments or amounts payable in the event of termination of employment with respect to any U.S. Applicant employee; and
 - (v) to the Knowledge of the Vendors, none of the Persons listed on **Schedule 8.14(a)** and none of the persons engaged in the U.S. Applicants' Businesses is an independent contractor or has been treated as an independent contractor by any U.S. Applicant within the past three (3) years.
- (b) No U.S. Applicant has ever been the subject of any inspection or investigation relating to its compliance with or violation of the Immigration Laws, nor has it been warned, fined or otherwise penalized by reason of any failure to comply with the Immigration Laws, nor is any such proceeding to the Vendors' Knowledge pending or threatened.

Section 8.15 Employee Benefit Plans

- (a) **Schedule 8.15** contains a true and complete list of all Employee Benefit Plans which are presently in effect or which have previously been in effect, which cover current and former employees of the U.S. Applicants ("U.S. Employees") and which such U.S. Applicants, with respect to the U.S. Employees, has any outstanding, present, or future Liability, or under which any U.S. Employee has any present or future right to benefits ("U.S. Employee Benefit Plan").
- (b) With respect to each U.S. Employee Benefit Plan:
 - (i) the U.S. Employee Benefit Plan has been provided to the Purchasers for review, including correct and complete copies of: (A) all trust agreements or other funding arrangements for such U.S. Employee Benefit Plan (including insurance contracts), and all amendments thereto, (B) with respect to any such U.S. Employee Benefit Plan or amendments, all current determination letters and, if any, rulings, opinion letters, information letters, or advisory opinions or any other material correspondence issued by the IRS, the United States Department of Labor or any other Governmental Authority, (C) annual reports or returns, financial statements and actuarial valuations and reports prepared for the U.S. Employee Benefit Plan with respect to the most recent plan years, (D) the most recent summary plan descriptions and any modifications thereto and (E) any documents relating to voluntary or involuntary correction under the IRS Employee Plan Compliance Resolution System;
 - (ii) each U.S. Employee Benefit Plan, and, if any, related trust complies with and has been administered in accordance with its terms and in compliance with, the applicable provisions of ERISA, the Internal Revenue Code and other applicable Law;
 - (iii) no oral or written representation with respect the U.S. Employee Benefit Plan has been made to U.S. Employees that is not in accordance with the written terms of such plans;
 - (iv) all U.S. Employee Benefit Plan documents and annual reports or returns, financial statements, actuarial valuations, and summary plan descriptions issued with respect to the U.S. Employee Benefit Plan are correct and complete, have been timely filed with the IRS and the United States Department of Labor (if required), have been timely distributed to participants in the U.S. Employee Benefit Plan, and there have been no changes in the information set forth therein; and
 - (v) there are (1) no pending investigations by any Governmental Authority involving the U.S. Employee Benefit Plans, (2) no threatened or pending claims (except for claims for benefits payable in the normal operation of the U.S. Employee Benefit Plans), suits or proceedings against any U.S. Employee Benefit Plan or asserting any rights or claims to benefits under any U.S. Employee Benefit Plan which could give rise to any material Liability, and (3) no facts which could give rise to any material Liability in the event of such investigation, claim, suit or proceeding.

- (c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will increase the amount of any compensation or benefit due to any such employee or former employee or director which could become a Liability of any of the Purchasers. The performance of the obligations hereunder by the U.S. Applicants will not result in any payment that would constitute an "excess parachute payment" for purposes of Section 280G or 4999 of the Internal Revenue Code.
- (d) The U.S. Applicants and their ERISA Affiliates have complied in all material respects with the continuation coverage requirements of Section 1001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and ERISA Sections 601 through 608 (COBRA).
- (e) No. U.S. Applicant nor any ERISA Affiliate of the U.S. Applicants has at any time maintained, sponsored, contributed to or been obligated to contribute to (i) a "defined benefit plan" (as defined in ERISA Section 3(35)), (ii) a multiple employer plan, or (iii) any arrangement providing welfare benefits to any person beyond his or her termination of service other than coverage mandated by Part 6 of Title I of ERISA or Internal Revenue Code Section 4980B or similar state law.

Section 8.16 Taxes

- (a) All Tax Returns required to be filed by or on behalf of any U.S. Applicant have been duly and timely filed and are true, complete and accurate in all material respects. All Taxes payable by or on behalf of any U.S. Applicant have been fully and timely paid when due, whether or not shown on any Tax Return. Other than Permitted Encumbrances, there are no Liens as a result of unpaid Taxes upon any assets of any U.S. Applicant other than Liens for Taxes not yet due and payable. With respect to any period for which a Tax Return has not yet been filed or for which Taxes are not yet due or owing, each U.S. Applicant has made due and sufficient accruals for such Taxes in its Financial Statements, except for the unaudited financial statements for the fiscal periods ending December 31, 2008 and September 30, 2009. Payments of estimated Taxes sufficient to avoid any underpayment penalties have been made by or on behalf of each U.S. Applicant. Each U.S. Applicant has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income tax within the meaning of Section 6662 of the Internal Revenue Code. No U.S. Applicant has participated in any reportable transaction, as defined in Treasury Regulation Section 1.6011-4(b)(1), or any transaction substantially similar to a reportable transaction.
- (b) The Purchasers have received complete copies of (i) all federal, state, local and foreign income or franchise Tax Returns of the Grant Entities and the U.S. Applicants for taxable periods since 2005 to June 30, 2008 and (ii) any examination report, statement of proposed deficiencies, or audit report issued within the last four (4) years relating to any Taxes of the U.S. Applicants. All deficiencies asserted or assessments made as a result of such examinations have been fully paid, and to the Knowledge of the Vendors, there are no other examinations by any Taxing Authority in progress, nor is any U.S. Applicant aware that any Taxing Authority intends to conduct an examination other than CRA audit of the 2009 return for Grant Forest Products Inc. No issue has been raised by a Taxing Authority in any examination which, by application of the same or similar principles, could reasonably be expected to result in a proposed deficiency for any subsequent

taxable period. No claim has been made or proposed by a Taxing Authority in a jurisdiction in which a U.S. Applicant does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

- (c) Except for the period prior to September 8, 2005 (the date of formation of Grant Partnership), none of the U.S. Applicants has ever been a member of any consolidated, combined, affiliated or unitary group of corporations for any Tax purposes other than a group in which Grant Partnership is the common parent. Each of the U.S. Applicants is, and has at all times since its formation been, classified for U.S. federal income tax purposes and all applicable state and local income tax purposes as an association taxable as a corporation and timely filed a valid IRS Form 8832 properly electing such classification that has not been revoked or superseded, except as set out on Schedule 8.16(d).
- (d) Schedule 8.16(d) sets forth each U.S. Applicant that is properly treated either as a partnership or as a disregarded entity (i.e., not treated as an entity separate from its owner) for U.S. federal income tax purposes and analogous or similar provisions of state or local law in each jurisdiction in which such U.S. Applicant is required to file a Tax Return. No U.S. Applicant has undergone a voluntary or involuntary termination of such status.
- (e) [Intentionally Deleted].
- (f) There is no taxable income of any U.S. Applicant other than Grant US Sales Inc. that was realized prior to the Closing Date but will be required under applicable Tax Law to be reported after the Closing Date.
- (g) No U.S. Applicant, or any other Person on its behalf, has (i) entered into any tax sharing, indemnity or similar agreement (whether or not written) pursuant to which it may have an obligation to make a payment, (ii) agreed to make, or may be required to make, any adjustment pursuant to Section 481(a) of the Internal Revenue Code or any similar provision of Law, or has any Knowledge that any Taxing Authority has proposed any such adjustment, (iii) submitted any application to any Taxing Authority requesting permission for any change in accounting method that relates to any U.S. Applicant, (iv) applied for, or may be subject to, any IRS private letter ruling or ruling by any Taxing Authority, (v) entered into a closing agreement pursuant to Section 7121 of the Internal Revenue Code or any similar provision of Law, (vi) requested any extension of time within which to file any Tax Return, which Tax Return has since not been filed except for Tax Returns of the U.S. Applicants for the period ending June 30, 2009, (vii) granted any extension or waived the statute of limitations for the assessment or collection of Taxes, which Taxes have not since been paid, or (viii) granted to any Person any power of attorney that is currently in force with respect to any Tax matter other than a power of attorney in favour of Deloitte & Touche with respect to form 8832.
- (h) No property owned by any U.S. Applicant is (i) tangible property used predominantly outside the United States, (ii) leased to a tax-exempt entity within the meaning of Section 168(h)(2) of the Internal Revenue Code, (iii) financed directly or indirectly by an obligation the interest on which is exempt from tax under Section 103(a) of the Internal Revenue Code, (iv) "limited use property" within the meaning of Rev. Proc. 76-30, or (v) subject to any similar provision of state, local or foreign Law.

- (i) Except as set forth on Schedule 8.16(i), no U.S. Applicant has paid or accrued, or is obligated to pay or accrue, any disqualified interest within the meaning of Section 163(j) of the Internal Revenue Code as of June 30, 2008, or has any "corporate acquisition indebtedness" within the meaning of Section 279 of the Internal Revenue Code as of June 30, 2009.
- (j) No U.S. Applicant has an overall foreign loss within the meaning of Section 904(f)(2) of the Internal Revenue Code.
- (k) No U.S. Applicant has been a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Internal Revenue Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Internal Revenue Code in the five (5) years prior to the date of this Agreement.
- (l) There is no arrangement covering any person or persons that, individually or collectively, could give rise to the payment of any amount that would not be deductible by reason of Section 280G of the Internal Revenue Code or would be subject to withholding under Section 4999 of the Internal Revenue Code.
- (m) Schedule 8.16(m) contains a list and attaches all documents (other than income Tax Returns) related to any Tax moratorium or incentive program for any U.S. Applicant, whether statutory or negotiated, in the state of South Carolina or elsewhere. For any Tax credit that any U.S. Applicant has claimed on any Tax Return, such U.S. Applicant is in full and complete compliance with the applicable Laws related to such Tax credit, and each U.S. Applicant has not claimed any Tax credit on any Tax Return that it is not otherwise entitled to claim. For any Tax incentive agreement to which any U.S. Applicant is a party, whether as a assignee or otherwise, including, but not limited to, any Tax incentive agreement with respect to a "Fee in Lieu of Tax" payment, such U.S. Applicant is in full and complete compliance with the provisions of such agreement other than as set out in Schedule 8.08(c) and has not received any benefit under such agreement to which it is not otherwise entitled. Other than as set out in Schedule 8.08(c) and Schedule 8.16(m), no U.S. Applicant, or any other Person on its behalf, has any Knowledge that any U.S. Applicant that has claimed a Tax credit on any Tax Return or has received the benefit under a Tax incentive agreement, may lose or may be required to pay back such Tax credit or benefit.

For purposes of this Section 8.16, any reference to any U.S. Applicant shall be deemed to include any Person which merged with or was liquidated into such U.S. Applicant.

Section 8.17 Compliance with Laws; Permits and Orders

No U.S. Applicant is engaging in any activity or omitting to take any action that is or creates a material violation of any Law applicable to such U.S. Applicant. Except as otherwise disclosed in this Agreement, to the Knowledge of the Vendors, no U.S. Applicant is subject to any material Order issued by any Governmental Authority except the Orders issued pursuant to the CCAA Proceedings or the U.S. Bankruptcy Proceedings contemplated hereby. Each U.S. Applicant possesses all Permits necessary for the lawful operation of its Businesses as presently conducted and is in material compliance with all such Permits and all applicable Laws and Orders issued by any Governmental Authority. To the Knowledge of the U.S. Applicants, no officer, director, agent, or employee of the U.S. Applicants is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the U.S. Applicants or its Businesses. Except as otherwise disclosed in this

Agreement, to the Knowledge of the Vendors, no U.S. Applicant has received at any time any written notice or other written communication from any Governmental Authority or any other Person regarding (i) any actual, alleged, possible, or potential violation of, or failure to comply with, any Law, or (ii) any actual, alleged, possible, or potential obligation on the part of such U.S. Applicant to undertake, or to bear all of any portion of the cost of, any remedial action of any nature.

Section 8.18 Certain Payments

Since June 30, 2006, to the Knowledge of the Vendors, except as set forth in Schedule 8.18, no U.S. Applicant or director, officer, agent, or employee of any U.S. Applicant, or to the U.S. Applicants' Knowledge, any other Person associated with or acting for or on behalf of the U.S. Applicants, has (a) established or maintained any fund or asset that has not been recorded in the Books and Records of the U.S. Applicants and (b) directly or indirectly in violation of any Law made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the U.S. Applicants or any Related Person of the U.S. Applicants.

**ARTICLE 9
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS**

Section 9.01 The Canadian Purchaser's Representations

The Canadian Purchaser hereby represents and warrants to the Vendors that:

- (a) it is an unlimited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has the requisite power and authority to conduct its business and to own, lease, or operate its properties in the places where such business is conducted and such properties are owned, leased, or operated;
- (b) has full corporate power and authority to enter into this Agreement and to consummate the transactions herein contemplated hereby;
- (c) the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein have been duly and validly authorized by all necessary action on the part of the Canadian Purchaser. This Agreement represents a legal, valid and binding obligation of the Canadian Purchaser, enforceable against the Canadian Purchaser in accordance with its terms;
- (d) it is a non-Canadian Person within the meaning of the *Investment Canada Act*; and
- (e) it will at the time of Closing be registered for purposes of the GST Legislation.

Section 9.02 The U.S. Purchaser's and the Additional U.S. Purchaser's Representations

Each of the U.S. Purchaser and the Additional U.S. Purchaser hereby represents and warrants to the Vendors that:

- (a) it is a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has the requisite power and

authority to conduct its business and to own, lease, or operate its properties in the places where such business is conducted and such properties are owned, leased, or operated;

- (b) has full limited liability company power and authority to enter into this Agreement and to consummate the transactions herein contemplated hereby; and
- (c) the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein have been duly and validly authorized by all necessary action on the part of the U.S. Purchaser and Additional U.S. Purchaser. This Agreement represents a legal, valid and binding obligation of the U.S. Purchaser and Additional U.S. Purchaser, enforceable against the U.S. Purchaser and the Additional U.S. Purchaser in accordance with its terms.

ARTICLE 10 COVENANTS

Section 10.01 Regulatory Matters

- (a) Each of the Parties, as promptly as practicable after the execution of this Agreement, will make, or cause to be made, all such filings and submissions under all applicable Laws, as may be required for it to consummate the purchase and sale of the Purchased Assets and the Purchasers' Partnership Interests, and the other transactions contemplated by this Agreement in accordance with the provisions of this Agreement, including any required filing of a notification or application for review pursuant to the Competition Act, the Investment Canada Act and the HSR Act. The Parties will coordinate and cooperate with one another in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with the foregoing, including providing each other with all notices and information supplied to or filed with any Governmental Authority (except for notices and information which any Party, acting reasonably, considers highly confidential and sensitive which may be filed on a confidential basis), and all notices and correspondence received from any Governmental Authority.
- (b) The Purchasers will use commercially reasonable efforts to obtain any required approval of the transactions contemplated by this Agreement from the Minister of Industry pursuant to the Investment Canada Act, the Competition Commissioner (Canada) and the United States Federal Trade Commission or Department of Justice, as the case may be, to (i) obtain, as soon as reasonably possible, the expiration or termination of any applicable waiting period under the Competition Act, the Investment Canada Act or the HSR Act, (ii) secure the termination of any investigation by any Governmental Authority, (iii) avoid the filing of any proceeding seeking to enjoin the transaction, or (iv) avoid the entry of or effect the dissolution of any injunction, temporary restraining order or legal requirement that would otherwise have the effect of preventing or delaying consummation of the transaction; provided, however, that notwithstanding any provision to the contrary in this Section 10.01, neither any of the Purchasers nor any of their Affiliates shall be required to (A) give undertakings to Her Majesty in right of Canada that contain any obligations that the Purchasers or their applicable Affiliates deems in its sole discretion to be commercially unreasonable, (B) agree to any changes or modifications to this Agreement or any agreement contemplated hereby in order to obtain the necessary approval under the Investment Canada Act from the Minister of Industry, (C) divest or dispose of, hold separate or otherwise restrict their enjoyment of any of their respective properties, or (D) waive or relinquish any rights. The Vendors agree that the

Purchasers shall have the responsibility to direct all meetings and communications with any Governmental Authority in connection with the Competition Act, the Investment Canada Act and the HSR Act. The Vendors shall have the right to notice of and the reasonable opportunity to participate in any such meetings and communications.

- (c) The Purchasers shall be responsible for all fees payable to Governmental Authorities in connection with the filings under the Competition Act and the HSR Act.

Section 10.02 Canadian Order

- (a) The Canadian Applicants, or the First Lien Lender Agent in an exercise of its remedies under the First Lien Credit Agreement, shall promptly apply to the CCAA Court for an Order (the "**Additional Applicants Order**") adding the Additional CCAA Applicants as additional applicants to the CCAA Proceeding.
- (b) Following (or concurrently with) the making of the Additional Applicants Order, the Grant Entities shall promptly schedule the hearing of the motion to obtain an Order from the CCAA Court in the form attached hereto as **Exhibit B** (with such changes thereto that are of substance (not of form) or are adverse to the Purchasers as the Purchasers may approve in their sole discretion and with such changes thereto that are adverse to a Vendor as the Vendors may approve in their sole discretion) (the "**Canadian Order**").
- (c) The materials for the CCAA Court shall be in form and substance satisfactory to the Purchasers and their counsel acting reasonably, and filed by the Canadian Applicants for the Canadian Order. Written notice of the motion for the Canadian Order shall be given to the Purchasers and to such other parties as shall be agreed upon by the Canadian Purchaser and the motion to obtain the Canadian Order shall be made on no less than seven (7) days notice. The Grant Entities shall diligently pursue such motion, serve all motion materials on counsel for the Purchasers and promptly notify the Purchasers of any hearing or proceedings relating to the Canadian Order and any updates regarding its disposition.

Section 10.03 U.S. Order; Release and Discharge Agreement

- (a) Promptly, after the issuance of the Canadian Order, the Grant Entities shall cause the Monitor, on behalf of the Grant Entities eligible to do so, to initiate the U.S. Bankruptcy Proceedings and make application for the entry of the U.S. Order.
- (b) The Grant Entities shall prepare all materials for and shall apply to the U.S. Bankruptcy Court for a Final Order issued by the U.S. Bankruptcy Court in the form attached hereto as **Exhibit G** (with such changes thereto that are of substance (not of form) or are adverse to the Purchasers as the Purchasers may approve in their sole discretion and with such changes thereto that are adverse to a Vendor as the Vendors may approve in their sole discretion) (such Order as approved, the "**U.S. Order**").
- (c) The materials for the U.S. Bankruptcy Court shall be in form and substance satisfactory to the Purchasers and their counsel acting reasonably, and the Grant Entities shall file such materials, or cause the Monitor or the First Lien Lenders' Agent to file such materials, for the U.S. Order. Written notice of the motions for the U.S. Order shall be given to the Purchasers and such parties as shall be agreed upon by the U.S. Purchaser. The Grant Entities shall diligently pursue such motions, serve all motion materials on

counsel for the Purchasers and promptly notify the Purchasers of any hearing or proceedings relating to the U.S. Order and any updates regarding its disposition.

- (d) After the Canadian Order and the U.S. Order are granted, the Grant Entities shall use commercially reasonable efforts to obtain a duly executed copy of the Release and Discharge Agreement and shall keep the Purchasers apprised of all discussions and efforts related thereto.

Section 10.04 The Purchasers' Cooperation

Each of the Purchasers, at its own expense, shall promptly provide to the Vendors and the U.S. Applicants, all such information within its possession, custody or control as the Vendors and the U.S. Applicants may reasonably require to obtain the Canadian Order and the U.S. Order, provided however that (a) any such financial information shall be limited to the publicly available information concerning each Purchaser's debt rating, and (b) any other information (not including financial information which shall be disclosed only as set forth in Section 10.04) shall be subject to the following: (i) no such information shall be required to be provided if the Purchasers determine, acting reasonably, that such information is competitively sensitive or that the provision of such information would jeopardize any solicitor-client privilege (it being understood, however, that the Purchasers shall cooperate in commercially reasonable efforts and requests that would enable otherwise required disclosure to the Vendors and the U.S. Applicants to occur without so jeopardizing privilege), and (ii) in any such case the Vendors and the U.S. Applicants shall cooperate with a view to establishing a mutually satisfactory procedure for providing such information directly to the CCAA Court and/or the U.S. Bankruptcy Court on a confidential basis, and in such event the Purchasers shall provide such information directly to the CCAA Court and/or the U.S. Bankruptcy Court, as applicable. Each of the Purchasers, at its own expense shall also provide such assistance as the Vendors and the U.S. Applicants reasonably request (as determined by the Purchasers in an exercise of their reasonable business judgment) to obtain the Canadian Order and the U.S. Order.

Section 10.05 Operation of the Businesses in the Ordinary Course

The Vendors and the Grant Partnership shall operate or cause to be operated the Businesses and the Businesses of the Grant Partnership and its Subsidiaries in the Ordinary Course of Business (after taking into account the effect of changes in the market and operating conditions which may impact operating decisions including rates of production) and in material compliance with any applicable Law (including any Environmental Laws) from the date hereof until the Closing Date in substantially the same manner as they were operated on June 25, 2009, and

- (a) shall not, without the prior written consent of the Purchasers from the date hereof until the Closing Date:
 - (i) grant any Lien other than valid and enforceable Liens existing on the date hereof, charges created by the Initial Order and Liens arising solely by operation of law in the Ordinary Course of Business of the Vendors and their Subsidiaries;
 - (ii) create or incur, directly, contingently or otherwise, any debt other than:
 - (A) debt existing on June 25, 2009 and interest and fees accruing thereon; or
 - (B) liabilities (which are not the result of borrowing) incurred and payable:

- (x) by the Vendors in the Ordinary Course of Business; or
 - (y) by the U.S. Applicants in the Ordinary Course of Business and if such liabilities are of such nature as would, if existing on the Closing Date, be included in the Working Capital Closing Schedule,
- or incurred and payable as a result of their insolvency proceedings; or
- (C) as provided in Schedule 10.05(a)(ii)(C);
- (iii) enter into any transactions outside the Ordinary Course of Business, other than the Tax Refund Transfers, including for greater certainty, any non-competition restrictions applicable to the U.S. Applicants;
 - (iv) make capital expenditure commitments of the Vendors or their Subsidiaries which will remain outstanding on the Closing Date on account of any capital or fixed asset account of the Vendors or their Subsidiaries in the aggregate in excess of 110% of the capital expenditure amount identified in the Cash Flow Projections (as defined in the Initial Order);
 - (v) with respect to the U.S. Applicants, declare any dividends or distributions to any shareholder or any Person affiliated or associated with any shareholder whether by way of dividend or otherwise;
 - (vi) with respect to the U.S. Applicants, guarantee, endorse or otherwise become surety for or upon any obligations of any Person;
 - (vii) pay any amount to its employees and officers as such by way of salary, bonus, commission, directors' fees or otherwise in excess of the amounts being paid as at June 25, 2009, or at a rate in excess of the rate as at June 25, 2009 (other than to employees of the Vendors as required by a collective agreement), provided that nothing in this Section 10.05 shall prohibit the Vendors and their Subsidiaries from reimbursing their employees and officers for reasonable expenses incurred by them in the Ordinary Course of Business or paying bonuses in accordance with past practices or paying retention amounts to employees;
 - (viii) (A) increase the coverage or benefits available under the Pension Plan for the Hourly Employees of Grant Forest Products Inc. – Englehart Plant (Reg. #1013044) or any U.S. Employee Benefit Plans or otherwise modify, terminate or amend such plans (except to the extent necessary to comply with applicable regulations), (B) enter into any deferred compensation, special pay, or non-competition agreement or arrangement with any employees or former employees (or amend any such agreements) to which any Grant Entity is a party other than bonuses and other than any agreement with respect to retention amounts referred to in subsection (vii), or (C) enter into any employment or consulting agreement or arrangement with any Person that involves payment to such Person of more than \$75,000 per annum ;

- (ix) with respect to the U.S. Applicants, make any cash payment (interest or otherwise) to any lender under the First Lien Credit Agreement or the Second Lien Credit Agreement;
- (x) with respect to the U.S. Applicants, make expenditures or commitments which would result in a liability to any of the Purchasers after Closing;
- (xi) with respect to the U.S. Applicants, open or maintain deposit accounts other than the deposit accounts maintained with The Toronto-Dominion Bank, Wachovia Bank, National Association, Harris N.A. and Bank of Montreal as of June 25, 2009, together with the accounts opened or to be opened in Canada by each of the U.S. Applicants with The Toronto-Dominion Bank (the "Accounts");
- (xii) make any changes to the officers or senior management except to remove any such officers or senior management who die, resign or are terminated for cause;
- (xiii) with respect to the U.S. Applicants, enter into any interest or currency exchange agreement or any other Hedging Arrangement;
- (xiv) obtain any debtor-in-possession if it would result in a Liability to any of the Purchasers after Closing or affect the Vendors' ability to close the transactions contemplated hereby;
- (xv) sell, lease, transfer, dispose of, or remove from the Real Property, any Purchased Assets or property or assets of the U.S. Applicants, or any interest therein, other than the sale of oriented strand board, wood pellets and other related products or other Inventories, made in the Ordinary Course of Business; or
- (xvi) amend the Partnership Agreement or any Organizational Documents of any of the U.S. Applicants or, with respect to the U.S. Applicants, modify the organizational structure, change or alter any Tax election, repay any intercompany indebtedness among the U.S. Applicants, liquidate any such entities, or redeem any Equity Interests;

except, in the instance of each of the foregoing, to the extent required by an Order in which case the Vendors shall provide prompt notice to the Purchasers of such action.

- (b) and shall, from the date hereof until the Closing Date, except to the extent that Purchasers shall otherwise consent in writing:
 - (i) other than Inventories sold in the Ordinary Course of Business, maintain the Purchased Assets and the assets, rights, interests and properties of the U.S. Applicants in their present order and condition, reasonable wear and use excepted, and deliver "where is" the tangible Purchased Assets (other than Inventories in transit) at the Real Property, or wood storage, volume managed inventory or reload locations that support the Vendors' operations at Englehart, Ontario or Earleton, Ontario and the tangible assets of the U.S. Applicants (other than Inventories in transit) at the U.S. Real Property or at volume managed inventory or reload locations that support the U.S. Applicants' operations on the Closing Date in such condition, and maintain all Insurance Policies covering the Purchased Assets and the assets, rights, interests and properties of the U.S.

Applicants in amounts and on terms substantially equivalent to those in effect on the date hereof;

- (ii) take all steps reasonably necessary to maintain the Vendors' and U.S. Applicants' rights in and to the Vendor Intellectual Property, Grant U.S. Intellectual Property and other intangible assets of the Vendors and U.S. Applicants related to the Businesses (other than collection of Accounts Receivable in the Ordinary Course of Business);
- (iii) with respect to the
 - (1) Purchased Assets, pay when due all accounts payable arising after June 24, 2009 (but not honour any "Grant Miles" incentives), and
 - (2) U.S. Applicants, pay when due all accounts payable arising, out of the conduct of the Businesses

in accordance with past practice and use commercially reasonable efforts to collect all Accounts Receivable arising out of the conduct of the Businesses in accordance with past practice;

- (iv) maintain the Books and Records on a basis consistent with past practices and prepare and file all Tax Returns and amendments thereto required to be filed by the Vendors and U.S. Applicants after taking into account any extensions of time granted by any Taxing Authorities;
- (v) with respect to the U.S. Applicants, use commercially reasonable efforts to preserve the Goodwill and patronage of the customers, employees and suppliers of the Businesses provided that the failure to pay any amount owing to any supplier or other creditor by any of the Vendors as of June 24, 2009 or the failure to honour any "Grant Miles" customer incentive points provided by any of the Grant Entities to any customer of any of the Grant Entities shall not constitute a breach of the foregoing;
- (vi) promptly notify the Purchasers in the event that it receives notice of or otherwise becomes aware of any entitlement of a Vendor to acquire the right to harvest and/or use additional timber from tracts included in the Timber Supply Allocation or from any other lands owned by the Province of Ontario (whether arising (x) pursuant to the ownership of Shares, (y) pursuant to provisions of shareholder agreements of any other cooperative sustainable forest licence holders relating to surplus shareholder timber or transfer of shares owned other shareholders, or (z) pursuant to any other Permit, purchase order, contract, agreement, instrument, license, commitment or arrangement), and, if so requested by the Purchasers, use commercially reasonable efforts at the Purchasers' sole expense to acquire the right to harvest and/or use such additional timber on the basis that such right will by its terms be assigned to the Canadian Purchaser at Closing;
- (vii) promptly notify the Purchasers in the event that it breaches any Timber Supply Allocation Tenures Agreement or Other Timber Tenures Agreement or loses any

right to harvest and/or use timber from tracts included in the Timber Supply Allocation or from any other lands owned by the Province of Ontario;

- (viii) promptly notify the Purchasers in advance of entering into any Timber Supply Allocation Tenures Agreement or any amendment or renewal thereof, in each case other than on a spot basis, and with respect to any such agreement, amendment or renewal, consult with the Purchasers with respect to the form and substance thereof and cooperate with the Purchasers to request that such agreement, amendment or renewal will by its terms be assignable to the Canadian Purchaser at Closing;
- (ix) cause any amounts owing between any of the Vendors, on the one hand, and any of the U.S. Applicants, on the other, to be repaid, except for that certain receivable in the amount of \$ [REDACTED] owed by Grant Forest Products Sales Inc. to Grant US Sales Inc., which shall not be repaid but which shall be released by Grant US Sales Inc. on or before Closing; and
- (x) cause the U.S. Applicants to take all action to adhere to the terms of this Agreement, including any action required to seek the Canadian Order and the U.S. Order, and prohibit the U.S. Applicants from taking any action that is adverse or contrary to this Agreement, the Canadian Order or the U.S. Order,

except, in the instance of each of the foregoing in this Section 10.05, to the extent prohibited, restricted or limited by an Order in which case the Vendors shall provide prompt notice to the Purchasers of such inaction.

Nothing in this Section 10.05 shall relate to any dealings with Excluded Assets. Nothing in this Section 10.05 shall diminish or impact the closing conditions set forth herein, including without limitation Section 11.01.

Section 10.06 Maintenance of Books and Records; Access after Closing

- (a) After the Closing Date, each Purchaser shall use commercially reasonable efforts to retain (or cause to be retained) all of the Books and Records delivered to it by the Vendors and all Books and Records of Grant Partnership and its Subsidiaries, in each case, relating to any period ending on or prior to the Closing Date for a period of six (6) years following the Closing Date, but the Purchasers shall not be responsible or liable to the Vendors, the Monitor and/or their respective Representatives for or as a result of any unintentional loss or destruction of or damage to any such Books and Records. At any time during such six-year period, the Vendors and their respective Representatives shall, subject to the execution of confidentiality agreements mutually acceptable to the Purchasers, on the one hand, and the Vendors and/or their respective Representatives, on the other hand, have reasonable access to such Books and Records and to the Books and Records of the Grant Partnership and its Subsidiaries in connection with their respective affairs; provided, that nothing herein shall (i) require any Purchaser to disclose any information to the Vendors and/or their respective Representatives if such information disclosure would jeopardize any attorney-client or legal privilege or (ii) contravene any applicable Law; it being understood, that the Purchasers shall cooperate in commercially reasonable efforts and requests for waivers that would enable otherwise required disclosure to the Vendors to occur without so jeopardizing privilege or contravening such law. At any time during such six (6) year period, the Monitor and its Representatives

shall have reasonable access to all of the Books and Records delivered to the Purchasers by the Vendors and all Books and Records of Grant Partnership and its Subsidiaries, in each case, relating to any period ending on or prior to the Closing Date and including the right to make copies of electronic and paper versions of such Books and Records in connection with fulfilling its obligations arising in connection with the CCAA Proceeding.

- (b) After the Closing Date, the Purchasers shall, subject to the execution of confidentiality agreements mutually acceptable to the Purchasers, on the one hand, and the Vendors, on the other hand, have the right to request from the Vendors copies of all books, records, files, documentation and sales literature in the possession or under control of any of the Vendors and held or used in the Businesses to which any Purchaser in good faith determines it needs access for bona fide business or legal purposes. The Vendors shall, or cause their respective Affiliates (including any assignees of either Vendor or any Affiliate) to, maintain for a period of six (6) years all such Books and Records, and provide such copies to the Purchasers (at the Purchasers' expense) as soon as reasonably practicable; provided, that nothing herein shall (i) require the Vendors to disclose any information to the Purchasers if such information disclosure would jeopardize any solicitor-client or legal privilege or (ii) contravene any applicable Law; it being understood, that the Vendors shall cooperate in reasonable efforts and requests for waivers that would enable otherwise required disclosure to the Purchasers to occur without so jeopardizing privilege or contravening such law.

Section 10.07 Consents and Estoppel Confirmations to the Assignments of the Contracts, the Equipment Operating Leases and the Permits, Licenses and Deposits

- (a) The Vendors agree to request in writing and work cooperatively with the Purchasers using commercially reasonable efforts to follow up (including by further written notices, phone calls and/or e-mails) to attempt to obtain, at their own expense, as may be required by the terms of the Contracts, the Equipment Operating Leases or the Permits, Licenses and Deposits, consents or approvals to the assignment of the Vendors' interests in such Contracts, Equipment Operating Leases, Permits, Licenses and Deposits requested by the Purchasers, including the Required Consents, on terms and conditions satisfactory to the Purchasers, acting reasonably. The Vendors also agree to use commercially reasonable efforts to attempt to obtain, at their own expense, estoppel confirmations on terms satisfactory to the Purchasers acting reasonably, in respect of the Contracts, the Equipment Operating Leases and the Permits, Licenses and Deposits set out on Schedule 14.
- (b) The U.S. Applicants agree to request in writing and work cooperatively with the Purchasers using commercially reasonable efforts to follow up (including by further written notices, phone calls and/or e-mails) to attempt to obtain, at their own expense, as may be required by the terms of the Contracts, the Equipment Operating Leases, or the Permits, Licenses and Deposits, consents or approvals to the change of control of the Applicants as a party to such Contracts, Equipment Operating Leases, Permits, Licenses and Deposits requested by the Purchasers, including the Required Consents, on terms and conditions satisfactory to the Purchasers, acting reasonably. The U.S. Applicants also agree to use commercially reasonable efforts to attempt to obtain, at their own expense, estoppel confirmations on terms satisfactory to the Purchasers acting reasonably, in respect of the Contracts, the Equipment Operating Leases and the Permits, Licenses and Deposits set out on Schedule 14.

- (c) The Vendors shall use commercially reasonable efforts to cause each Contract, Equipment Operating Lease and Permit, License and Deposit listed in Schedule 18 (each a "Shared Contract") to be replaced with one or more Contracts, Equipment Operating Leases or Permits, Licenses and Deposits for the ongoing benefit of the Canadian Purchaser and one or more Contracts, Equipment Operating Leases or Permits, Licenses and Deposits for the ongoing benefit of the Vendors.
- (d) Except for any (i) cure and reinstatement costs and expenses excluding any amount payable by a Vendor prior to June 25, 2009, and (ii) administration fee not exceeding \$ [REDACTED] or approval required to be paid to the Person whose consent or approval has been requested in respect of any such Contract, Equipment Operating Lease or Permits, Licenses and Deposits, the Vendors and U.S. Applicants shall not be required to pay any amount or fee whatsoever in connection with the Vendors' and U.S. Applicants' covenant to attempt to obtain such consents, approvals, and estoppel confirmations. The Purchasers agree to supply such public, non-confidential information to the Vendors, U.S. Applicants and the Person whose consent or approval has been requested (including such Purchaser's debt rating information, but no other credit or financial information) as may be reasonably requested by the Vendors, U.S. Applicants or the Person whose consent or approval has been requested and to otherwise cooperate, acting reasonably, with the Vendors, U.S. Applicants and the Person whose consent or approval has been requested in connection with the foregoing.

Section 10.08 Consent Not Obtained by the Vendors (Other than Required Consents)

To the extent the assignment of any of the Contracts, the Equipment Operating Leases or the Permits, Licenses and Deposits to the Canadian Purchaser pursuant to the provisions hereof shall require the consent or approval of any Person and such consent or approval is not obtained at or prior to the Time of Closing, this Agreement shall not constitute a contract to assign such Contract, Equipment Operating Lease or Permits, Licenses and Deposits if an attempted assignment would constitute a breach thereof. The Vendors shall, at the Canadian Purchaser's expense, cooperate with the Canadian Purchaser in any commercially reasonable arrangement designed to provide the Canadian Purchaser with the benefit of such Contract, Equipment Operating Lease, or Permits, Licenses and Deposits including enforcement of any and all rights of any of the Vendors (if any) against the other Party thereto arising out of any breach or cancellation thereof by such Party or otherwise. Such arrangement shall also contain indemnification provisions to protect the Vendors from any liability incurred as a result of the Purchasers' performance of or failure to perform any such Contract or Equipment Operating Lease. Notwithstanding anything herein to the contrary, Vendors' delivery of the Required Consents shall be a condition to the Purchasers' obligations to close the transactions contemplated herein, as set forth in Section 11.01.

Section 10.09 If Consent or Waiver Requirement Dispensed with by Court Order

Despite any other provision of this Agreement, Section 10.07, Section 10.08 and the condition in Section 11.01(c) hereof shall not apply to any consent, waiver or approval referred to therein, if any of the Vendors obtains from the CCAA Court or the U.S. Bankruptcy Court an Order approving the assignment of any such Contract, Equipment Operating Lease or the Permits, Licenses and Deposits without any such consent, waiver or approval (including any Required Consent) by the other party or parties thereto in form and substance satisfactory to the Purchasers, acting reasonably.

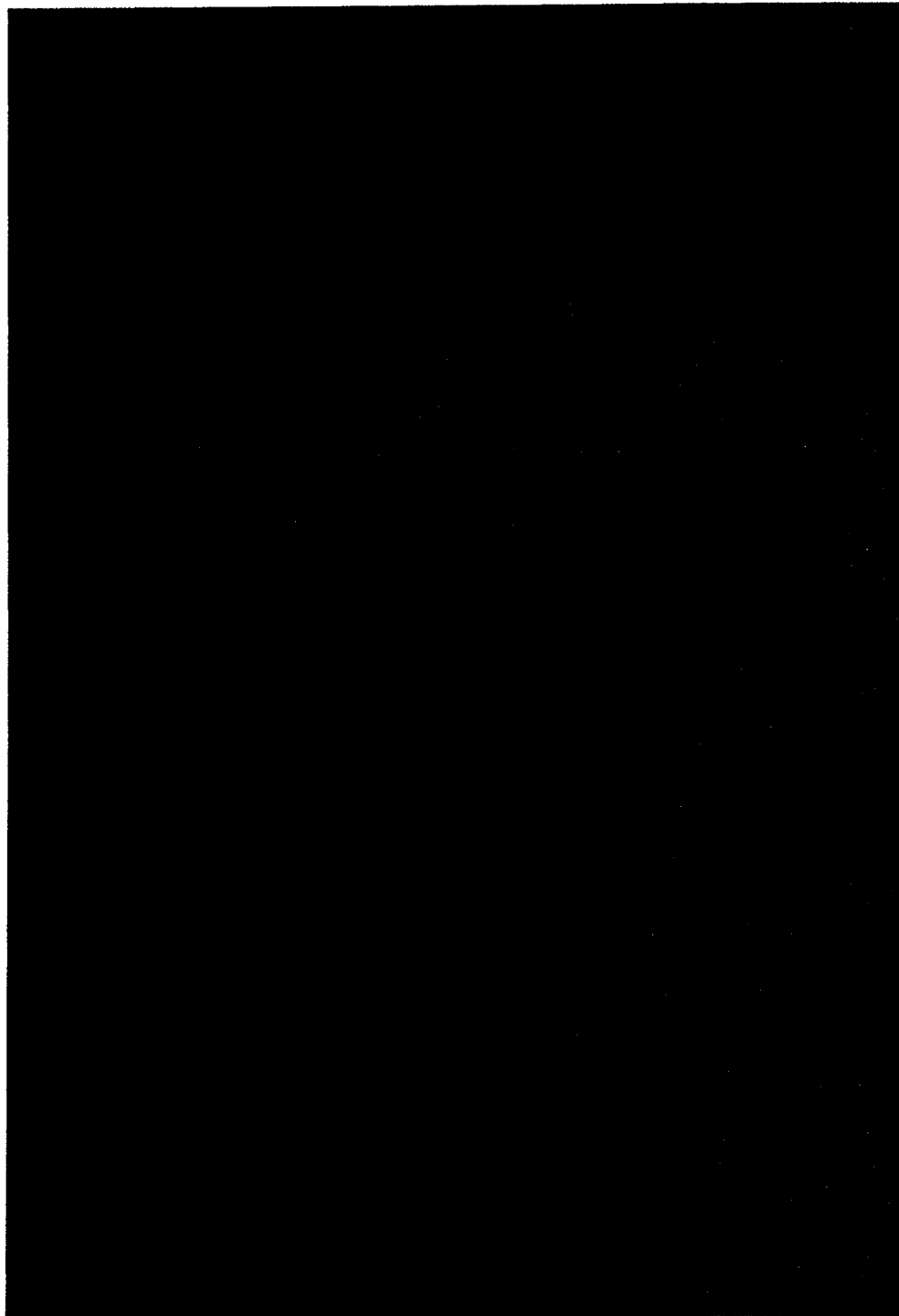
Section 10.10 Issue to the Canadian Purchaser of a Forest Resource Processing Facility License and Timber Supply Agreement; Release of Timber Escrow Amount

(a)

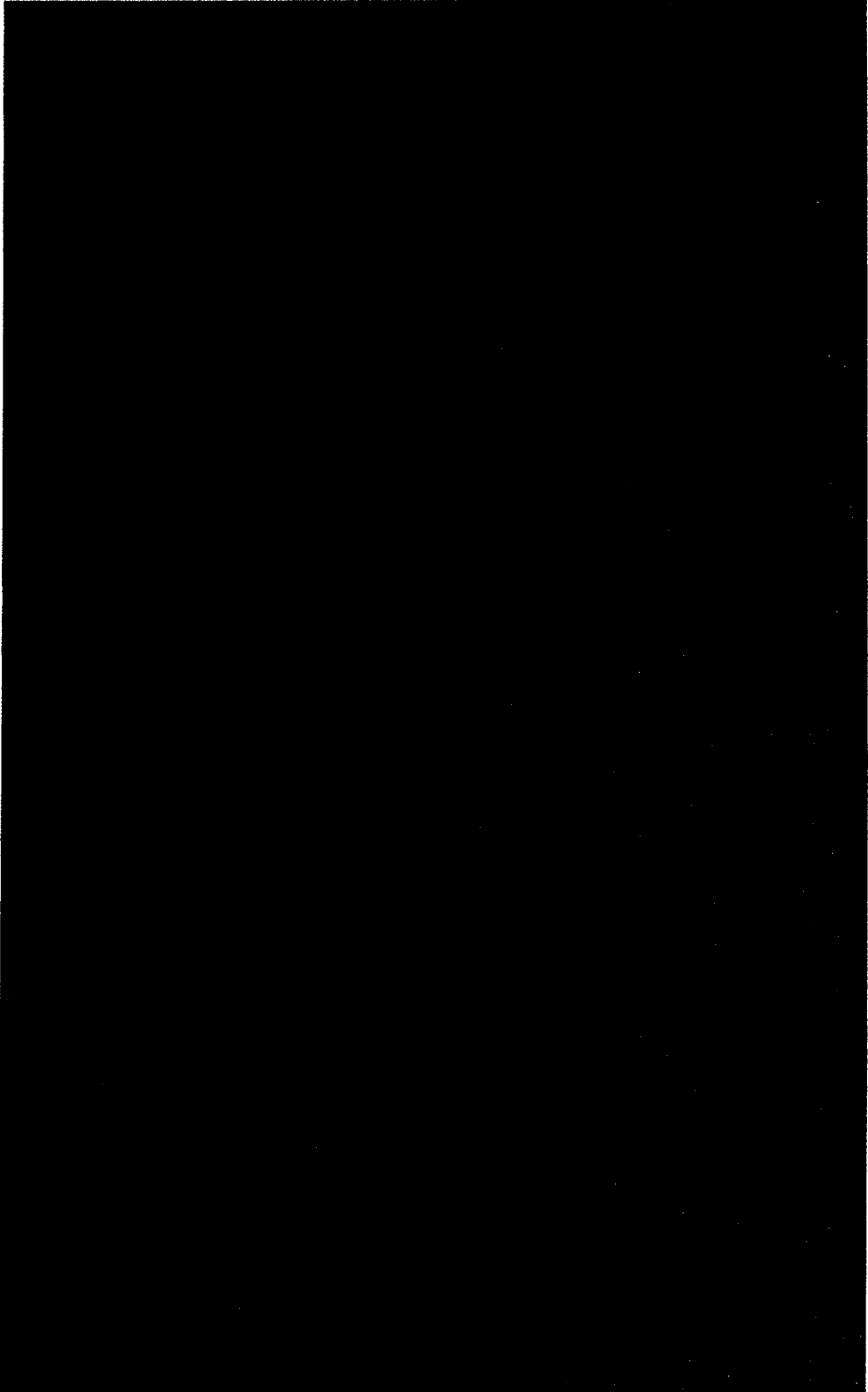
(b)

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(d)



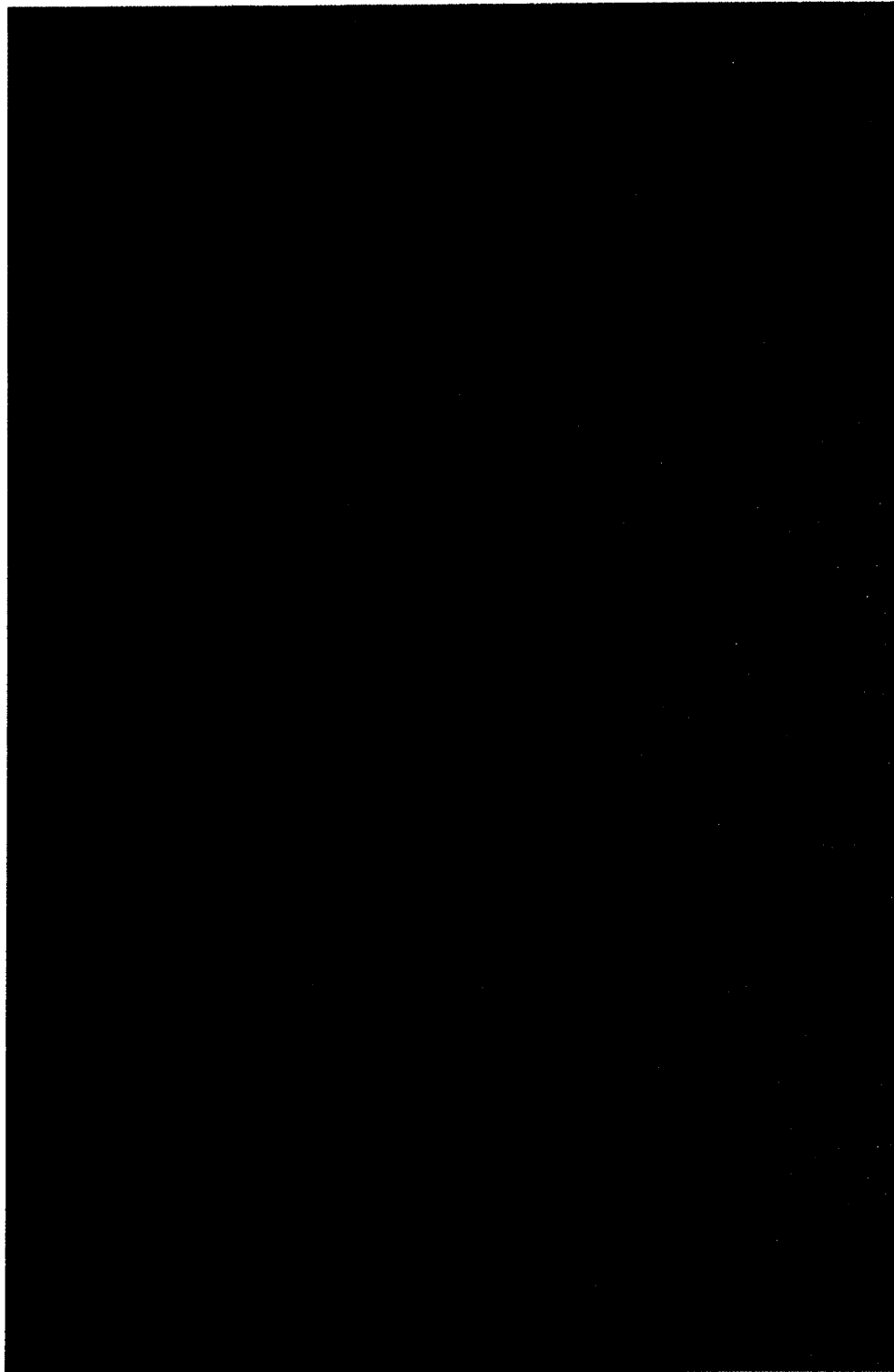
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(f)

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(i)

Section 10.11 Trade and Employee Payables; Priority Liens and Claims

- (a) Grant Forest Products Inc. shall prepare or cause to be prepared in good faith and deliver to the Canadian Purchaser not later than five (5) Business Days prior to the Closing Date, a reasonably detailed statement estimating:
- (i) all the Vendors' outstanding trade accounts payable that were incurred on or after June 25, 2009 and are due and payable before the Closing Date with respect to the Purchased Assets (including all such outstanding payables pursuant to the terms of each Contract of a Vendor); and
 - (ii) all wages, vacation pay and other amounts owing by a Vendor to each employee of a Vendor to be hired by the Canadian Purchaser on Closing, in each case, accruing to the day before the Closing Date,

and the Other Payables Escrow Amount shall be an amount equivalent to the total amount set out in such statement with reasonable adjustments requested by the Purchasers upon review of such estimate, provided such adjustments are satisfactory to the Vendors, acting reasonably.

- (b) The Canadian Purchaser shall pursuant to Section 5.02(c) withhold the Other Payables Escrow Amount from the amount payable to the Monitor on behalf of the Vendors on Closing pursuant to Section 5.02 and shall pay such sum on Closing to the Escrow Agent, to be held in trust in an interest bearing account pursuant to the terms of the Other Payables Escrow Agreement. The Monitor shall from time to time direct the Escrow Agent to release from such escrowed funds (and interest accrued thereon) to the Monitor on behalf of the Vendors an amount equivalent to each amount paid by a Vendor to the applicable payee of an amount referred to in Section 10.11(a)(i) or (ii) in accordance with the last sentence of this Section 10.11(b). The Monitor shall direct the Escrow Agent to release the balance of such escrowed funds (and interest accrued thereon) to the Monitor on behalf of the Vendors when all of the applicable payees of the amounts referred to in Section 10.11(a)(i) and (ii) have been paid the amounts owing to them. The Vendors shall from time to time deliver to the Monitor a certificate confirming each of the foregoing payments by a Vendor and the Monitor shall direct the Escrow Agent to release such funds either (i) upon verifying that each of the payments described in such certificate has been made by reference to cheques, bank statements or other applicable evidence of payment, or (ii) upon the consent in writing of the Canadian Purchaser which shall not be unreasonably withheld.
- (c) On or before the Time of Closing, the Vendors and the U.S. Applicants shall pay all amounts due and payable before the Closing Date, the payment of which is secured by any Priority Liens and Claims with respect to any of the Purchased Assets and any of the property and assets of the U.S. Applicants. In the event that any such amounts remain unpaid at the Time of Closing, such unpaid amounts shall be paid by the Vendors on Closing.

Section 10.12 Termination of Inter-Company Agreements; Releases

On or before the Time of Closing, the Vendors shall procure the termination of each agreement or arrangement between a Vendor, on the one hand, and any of the U.S. Applicants, on the other hand, and shall obtain from Grant Forest Products Inc., Grant Forest Products Sales Inc., and Grant Alberta Inc. a

release of all their claims against any of the U.S. Applicants at the Time of Closing pursuant to a duly executed Release Agreement in the form attached hereto as Exhibit D ("Release Agreement"). All obligations and liabilities of any U.S. Applicant to Grant Forest Products Inc. or any Affiliate or Related Person (other than any other U.S. Applicant) will be assumed by Grant Forest Products Inc. pursuant to a duly executed Assumption Agreement in the form attached hereto as Exhibit C ("U.S. Applicants Assumption Agreement"). The Vendors shall cause to remain in place any intercompany debt among Grant U.S. Holdings G.P., Grant Excluded LP, Grant Allendale LP and Grant Clarendon LP.

Section 10.13 Exclusivity

- (a) Unless and until this Agreement shall have been terminated by the Purchasers or by the Vendors pursuant to Article 14 herein, Grant Forest Products Inc. and its Subsidiaries shall not seek (and shall cause their respective financial advisors and representatives and the Monitor not to seek) bids from or negotiate with (or take any action to solicit, initiate, encourage or assist the submission of or response to) any person (other than the Purchasers) with respect to any of the Purchased Assets or the U.S. Applicants or negotiate, settle or sign with any person (other than the Purchasers) an agreement to sell the Purchased Assets or the U.S. Applicants, and Grant Forest Products Inc. confirms that any and all such discussions, conversations and negotiations relating to the Purchased Assets or the U.S. Applicants with any party other than the Purchasers have been terminated. Grant Forest Products Inc. shall provide the Purchasers with prompt notice of any request or inquiry concerning any such bid for the Purchased Assets or the U.S. Applicants, and be responsible for the failure of any of the entities (other than any of the Purchasers) referred to in this paragraph to comply with this Section 10.13.
- (b) The foregoing shall not apply to Excluded Assets. However, Grant Forest Products Inc. agrees to notify the Purchasers promptly in the event of the initiation of any discussions with prospective purchasers, concerning the sale of substantially all of the assets of Grant Forest Products Inc. operated at Timmins, Ontario. During the Holdback Period, each Party shall notify the other Parties of its efforts relating to the reallocation of timber rights with respect to the Timmins facility or the Englehart facility, provided that the role of the Vendor Party in any such efforts shall be limited to that of an observer.

Section 10.14 Access to Information, Employees, Facilities, Customers and Suppliers

Until the Time of Closing and otherwise subject to the terms of the Original Confidentiality Agreement, the Vendors shall give to the Purchasers and their Representatives during normal business hours and for the sole purpose of developing an implementation plan, reasonable access to the assets, Books and Records, personnel, employees, insurers, premises, facilities, warehouses and timberland, of any of the Grant Entities relating to the Businesses, the Purchased Assets or the U.S. Applicants, and shall furnish them with all such information available to the Vendors or the U.S. Applicants relating to any of the foregoing as the Purchasers may reasonably request in connection with the transaction, taking into account the resources available to respond to such requests, all for the sole purpose of developing a strategy for the transition of the Businesses in an orderly and efficient manner. The Parties agree to develop and implement a mutually agreeable procedure for communication by the Parties with contracting parties including customers and suppliers of the Businesses with respect to such Businesses promptly after the date hereof with the prior written consent of the Vendors (which shall not be unreasonably withheld). The Grant Entities shall designate employees as reasonably requested by Purchasers to assist in the data mapping required to enable the Closing Date data migration of the Books and Records, Vendor Intellectual Property and Grant U.S. Intellectual Property of the Grant Entities as the Purchasers may reasonably request in connection with the items set forth on Schedule 19 (IT Migration

Items). The Purchasers and their Representatives shall be permitted to interview selected employees and make in their sole discretion offers of employment which are conditional on Closing. Notwithstanding anything in this Section 10.14 to the contrary, all such access and request for information shall be conducted upon or made with reasonable advance notice and in such manner as does not materially disrupt the conduct of the Businesses. Each of the foregoing is subject to the availability of employees of the Grant Entities, provided that the Vendors shall cause the Grant Entities to be reasonably available to the Purchasers for the purposes set forth in this Section 10.14.

Section 10.15 Certain Information

- (a) The Grant Entities shall give prompt notice to the Purchasers upon any of the Persons in the definition of "Knowledge" (in the case of the Persons therein identified as limited to certain representations and warranties, with respect only to the representations and warranties so identified) obtaining knowledge of the occurrence or non-occurrence of any event that, individually or in the aggregate would make any representation or warranty set out in Article 7 or Article 8 untrue if such representation or warranty were given immediately after the occurrence or non-occurrence of such event.
- (b) The Grant Entities shall give prompt notice to the Purchasers upon Peter Lynch (following reasonable inquiry) obtaining knowledge of the occurrence or non-occurrence of any event that, individually or in the aggregate:
 - (i) constitutes a breach or default of any provision of this Agreement;
 - (ii) constitutes a material breach or material default of any of the Contracts, the Equipment Operating Leases or the Permits, Licences and Deposits, other than a material breach or material default arising by virtue of the CCAA Proceeding, the insolvencies related thereto or compliance with an Order (including failure to pay any amount owing before June 25, 2009); or
 - (iii) would make the satisfaction on Closing of any of the conditions set forth in Article 11 impossible or unlikely.
- (c) The Vendors will, not later than February 15, 2010, provide to the Purchasers a balance sheet reflecting the tax basis of the U.S. Applicants' assets as of the most recent practicable date as well as on an estimated pro forma basis as of the Closing.
- (d) The Vendors will promptly provide the Purchasers with notice and reasonably detailed particulars (including if applicable a copy thereof) upon entering into any Contract which, if it were a binding Contract on the date hereof, would be disclosed on Schedule 7.08(a) (Canadian Material Contracts); Schedule 7.06(b) (Equipment Operating Leases), Schedule 7.03 (Related Party Contracts) or Schedule 7.18 (Timber Contracts). The Purchasers shall be entitled upon notice given to the Vendors to add such contracts to Schedule 2. The Purchasers shall further be entitled upon notice given to the Vendors before Closing to: (i) delete from Schedule 2 any contract relating to timber supply (and any related Permits) from such Schedule 2; and (ii) add to Schedule 2 any contracts relating to timber supply which were in existence on the date hereof but not listed on such Schedule and is related to the timber allocation tracts which the Purchaser is obtaining.
- (e) From the date hereof until the Closing Date, the Vendors will only enter into new Contracts with respect to reload locations if such Contracts are in writing. The Vendors

will promptly provide the Purchasers with notice and reasonably detailed particulars (including if applicable a copy thereof) upon entering into any new Contract with respect to reload locations. The Purchasers shall be entitled upon notice given to the Vendors to add such contracts to Schedule 2.

- (f) As soon as practicable following execution of the Agreement, but not later than February 15, 2010, the Vendor shall provide the Purchasers with a schedule setting out, with respect to the U.S. Applicants (i) any "intercompany transactions" for which gain is deferred pursuant to Treasury Regulations Section 1.1502-13 or any analogous or similar provision of Law, (ii) any "excess loss accounts" in respect of the stock of any U.S. Applicant pursuant to Treasury Regulations Section 1.1502-19, or any analogous or similar provision of Law, and (iii) the amount, as of the most recent practicable date as well as on an estimated pro forma basis as of the Closing, of any net operating loss, net capital loss, unused investment or other credit, unused foreign tax credit, or excess charitable contribution allocable to the U.S. Applicants, whether or not such loss or credit is subject to any limits imposed by Section 382 or any other provision of the Internal Revenue Code. Such schedule shall be updated, as applicable, following the date of provision thereof until Closing.
- (g) As soon as practicable following execution of this Agreement, but not later than February 15, 2010, the Vendors shall provide the Purchasers with a schedule setting out (i) the amount any U.S. Applicant has paid or accrued, or is obligated to pay or accrue, with respect to any disqualified interest within the meaning of Section 163(j) of the Internal Revenue Code as of June 30, 2009 and as at the estimated Closing Date, and (ii) the amount of any "corporate acquisition indebtedness" within the meaning of Section 279 of the Internal Revenue Code as of the estimated Closing Date. The Vendors shall update such amounts in respect of the estimated Closing Date at the time of Closing.
- (h) By February 15, 2010, the Partners shall provide to the Purchasers information and documentation reasonably requested by them (e.g., copies of wire transfer information, book entries and agreements) in a form satisfactory to the Purchasers, acting reasonably, to allow the U.S. Purchaser and the Additional U.S. Purchaser to establish the Partners' U.S. federal income tax bases in the Vendor's Partnership Interests.
- (i) As soon as practicable following execution of this Agreement, Grant Forest Products Inc., Grant Alberta Inc. and each of the US Applicants shall enter into a written agreement, in form and substance satisfactory to the Purchasers, acting reasonably (the "Affirmation Agreement"), which shall confirm that (i) advances made by or on behalf of Grant Forest Products Inc. and Grant Alberta Inc. to Grant U.S. Holdings GP or any of its Subsidiaries pursuant to that certain agreement dated September 8, 2005 were, and were always intended to be, treated as capital contributions to Grant U.S. Holdings GP ; (ii) any contrary documents or references to treatment of such advances as other than capital contributions to Grant U.S. Holdings GP were made in error and are of no force or effect; and (iii) for the avoidance of doubt, the Vendors have no rights to repayment of any such advances.

Section 10.16 Transfer of Purchased Assets at Other Locations or in name of Related Persons

- (a) At or before the Time of Closing, the Grant Entities shall transfer to the Real Property any of the tangible Purchased Assets being held or used at any other location, (other than a wood storage, volume managed inventory or reload location that supports the Vendors'

operations at Englehart, Ontario and/or Earlton, Ontario), including without limitation Grant Forest Products Inc.'s Timmins facility, Haileybury office/boat house, Toronto office, and New Liskeard Golf Course.

- (b) Prior to the Time of Closing the Vendors shall cause the registered owner of the Shares of Nipissing Forest Resource Management Inc. and The Vermillion Forest Management Company Limited to be properly registered as Grant Forest Products Inc., not Grant Forest Products Corp.

Section 10.17 Interim Financial Statements

Within fifteen (15) Business Days after each month end, beginning December 31, 2009, and continuing until the Time of Closing, the Vendors shall deliver to the Purchasers the Interim Financial Statements of the Grant Entities. Except as disclosed on Schedule 8.03, the Interim Financial Statements shall have been prepared from the Books and Records of the Vendors and U.S. Applicants, and present fairly, in all material respects, the financial position of the results of operation of the Grant Entities as at the dates and for the periods indicated using accounting principles consistent with those historically used in the preparation of the Interim Financial Statements.

Section 10.18 Names

Simultaneously with the Closing, Vendors shall, and shall cause its Subsidiaries to, cease to use in any manner whatsoever the trade names, trademarks and logos included among the Purchased Assets and described on Schedule 8.09, except in connection with Tax Returns, filings with other Governmental Authorities, or the transfer of the Vendors' remaining assets and the completion of the CCAA Proceeding.

Section 10.19 Further Covenants

The Parties shall take all actions contemplated by this Agreement and subject to the terms of this Agreement shall use commercially reasonable efforts to effect the consummation of the transactions contemplated by this Agreement. Each Party shall promptly notify the other Parties of any action, suit or proceeding that shall be instituted or threatened to restrain, prohibit or otherwise challenge the legality of any transaction contemplated hereby.

Section 10.20 Post-Closing Cooperation

- (a) The Vendors agree that any property and assets constituting Purchased Assets and any property and assets of any of the U.S. Applicants (other than the Partnership Interests Acquisition Price) that are paid to, received by or come into the possession or under the control of any of the Vendors following Closing shall be held in trust by the applicable Vendor for the applicable Purchaser or U.S. Applicant, as the case may be, and shall: (i) not form part of the estates of any of the Vendors, (ii) immediately be segregated and held separate and apart from the property and assets of the Vendors, and (iii) be paid or delivered over to (or in the case of cheques, drafts or other negotiable instruments, endorsed to) the applicable Purchaser or U.S. Applicant promptly and in any event not later than within ten (10) Business Days of receipt thereof, together with particulars including, if applicable and known, the customer name, invoice number and date of receipt of payment.
- (b) The Purchasers and the U.S. Applicants agree that any property and assets constituting Excluded Assets and any property and assets of any of the Vendors that are paid to,

received by or come into the possession or under the control of any of the Purchasers or the U.S. Applicants following Closing shall be held in trust by the applicable Purchaser or U.S. Applicant for the applicable Vendor, as the case may be, and shall: (i) not form part of the estates of any of the Purchasers or U.S. Applicants, (ii) immediately be segregated and held separate and apart from the property and assets of the Purchasers and U.S. Applicants, and (iii) be paid or delivered over to (or in the case of cheques, drafts or other negotiable instruments, endorsed to) the applicable Vendor promptly and in any event not later than within ten (10) Business Days of receipt thereof, together with particulars including, if applicable and known, the customer name, invoice number and date of receipt of payment.

- (c) In the event that the Grant Entities, the Purchasers or any of their Subsidiaries receives any invoice or demand for payment for which it is not liable pursuant to this Agreement, it shall forward such invoice or demand for payment to the Party liable therefor promptly and in any event not later than within ten (10) Business Days of receipt thereof.

Section 10.21 Payments of Amounts Owing under Assigned Contracts

- (a) With respect to the assigned Vendors' Contracts (as set forth in Section 3.01(b), the "Assigned Contracts"), (i) the Vendors shall perform all obligations arising on or after June 25, 2009 and prior to the Closing Date and pay all amounts that become due and payable on or after June 25, 2009 and prior to the Closing Date pursuant to the terms of each Assigned Contract of a Vendor and (ii) the Canadian Purchaser shall perform all obligations of the Vendors and pay all amounts that become due and payable by the Vendors on or after the Closing Date pursuant to the terms of each Assigned Contract of a Vendor. Each Vendor agrees, jointly and severally, to indemnify and save harmless the Purchasers as and from all claims, actions, suits, costs, losses, charges, damages and expenses arising out of, or in relation to, any amounts that became due and payable on or after June 25, 2009 and prior to the Closing Date pursuant to the terms of each Assigned Contract of a Vendor. The Canadian Purchaser and the U.S. Applicants shall jointly and severally indemnify and save harmless the Vendors as and from all claims, actions, suits, costs, losses, charges, damages and expenses arising out of, or in relation to, any amounts that become due and payable on or after the Closing Date pursuant to the terms of each Assigned Contract of a Vendor.
- (b) A Party entitled to and seeking indemnification pursuant to Section 10.21 of this Agreement (the "Indemnified Party") shall promptly give written notice to the Party or Parties, as applicable, responsible for indemnifying the Indemnified Party (the "Indemnifying Party") of any claim for indemnification pursuant to this Section 10.21 (a "Claim", which term shall include more than one Claim). Such notice shall specify with reasonable particularity (to the extent that the information is available): (i) the factual basis for the Claim; and (ii) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim. The Indemnifying Party shall have the right, at its own expense and without prejudice to its right to dispute that any Claim constitutes an indemnifiable Claim, to participate in or assume control of the negotiation, settlement or defence of such Claim provided that if the Indemnifying Party disputes whether any such claim constitutes an indemnifiable claim, the Indemnifying Party shall not settle such claim without the Indemnified Party's consent, which shall not be unreasonably withheld. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party

and shall have the right to participate in the negotiation, settlement or defence of such Claim at its own expense.

Section 10.22 Environmental Filings

From the date hereof until the Closing Date, the Vendors shall accurately prepare and submit to the responsible government agency semi-annual and/or annual compliance certifications or other reports required by any Environmental Laws. True and complete copies of such submissions shall be contemporaneously provided to the Purchasers. In addition to the foregoing, Vendors shall provide to the Purchasers ten (10) calendar days before Closing, for each required government submittal described in this section for the then current reporting period that has not yet been submitted to any Governmental Authority, draft certifications and/or reports that are true and complete to the Knowledge of the Vendors that include all required information from the commencement of the required reporting period until the date they are delivered to the Purchaser.

Section 10.23 Employee Retention Escrow

The Canadian Purchaser has, by Section 10.05(b) of this Agreement, required the Vendors to continue until Closing to operate their respective Businesses as set out therein and the Canadian Purchaser wishes to ensure that the Vendors' non-union employees listed in Schedule 10.23 remain with the Vendors until Closing in order to assist the Vendors with their obligations to the Canadian Purchaser under this Agreement. In order to ensure that certain non-union employees of the Vendors not being hired on Closing by the Canadian Purchaser are retained as employees of the Vendors until the Closing, the Canadian Purchaser agrees to provide funding towards the payment of retention incentive amounts to non-union employees of a Vendor listed in Schedule 10.23 who are not offered employment on or before Closing by the Canadian Purchaser or one of its Canadian affiliates, and who remain employed by one of the Vendors until Closing with the intention that each such employee receives a payment equal to three (3) months of such employee's current base salary. The amount to be paid by the Canadian Purchaser shall be equal to the lesser of:

- (i) the aggregate amount required so as to make a payment equal to three (3) months of the current base salary for all such employees; and
- (ii) \$1,000,000.

In the event the aggregate amount in (i) above exceeds \$1,000,000, the \$1,000,000 paid by the Canadian Purchaser shall be pro-rated among the entitled employees.

The payment of such amount shall be conditional upon Closing and only provided to non-union employees of the Vendors employed in the Businesses to whom an offer of employment similar to their current employment is not made by the Canadian Purchaser or one of its Canadian affiliates, and who remain employed by one of the Vendors until Closing. In no event shall the Canadian Purchaser fund greater than \$1,000,000 towards the payment of the retention incentive amount or fund retention payments for more than 60 employees. Such amount shall be paid by the Canadian Purchaser in trust to the Monitor on Closing and distributed by the Monitor in accordance with the terms of the retention payment program as shall be determined between Vendors and Canadian Purchaser, acting reasonably, following the date hereof provided that all such payments are distributed in accordance with a court order. The Vendors agree to seek such court approval as may be required or desired to implement the agreed upon program. For the avoidance of doubt, no employee shall receive a retention incentive payment if they are covered by a collective bargaining agreement. The amount payable by the Canadian Purchaser

hereunder is in addition to all other amounts payable by the Purchasers under this Agreement and shall not reduce the Purchase Price or the Partnership Interests Acquisition Price.

ARTICLE 11 CONDITIONS

Section 11.01 Conditions for the Benefit of the Purchasers

Notwithstanding any provision herein, the obligations of the Purchasers to complete the transactions contemplated by this Agreement are subject to each of the following conditions being fulfilled or performed, at or prior to the Time of Closing:

- (a) Subject to Section 11.04, all representations and warranties of the Grant Entities contained in this Agreement shall have been true and correct when made and the representations and warranties of the Grant Entities contained in Section 7.03 (Related Parties), Section 7.04(c) (Major Equipment), Section 7.05 (Accounts Receivable), Section 7.11 (Environmental Matters), Section 7.13(g) (Liability for Unpaid Wages), Section 7.15(b) and (c) (Not Non-Resident and GST Registration), Section 7.17 (Insurance), Section 8.03(b) (Financial Statements), Section 8.04(c) (Assets), Section 8.05 (Accounts Receivable), Section 8.06(b) (Personal Property), Section 8.07 (Inventories), Section 8.08 (Contracts), Section 8.11 (Environmental), Section 8.12 (Legal Proceedings), Section 8.16 (Taxes), and Section 8.18 (Certain Payments) shall be true and correct as at the Time of Closing with the same force and effect as if made at and as of such time, provided that any qualification or limitation of such representation or warranty by reference to the materiality of matters stated therein shall be disregarded in determining any inaccuracy thereof for purposes of the determination of Losses under Section 11.04 and the authorized officers of the Vendors and the partners of the Grant Partnership shall have delivered to the Purchasers a certificate to that effect;
- (b) the Grant Entities shall have in all material respects complied with and performed their respective covenants and obligations contained in this Agreement; and the authorized officers of the Vendors and of the partners of Grant Partnership shall have delivered to the Purchasers a certificate to that effect (provided that acceptance of such evidence and completion of the transactions contemplated hereunder shall not be a waiver of such covenants and obligations);
- (c) except for any such Required Consent or other consent, approval or waiver that is not required pursuant to Section 10.09:
 - (i) all Required Consents (being those listed on Schedule 9) and any other consent or waiver that is required for the assignment to the Canadian Purchaser of any Contract or Permit (or the re-issuance to the Canadian Purchaser of such Permit) that provides for timber supply with respect to a timber commitment for the delivery after Closing of timber with a price exceeding \$[REDACTED] for the remaining term of such Contract or Permit after Closing shall have been obtained and provided to the Canadian Purchaser, in each case in form and substance satisfactory to the Canadian Purchaser, acting reasonably; and
 - (ii) any other material consent or material waiver that is required for the assignment of the Purchased Assets, or the change of control of the Grant Partnership, or the other U.S. Applicants and that relates to any Material Contract that is required to

conduct the Businesses in accordance with applicable Law substantially as such Businesses have been conducted prior to the date hereof, shall have been obtained and provided to the Purchasers, in each case in form and substance satisfactory to the Purchasers, acting reasonably;

- (d) all of the Permits listed in Schedule 7.16 shall have been obtained or otherwise assigned or transferred or reissued to the Purchasers to the extent permitted by law or their terms, in form and substance satisfactory to the Purchasers, acting reasonably, and any other Permit that is required to conduct the Businesses in accordance with applicable Law shall be obtained and provided to the Purchasers, in each case in form and substance satisfactory to the Purchasers, acting reasonably;
- (e) the Vendors and the Grant Partnership shall have delivered the items referred to in Section 12.03 and Section 12.04 respectively;
- (f) the Canadian Purchaser and the Vendors shall each have filed all notices and information required to be filed under the Competition Act pursuant to this Agreement, unless such requirement shall have been waived by the Competition Commissioner pursuant to Section 113(c) of the Competition Act, and any information the Canadian Purchaser elects to file with the Competition Commissioner, including a competitive impact statement, and (i) the Canadian Purchaser shall have received an Advance Ruling Certificate from the Competition Commissioner in accordance with Section 103 of the Competition Act in connection with the transactions contemplated by this Agreement or (ii) the Competition Commissioner shall have confirmed, in writing, that she or he has no intention to file an application under Part VIII of the Competition Act in connection with the transactions contemplated by this Agreement;
- (g) the Canadian Purchaser shall have obtained such approval from the Minister of Industry of the transactions contemplated by this Agreement as is necessary pursuant to the Investment Canada Act;
- (h) the notifications of the Vendors and the Purchasers, if necessary, pursuant to the HSR Act shall have been made and the applicable waiting period and any extensions thereof shall have expired or been earlier terminated;
- (i) no litigation, legislation, regulation, injunction or Order shall have been issued or filed to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement, or the operation of the Purchased Assets or the Businesses (including the ownership and operation of the Grant Partnership or any U.S. Applicant or any of their respective assets), or to obtain substantial damages from the Purchasers or any of their Affiliates in respect of the consummation of the transactions contemplated hereby;
- (j) there shall not have occurred any Material Adverse Change between the date hereof and the date of the Closing;
- (k) the Ontario government shall have issued to the Canadian Purchaser a forest resource processing facility licence and associated timber supply agreement (and any necessary ancillary documents) for the Englehart facility which provides for the Timber Supply Allocation;

- (l) each of the U.S. Applicants shall have received a duly executed copy of the Release and Discharge Agreement;
- (m) the CCAA Court shall have granted the Canadian Order, and the Canadian Order shall have become a Final Order (unless Purchasers, in their sole and absolute discretion, waive the Final Order requirement); provided, however, that the foregoing condition shall be deemed satisfied if the CCAA Court grants an Order that provides for all of the relief set forth in the Canadian Order, but does not (a) direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement, (b) release and discharge the U.S. Applicants and the Collateral of the U.S. Applicants from the Agent's Liens, any Lien relating to the First and Second Lien Lenders' Liability, and the First and Second Lien Lenders' Liability, or (c) include a sealing provision, and such Order shall have become a Final Order (unless Purchasers, in their sole and absolute discretion, waive the Final Order requirement);
- (n) the U.S. Applicants shall have obtained the U.S. Order and delivered a copy of it to the Purchasers and the U.S. Order shall have become a Final Order (unless Purchasers, in their sole and absolute discretion, waive the Final Order requirement); provided, however, that the foregoing condition shall be deemed satisfied if the U.S. Bankruptcy Court enters an order that provides for all of the relief set forth in the U.S. Order, but does not direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement, and such Order shall have become a Final Order (unless the Purchasers, in their sole and absolute discretion, waive the Final Order requirement);
- (o) no proceedings have been initiated against any Grant Entity that results or may reasonably result in a Criminal Penalty;
- (p) the completion of the transactions contemplated by this Agreement do not breach any Law; and
- (q) the CCAA Court shall have made an order in form and substance satisfactory to the Purchasers, acting reasonably (which shall be a Final Order, unless waived by the Purchasers), which order shall include specific provisions stating that:
 - (A) each of Grant Forest Products Inc. and Grant Alberta Inc. (the "Partners") and their respective officers who are in office at the time of the filing of the tax return described below, shall be expressly authorized, empowered and directed:
 - (i) to execute its U.S. federal income tax returns on Form 1120-F for the taxable period that includes the Closing Date reflecting no amount realized and no taxable gain on the surrender and cancellation of the Vendors' Partnership Interests which returns shall be in form and substance satisfactory to the Purchasers as to the foregoing, acting reasonably;
 - (ii) to file such return, and to take all such steps and actions as may be necessary or desirable to permit or enable it to file such returns, with the Internal Revenue Service immediately upon the earlier of February 15, 2011 and fifteen (15) days following its dissolution, and

- (iii) to furnish copies of its return, as filed, to the U.S. Purchaser and the Additional U.S. Purchaser within five (5) Business Days following such filing; and
- (B) a court-appointed receiver shall be appointed with respect to Grant Forest Products Inc. and Grant Alberta Inc. (but not with respect to any of their respective assets other than the right to file such tax returns), which court-appointed receiver is expressly authorized, empowered and directed solely to take all actions and file all tax returns as set forth in Section 11.01(q) (A)(i), (ii) and (iii) hereof in the event that the Partners have not taken such actions and filed such returns on or before February 15, 2011, in which event the court-appointed receiver shall take such actions and file such returns no later than February 28, 2011.

The foregoing conditions are for the exclusive benefit of the Purchasers. The conditions in Section 11.01(f), (g), (h), (m) and (n) are not waivable.

Section 11.02 Conditions for the Benefit of the Vendors

The obligations of the Vendors to complete the transactions contemplated hereunder are subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchasers contained in this Agreement shall be true and correct in all material respects as at the Time of Closing with the same force and effect as if made at and as of such time, and the Purchasers shall have delivered to the Vendors a certificate to that effect;
- (b) the Purchasers shall have in all material respects complied with and performed their respective covenants and obligations contained in this Agreement, and the Purchasers shall have delivered to the Vendors a certificate to that effect (provided that acceptance of such evidence and the completion of the transactions contemplated hereunder shall not be a waiver of such covenants and obligations);
- (c) the Canadian Purchasers shall have delivered the items and funds referred to in Section 12.05 and Section 12.06;
- (d) the Canadian Purchaser and the Vendors shall each have filed all notices and information required to be filed under the Competition Act pursuant to this Agreement, unless such requirement shall have been waived by the Competition Commissioner pursuant to Section 113(c) of the Competition Act, and any information the Canadian Purchaser elects to file with the Competition Commissioner, including a competitive impact statement, and (i) the Canadian Purchaser shall have received an Advance Ruling Certificate from the Competition Commissioner in accordance with Section 103 of the Competition Act in connection with the transactions contemplated by this Agreement or (ii) the Competition Commissioner shall have confirmed, in writing, that she or he has no intention to file an application under Part VIII of the Competition Act in connection with the transactions contemplated by this Agreement;

- (e) the Canadian Purchaser shall have obtained such approval from the Minister of Industry of the transactions contemplated by this Agreement as is necessary pursuant to the Investment Canada Act;
- (f) the notifications of the Vendors, the U.S. Purchaser and the Additional U.S. Purchaser, if necessary, pursuant to the HSR Act shall have been made and the applicable waiting period and any extensions thereof shall have expired or been earlier terminated;
- (g) the CCAA Court shall have granted the Canadian Order; provided, however, that the foregoing condition shall be deemed satisfied if the CCAA Court grants an Order that provides for all of the relief set forth in the Canadian Order, but does not (a) direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement or (b) release and discharge the U.S. Applicants and the Collateral of the U.S. Applicants from the Agent's Liens, any Lien relating to the First and Second Lien Lenders' Liability, and the First and Second Lien Lenders' Liability;
- (h) the U.S. Applicants shall have obtained the U.S. Order; provided, however, that the foregoing condition shall be deemed satisfied if the U.S. Bankruptcy Court enters an Order that provides for all of the relief set forth in the U.S. Order, but does not direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement;
- (i) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement; and
- (j) the completion of the transactions contemplated by this Agreement do not breach any Law.

The foregoing conditions are for the exclusive benefit of the Vendors. The conditions in Section 11.02(d), (e), (f), (g), (h) and (i) are not waivable.

Section 11.03 Conditions for the Benefit of the Grant Partnership

The obligation of the Grant Partnership to complete the transactions contemplated hereunder is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchasers contained in this Agreement shall be true and correct in all material respects as at the Time of Closing with the same force and effect as if made at and as of such time and the Purchasers shall have delivered to the Grant Partnership a certificate to that effect;
- (b) the Purchasers shall have in all material respects complied with and performed their respective covenants and obligations contained in this Agreement, and the Purchasers shall have delivered to the Vendors a certificate to that effect (provided that acceptance of such evidence and the completion of the transactions contemplated hereunder shall not be a waiver of such covenants and obligations);
- (c) the U.S. Purchaser and the Additional U.S. Purchaser shall have delivered the items and funds referred to in Section 12.05 and Section 12.06;

- (d) the CCAA Court shall have granted the Canadian Order; provided, however, that the foregoing condition shall be deemed satisfied if the CCAA Court grants an Order that provides for all of the relief set forth in the Canadian Order, but does not (a) direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement or (b) release and discharge the U.S. Applicants and the Collateral of the U.S. Applicants from the Agent's Liens, any Lien relating to the First and Second Lien Lenders' Liability, and the First and Second Lien Lenders' Liability;
- (e) the U.S. Applicants shall have obtained the U.S. Order; provided, however, that the foregoing condition shall be deemed satisfied if the U.S. Bankruptcy Court enters an order that provides for all of the relief set forth in the U.S. Order, but does not direct the Second Lien Lenders' Agent to enter into, execute and deliver all documents and deliverables contemplated by the Agreement and the Release and Discharge Agreement;
- (f) the notifications of Vendors, U.S. Purchaser and the Additional U.S. Purchaser, if necessary, pursuant to the HSR Act shall have been made and the applicable waiting period and any extensions thereof shall have expired or been earlier terminated;
- (g) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement; and
- (h) the completion of the transactions contemplated by this Agreement do not breach any Law.

The foregoing conditions are for the exclusive benefit of the Grant Partnership. The conditions in Section 11.03(d), (e), (f) and (g) are not waivable.

Section 11.04 Losses

In the event of the failure to meet any of the conditions to Closing for the benefit of the Purchasers set forth in Section 11.01(a) (Representations True at Closing), (collectively, the "Threshold Conditions"), the following provisions shall apply:

- (a) Notwithstanding the failure of the Grant Entities to meet any or all of the Threshold Conditions:
 - (i) In the event the Losses caused by breaches of the representations and warranties of a Grant Entity in Article 7 or 8 are less than US\$ [REDACTED], the Threshold Conditions shall be deemed to have been satisfied; or
 - (ii) In the event the Losses caused by breaches of the representations and warranties of a Grant Entity in Article 7 or 8 are equal to or greater than US\$ [REDACTED] and less than US\$ [REDACTED], then the amount of such Losses related to the Purchased Assets shall reduce the Purchase Price and the remaining amount of such Losses related to the U.S. Applicants shall reduce the Partnership Interests Acquisition Price, and the Threshold Conditions shall be deemed to have been satisfied; or
 - (iii) In the event the Losses caused by breaches of the representations and warranties of a Grant Entity in Article 7 or 8 are equal to or greater than US\$ [REDACTED]