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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY, THE 25th DAY OF
	)	
JUSTICE CAMPBELL	)	JUNE, 2012

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 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

Applicants

-and-

THE TORONTO-DOMINION BANK, in its capacity as agent for secured lenders holding first lien security and THE BANK OF NEW YORK MELLON, in its capacity as agent for secured lenders holding second lien security

Respondents

ORDER

THIS MOTION, made by Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "**Remaining Applicants**"), for *inter alia* an order in the form attached as Schedule "**A**" to the notice of motion of the Remaining Applicants dated June 8, 2012 (the "**Notice of Motion**"): (i) abridging and validating the timing and method of service of this Motion Record so that the Motion is properly returnable; (ii) extending until January 31, 2013, the Stay Period in respect of the Remaining Applicants, as defined by the Order of the Honourable Mr. Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**") and as previously extended until June 29, 2012; (iii) approving the twenty-fifth report to Court (the "**Twenty-Fifth Report**") of Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") and the activities of the Monitor as set out therein; (iv) increasing the amount that the Monitor is authorized and directed, until further Court Order, to hold back from any distribution to creditors of GFPI from the amount of $191,245 (as established by the Order of the Honourable Mr. Justice Campbell made on August 26, 2011 in these proceedings) to $726,372 (the "**Timmins Salaried Plan Reserve**"), which is estimated to be the amount necessary to satisfy the wind-up deficit of the pension plan registered as #1053008 Pension Plan for the Salaried Employees of GFPI – Timmins Plant (the "**Timmins Salaried Plan**"); (v) increasing the amount that the Monitor is authorized and directed, until further Court Order, to hold back from any distribution to creditors of GFPI from the amount of $2,185,000 (as established by the Order of the Honourable Mr. Justice Campbell made on September 21, 2011 in these proceedings) to $2,384,688 (the "**Executive Plan Reserve**"), which is estimated to be the amount necessary to satisfy the wind-up deficit of the pension plan registered as #0992537 Pension Plan for Executive Employees of GFPI (the "**Executive Plan**"); (vi) declaring that none of GFPI, the CRO, or the Monitor are required to make any further payments to the Timmins Salaried Plan or the Executive Plan (collectively, the "**Pension Plans**"), or their respective trustees or administrators, without further Court Order, and none of GFPI, the CRO or the Monitor shall incur any liability for not making any payments when due to the Pension Plans or their respective trustees or administrators; (vii) declaring that none of GFPI, the CRO, or the Monitor are required to hold any amounts in respect of the Pension Plans in excess of the Timmins Salaried Plan Reserve and the Executive Plan Reserve (collectively, the "**Pension Reserves**"), and none of GFPI, the CRO or the Monitor shall incur any liability in the event that the Pension Reserves are not sufficient to fund the wind-up deficits or any other liabilities associated with the Pension Plans; (viii) declaring that the claims of the Workplace Safety Insurance Board, PensionFund Realty Limited and the Ministry of Natural Resources both as described in the Monitor's Twenty-Fifth Report (the "**WSIB Claim**", the "**Landlord Claim**" and the "**MNR Claim**" respectively) are unsecured claims that rank behind the Remaining Applicants' secured creditors including without limitation, the Second Lien Lenders' Agent and the Second Lien Lenders; (ix) approving the settlement agreement dated as of June 5, 2012 (the "**Settlement Agreement**") between the Remaining Applicants on one hand and Peter Grant Sr., Peter Grant Jr., Grant Capital

Corporation ("**Grant Capital**"), Grant Farms Corp. ("**Grant Farms**"), and 2033844 Ontario Inc. ("**203**" and collectively, the "**Grant Entities**") on the other hand, authorizing the entering into of the Settlement Agreement by the Remaining Applicants *nunc pro tunc* and providing for consequential relief as outlined in the Settlement Agreement; (x) authorizing the Monitor and/or the Remaining Applicants to distribute cash and/or cash equivalents held by the Remaining Applicants and/or the Monitor in the amount of $2 million (the "**Distribution**") to The Bank of New York Mellon as agent (the "**Second Lien Lenders' Agent**") for the second lien lenders (the "**Second Lien Lenders**") pursuant to a credit agreement dated as of March 21, 2007, as amended (the "**Second Lien Credit Agreement**"), in the event that the relief requested in (vi), (vii), (viii) and (ix) is granted, or such other amount as advised by counsel on the return of this motion; and (xi) declaring that the Distribution is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement and upon the Distribution such amounts are released from the Charges (as defined by the Initial Order) was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Twenty-Fifth Report, the affidavit of Hap Stephen sworn June 8, 2012 and on hearing submissions of counsel for GFPI, the Monitor, and PricewaterhouseCoopers Inc. as Pension Plan Administrator, Peter Grant Sr. and no one appearing for any other person on the service list, although properly served as appears from the affidavits of Stephanie Waugh sworn June 8, 2012, June 12, 2012 and June 20, 2012, filed:

1. **THIS COURT ORDERS** that the timing and method of service and filing of the notice of motion and GFPI's motion record are hereby abridged so that this motion is properly returnable today.

2. **THIS COURT ORDERS** that with respect to the Remaining Applicants, the Stay Period as defined by the Initial Order, be and is hereby extended to January 31, 2013.

3. **THIS COURT ORDERS** that the Twenty-Fifth Report and the activities of the Monitor as set out therein be and are hereby approved.

4. **THIS COURT ORDERS** that the Timmins Salaried Plan Reserve be and is hereby increased to the amount of $726,372.

5. **THIS COURT ORDERS** that the Executive Plan Reserve be and is hereby increased to the amount of $2,384,688.

6. **THIS COURT ORDERS** and declares that, without limiting the obligation of GFPI to fund the windup deficits in the Pension Plans, none of GFPI, the CRO and the Monitor shall incur any additional liability in the event that the Pension Reserves and any additional funds held by GFPI and the Monitor as of the date of this Order, as may be increased by the proceeds of any further sales of assets of GFPI or decreased by no more than 110% of the Total Disbursements in the Cash Flows filed in the Twenty Fifth Report of the Monitor, are not sufficient to fund the wind up deficit or any other liabilities associated with the Pension Plans.

7. **THIS COURT ORDERS** that the WSIB Claim, the Landlord Claim and the MNR Claim are unsecured claims that rank behind the Remaining Applicants' secured creditors, including, without limitation the Second Lien Lenders' Agent and the Second Lien Lenders.

8. **THIS COURT ORDERS** that the Settlement Agreement and the transactions contemplated thereby be and are hereby approved and that:

(a) pursuant to paragraph 10 of the Initial Order (as amended by the Order of the Honourable Mr. Justice Campbell dated August 26, 2011) the Court approves, *nunc pro tunc*, the entering into of the Settlement Agreement by the Remaining Applicants;

(b) McCarthy Tetrault LLP be and is hereby directed to pay the sums held by it pursuant to paragraph 2 of the Settlement Agreement to GFPI;

(c) the Monitor be and is hereby directed to pay to GFPI the Aircraft Parts Proceeds as defined by the paragraph 5 of the Order of the Honourable Mr. Justice Campbell made in these proceedings on January 5, 2011;

(d) McCarthy Tetrault LLP be and is hereby directed to forward the releases provided for in paragraph 5 of the Settlement Agreement to parties in whose favour they are made;

(e) the release of claims provided by the Remaining Applicants to, *inter alia*, the Grant Entities as part of the Settlement Agreement be and is hereby declared to be binding on any trustee in bankruptcy which may be appointed in respect of any of the Remaining Applicants and any person who derives rights or claims through or from any of the Remaining Applicants;

(f) the D&O Claim (as defined by the Settlement Agreement) be and is hereby withdrawn on a with prejudice basis; and

(g) the Motion (as defined by the Settlement Agreement) be and is hereby dismissed on a with prejudice, without costs basis.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 25 2012

A. Anissimova
Registrar

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

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ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO
(Commercial List)

ORDER
(June 25, 2012)

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