

Court File No.: CV-09-824700CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

SIXTEENTH REPORT OF THE MONITOR
DATED DECEMBER 21, 2010

INTRODUCTION

1. On June 25, 2009, Grant Forest Products Inc. (“GFPI”), Grant Alberta Inc. (“GAI”), Grant Forest Products Sales Inc. (“GFPSI”) and Grant U.S. Holdings GP (the “Grant Partnership” or “U.S. Holdings”) (collectively the “Original Applicants”) filed for and obtained protection under the *Companies' Creditors Arrangement Act* (“CCAA”) in order to restructure the business and affairs of the Original Applicants. Pursuant to the Order of this Honourable Court dated June 25, 2009 (the “Initial Order”), Ernst & Young Inc. (“EYI”) was appointed as the Monitor of the Original Applicants (the “Monitor”) in the CCAA proceeding. The Initial Order provided for a stay of proceedings through to July 24, 2009. The stay of proceedings was subsequently extended to February 28, 2011 (the “Original

Applicants' Stay Period") pursuant to an Order of this Honourable Court dated June 30, 2010.

2. On March 30, 2010, Southeast Properties LLC ("**Southeast**"), Grant Newco LLC ("**Newco**"), Grant US Sales Inc. ("**U.S. Sales**"), Grant Clarendon LP ("**Clarendon**"), Grant Allendale LP ("**Allendale**") and Grant Excluded GP ("**Excluded**") were added as additional applicants to these CCAA proceedings (collectively, the "**Additional Applicants**" and together with the Original Applicants, the "**Applicants**" or "**Grant**"). Pursuant to an Order of this Honourable Court dated March 30, 2010 (the "**Supplemental Initial Order**"), EYI was appointed as the Monitor of the Additional Applicants in the CCAA proceeding. The Supplemental Initial Order provided for a stay of proceedings through to April 29, 2010 (the "**Additional Applicants' Stay Period**"). The Additional Applicants' Stay Period was subsequently extended to June 30, 2010 pursuant to an Order of this Honourable Court dated April 28, 2010.
3. The Initial Order, among other things, approved the continuation of the engagement of Stonecrest Capital Inc. ("**Stonecrest**") as Chief Restructuring Advisor (the "**CRA**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.
4. On June 30, 2010, this Honourable Court approved the revised engagement of Stonecrest as the Chief Restructuring Organization (the "**CRO**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.
5. Paragraph 33 of the Supplemental Initial Order set out that, upon the delivery of a certificate by the Monitor to GP International Acquisition III, Ltd. (the "**Canadian Purchaser**"), Georgia-Pacific LLC (the "**U.S. Purchaser**"), and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**") (collectively "**Georgia Pacific**"), primarily certifying that the funds related to the transaction between Georgia Pacific and Grant were received, the transaction between Georgia Pacific and Grant closed and the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated. Accordingly, the Monitor was discharged as Monitor

of the Additional Applicants and the Grant Partnership.

6. As a result of the completion of the sale to Georgia Pacific and the resultant termination of the CCAA proceedings of the Additional Applicants and the Grant Partnership, only GFPI, GAI and GFPSI (the “**Remaining Applicants**”) continue to remain as applicants in these CCAA proceedings.

PURPOSE

7. The purpose of this Sixteenth Report of the Monitor (the “**Sixteenth Report**”) is to report to this Honourable Court with respect to:
 - i. GFPI’s motion for an Order (the “**Footner Approval and Vesting Order**”) approving the sale transaction (the “**Ainsworth Transaction**”) contemplated by an agreement of purchase and sale (the “**Ainsworth Sale Agreement**”) between GFPI, Ainsworth Lumber Co. Ltd. (“**Ainsworth**”) and Footner Forest Products Ltd. (“**Footner**”) made as of December 20, 2010 and vesting in Footner GFPI’s right, title and interest in and to the assets (the “**Footner Purchased Assets**”) and shares (the “**Shares**”) described in the Ainsworth Sale Agreement, free and clear of all claims and encumbrances;
 - ii. GFPI’s motion for an Order (the “**Aircraft Parts Approval and Vesting Order**”) approving the sale transaction (the “**Aircraft Parts Transaction**”) contemplated by an agreement of purchase and sale (the “**Aircraft Parts Sale Agreement**”) between GFPI and Waterloo Aviation Corp. (“**Waterloo**”) made as of November 12, 2010 and vesting in Waterloo GFPI’s right, title and interest in and to the assets described in the Aircraft Parts Sale Agreement free and clear of all claims and encumbrances; and
 - iii. GFPI’s motion to approve this Sixteenth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

8. In preparing this Sixteenth Report, the Monitor has been provided with and in making the comments herein relied upon unaudited financial information, the

Remaining Applicants' books and records, financial information prepared by the Remaining Applicants and discussions with management of the Remaining Applicants. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Sixteenth Report. Some of the information referred to in this Sixteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook, has not been performed. Future oriented financial information referred to in this report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

9. Capitalized terms not defined in this Sixteenth Report are defined in the Initial Order, the Supplemental Initial Order or previous Reports of the Monitor.

BACKGROUND

10. GFPI and certain of its subsidiaries are privately owned corporations which carried on an oriented strand board ("OSB") manufacturing business from facilities located in Canada and the United States. OSB is an engineered, mat-formed panel product made of strands, flakes or wafers sliced from logs and bonded with an exterior-type binder under heat and pressure. The most common uses are sheathing in walls, floors and roofs in the construction of buildings and residential housing.
11. The Applicants and Footner (in which GFPI has a 50% interest) had a total annual capacity to produce 3.7 billion square feet of OSB, which made them the third largest OSB manufacturer in North America.
12. The Applicants had interests in three mills in Canada located at Englehart and Timmins in Ontario and High Level in Alberta, and two mills in the United States located in the counties of Allendale and Clarendon in South Carolina.

13. The OSB mills located in Englehart (the “**Englehart Mill**”) and Timmins (the “**Timmins Mill**”) in Ontario were owned by GFPI, and as such, were subject to these CCAA proceedings.
14. The OSB mills located in Allendale (the “**Allendale Mill**”) and Clarendon (the “**Clarendon Mill**”) in South Carolina are owned by Allendale and Clarendon respectively, each of which is owned by Southeast, which in turn was owned by the Grant Partnership. Each of these entities were Additional Applicants and were subject to these CCAA proceedings.
15. As described in the Fourteenth Report of the Monitor dated June 1, 2010 (the “**Fourteenth Report**”), the Applicants completed a sale of the Grant Partnership and the Englehart Mill to Georgia Pacific on May 26, 2010, and as such, the Allendale Mill and the Clarendon Mill are no longer owned by the Remaining Applicants.
16. As described above, GFPI has a 50% interest in an OSB mill located at High Level in Alberta (the “**Footner Mill**”). This OSB mill is held by Footner as trustee for GFPI and Ainsworth, and GFPI owns 50% of the shares of Footner (such 50% interest and shares, the “**Footner Interests**”). Footner is not a CCAA applicant.
17. With the completion of the Georgia Pacific sale, the remaining assets of the Remaining Applicants include:
 - 1) The Timmins Mill;
 - 2) The Footner Interests; and
 - 3) Certain assets which were not required for the operations of the OSB business, including an office premises and boathouse in Haileybury (the “**Haileybury Office**”), a golf course in Earlton, (the “**Golf Course**”), a 65 foot custom built motor boat which is currently located in Florida (the “**Boat**”) and a lease of a hangar at the Earlton Airport (the “**Hangar Lease**”) (collectively, the “**Non-Core Assets**”).

18. The Timmins Mill has been idled since September 2006 and the Footner Mill has been idled since November 2007.
19. The Monitor has been actively working with the Remaining Applicants and the CRO to sell the remainder of Remaining Applicants' assets including the Footner Interests as described further herein.
20. The Monitor and the CRO have conducted a marketing process to sell the Timmins Mill that has comprised the comprehensive contact of 70 strategic parties (comprising forest products and bio-energy firms) and auctioneering/decommission firms. As a result of the idle status of the Timmins Mill, it is in a state of disrepair and the capital cost to return it to operating status would be significant, as evidenced by the fact that the highest consideration from credible parties has been offered by auctioneering/decommission firms. The Monitor and the CRO are currently in advanced discussions for a transaction involving the Timmins Mill and will report further to this Honourable Court once these discussions are completed.

OVERVIEW OF THE MARKETING PROCESS OF THE FOOTNER MILL

Ownership Structure of the Footner Mill

21. As described earlier in this Sixteenth Report, GFPI has a 50% interest in the Footner Mill. The Footner Mill is held by Footner as trustee for Ainsworth and GFPI and each owns 50% of the shares of Footner (GFPI and Ainsworth collectively, the "**Parties**"). Footner is not a CCAA applicant. Since the formation of the joint venture for Footner, Footner and the Parties have operated the Footner Mill. The Parties signed a Memorandum of Agreement (the "**MOU**") dated December 9, 1999 which contemplated the negotiation of the following four agreements to govern the joint venture:
 - i. an operating agreement which would govern the operations of the Footner Mill and the necessary forestry work;
 - ii. a unanimous shareholders' agreement, which was to govern board

composition and meetings; status and responsibilities of the general manager; liquidation or wind-up of the Footner Mill; and a right of first refusal on a transfer of the interest of either GFPI or Ainsworth;

- iii. an inventory purchase agreement; and
 - iv. a co-owners' agreement, which was to govern the Parties' joint ownership of the Footner Mill; agreement of the Parties not to seek a partition and sale; and a shotgun buy/sell agreement in relation to the interest of each of the Parties.
22. None of these four agreements was ever settled or signed. On August 6, 2010, GFPI repudiated the MOU by a notice of repudiation (the “**MOU Notice of Repudiation**”) to Ainsworth. Ainsworth objected to the MOU Notice of Repudiation on the basis that in its view, GFPI does not have the right to repudiate the MOU.

Description of the Footner Mill

23. The construction of the Footner Mill commenced in September 1999 and was completed in late 2000. The Footner Mill is located approximately 600 kilometres north of Edmonton and is situated on approximately 400 acres of land. The Footner Mill has an annual production capacity of approximately 800 million square feet of OSB (3/8 inch basis). The Footner Mill was shut down in the second half of 2007 due to industry economics. Historically, the Footner Mill's primary market has been the southwestern U.S. states which have been significantly impacted by current housing market conditions, thus curtailing the current demand for OSB that could be produced by the Footner Mill.
24. While the Footner Mill has remained idle since shut down, it has been maintained by a full-time mill manager and skeleton staff. GFPI continues to pay its 50% share of the holding costs. GFPI's share is approximately \$200,000 a month. These holding costs include property taxes, payroll expenses for the staff at the Footner Mill, utilities and insurance expenses.

The Footner Interests Sale Process

25. The Sixth Report of the Monitor dated January 15, 2010 (the “**Sixth Report**”) described in detail the marketing process to sell the business and operations of the Applicants (the “**Marketing Process**”), which included the Footner Interests, that was conducted by the Monitor with the assistance of the CRA. The Marketing Process resulted in a purchase and sale agreement (the “**GP Sale Agreement**”) between the Applicants and Georgia Pacific. As part of its transaction, Georgia Pacific elected not to acquire the Footner Interests.
26. As described in the Sixth Report, the Marketing Process (which included the Footner Interests) comprised a structured, fair, wide and effective canvassing of the market as demonstrated by the following:
 - i. the comprehensive contact of 91 interested financial and strategic parties located in North America, South America, Europe and Asia;
 - ii. the execution of 32 non-disclosure agreements (the “**NDA**s”) by interested parties who were then granted access to review a data room and the subsequent submission of 13 expressions of interest (the “**EOI**s”) at the end of the first phase of the Marketing Process; and
 - iii. the EOIs from eight interested parties that were invited to participate in the second phase of the Marketing Process provided a value range which was market derived and tested.
27. During the due diligence phases of the Marketing Process, a number of parties indicated difficulty in calculating a value for the Footner Interests primarily due to the following factors:
 - i. the Footner Interests represent a 50% non-majority controlled beneficial interest in the Footner Mill. Many potential purchasers indicated they would only have interest in the Footner Interests if they could acquire full ownership of the Footner Mill;

- ii. the Footner Mill is an idled facility that has not operated since November 2007, and any purchaser of the Footner Interests would be required to pay the Footner Mill Operating Costs (as defined in paragraph 47 of this Report) on a monthly basis despite uncertainty as to when market conditions will lead to the Footner Mill restarting operations;
 - iii. the MOU, if it were to apply, does not clearly or comprehensively set out the terms governing the joint venture and there is no shareholders agreement with Ainsworth, so that any purchaser would have to try to negotiate with Ainsworth a shareholders' agreement and any other ancillary agreements necessary to govern the joint venture with Ainsworth; and
 - iv. the geographical location of the Footner Mill limited the market reach of the Footner Mill's production, and the U.S. housing market that the Footner Mill historically supplied continued to remain very weak.
28. In particular, certain interested parties indicated that the MOU and the absence of a finalized shareholders agreement and other ancillary agreements were impediments to determining a value for the Footner Interests. The Marketing Process was set up to sell all of GFPI's core assets and as such GFPI did receive interest from certain parties that included the Footner Interests. However, this interest was only contained in bids for all of the GFPI assets, not as a separate expression of interest in the Footner Interests on a standalone basis.
29. Pursuant to the completion of the GP Transaction, the Monitor, GFPI and the CRA evaluated the potential for a separate marketing process for the Footner Interests. This included the impact of the issues described above on the potential interest of parties to participate in a separate sale process for the Footner Interests.
30. As described in the Thirteenth Report of the Monitor dated May 21, 2010 (the "**Thirteenth Report**"), after taking into account the above factors to assess the feasibility of a separate market process for the Footner Interests, GFPI proposed to seek the approval of this Honourable Court for a marketing process for the Footner Interests

(the “**Footner Marketing Process**”). Subsequent to the service of GFPI’s motion, counsel for certain of GFPI’s second lien lenders (the “**Second Lien Lenders**”) which had recently acquired their interests requested an adjournment of this motion so that they could consider their options. As the first lien lenders’ agent (the “**First Lien Lenders’ Agent**”) and the Monitor were agreeable, GFPI requested an adjournment of this motion.

31. Also subsequent to the service of this motion, counsel to Ainsworth sent correspondence expressing concerns with respect to the Footner Marketing Process on the basis, among other things, that the Footner Marketing Process as proposed did not recognize the terms and conditions of the MOU.

OVERVIEW OF AINSWORTH LETTER OF INTENT

32. Concurrently with the above, and as a result of (i) the inability to sell the Footner Interests as part of the Marketing Process and (ii) the difficulty in valuing the Footner Interests because of the lack of agreement between GFPI and Ainsworth on the terms governing the joint venture, the decision was made to commence negotiations with Ainsworth for a separate sale of the Footner Interests. The position taken by Ainsworth with respect to the Footner Marketing Process and the request by certain Second Lien Lenders for an adjournment indicated that the ability of GFPI to obtain approval for the Footner Marketing Process and thus realize liquidity for the Footner Interests in a timely manner had been negatively impacted. Thus, subsequent to the adjournment of the motion for approval of the Footner Marketing Process, the CRO and the Monitor approached Ainsworth’s counsel to determine Ainsworth’s interest in a potential acquisition of the Footner Interests and also to ascertain an initial indication of value from Ainsworth for the Footner Interests.
33. As Ainsworth had taken the position that under the MOU it had certain rights in any marketing of the Footner Interests, including a right of first refusal, GFPI repudiated the MOU on August 6, 2010. Ainsworth objected to GFPI’s repudiation of the MOU and indicated that it would oppose the Footner Marketing Process unless the terms of the MOU were honoured. As set out below, GFPI engaged in preliminary discussions with

certain second lien lenders regarding their interest in acquiring the remaining assets of the Remaining Applications. In addition, following the repudiation of the MOU, there were further negotiations between the Parties supported by the CRO, counsel to GFPI, the Monitor and counsel to the Monitor, through which Ainsworth ultimately proposed a purchase price of CDN\$20,000,000, subject to certain closing adjustments.

34. Following agreement as to the consideration to be paid by Ainsworth for the Footner Interests, the Parties negotiated and agreed to a letter of intent (the “**Ainsworth LOI**”) which detailed the business terms and conditions of a transaction whereby Ainsworth would effectively acquire the Footner Interests, subject to execution of the Ainsworth Sale Agreement and the approval of this Honourable Court.
35. The Ainsworth LOI was signed by Ainsworth and GFPI on October 22, 2010 and the parties proceeded to negotiate the Ainsworth Sale Agreement described herein.

OVERVIEW OF A PROPOSAL RECEIVED FOR GFPI’S REMAINING ASSETS

36. Following the adjournment of the hearing for the approval of the Footner Marketing Process, certain of GFPI’s second lien lenders in conjunction with an operating partner (the “**Second Lien Group**”) approached GFPI to express an interest in putting forth an offer for GFPI’s remaining assets (the Footner Interests, the Timmins Mill, the GFPI’s Non-Core Assets (collectively, the “**Remaining Assets**”). The Second Lien Group was advised by GFPI that GFPI was in discussions for a sale of the Timmins Mill and the Second Lien Group agreed to exclude the Timmins Mill from any potential offer for the Remaining Assets.
37. On August 6, 2010, the Second Lien Group provided GFPI with a non-binding term sheet (the “**Term Sheet**”) for the Remaining Assets. After review of the Term Sheet, GFPI advised the Second Lien Group of certain problems with respect to the Term Sheet, including:
 - i. the required payment by GFPI of the Second Lien Group’s due diligence costs;

- ii. the fees payable if the transaction proceeded;
 - iii. the closing risk; and
 - iv. GFPI's concerns that the proposed terms contained in the Term Sheet may not be acceptable to other Second Lien Lenders or the first lien lenders (the "**First Lien Lenders**").
- 38. On August 12, 2010, GFPI provided the Second Lien Group with a draft Purchase and Sale Agreement (the "**Second Lien Group Sale Agreement**"), the terms of which addressed the concerns GFPI had raised with respect to the Term Sheet, and the Second Lien Group was requested to provide a mark-up of the Second Lien Group Sale Agreement along with a draft letter of intent (the "**Second Lien Group LOI**") to formalize the provisions of its offer. These documents were returned by the Second Lien Group to GFPI on August 30, 2010.
- 39. The Second Lien Group LOI addressed some but not all of the issues set out above, and in particular the Second Lien Group was advised of the following concerns:
 - i. the length of the proposed 60 day due diligence period and the related closing risk; and
 - ii. the proposed restrictions in respect of discussions with other parties as to a transaction involving the Remaining Assets during the due diligence period.
- 40. The CRO and counsel to GFPI continued discussions with the Second Lien Group through September, 2010. However, they were unable to fully resolve all of the outstanding issues. On September 27, 2010, the Second Lien Group withdrew the Second Lien Group LOI.
- 41. On October 26, 2010, counsel to GFPI advised counsel to the Second Lien Group that GFPI had signed the Ainsworth LOI and that the purchase price contemplated therein was CDN \$20,000,000.

OVERVIEW OF THE AINSWORTH SALE AGREEMENT

42. Following agreement with respect to the Ainsworth LOI, GFPI, in conjunction with its counsel and supported by the Monitor and the CRO, commenced negotiations with Ainsworth on the Ainsworth Sale Agreement. The Ainsworth Sale Agreement was finalized and executed by both Parties, subject to approval of this Honourable Court. The Ainsworth Sale Agreement also contemplates, but is not conditional on, an order of the Alberta Court of Queen's Bench recognizing the Footner Approval and Vesting Order (the "**Alberta Recognition Order**").
43. The Ainsworth Sale Agreement contemplates that Footner will purchase from GFPI the Footner Purchased Assets and the Shares. The aggregate purchase price for the Ainsworth Transaction is CDN\$20,000,001 (the "**Purchase Price**"). Pursuant to the closing of the Ainsworth Transaction, Footner will pay the Purchase Price by way of two separate demand promissory notes in favour of GFPI for the Footner Purchased Assets and the Shares, respectively (collectively, the "**Promissory Notes**"). Immediately after the delivery of the Promissory Notes by Footner to GFPI, Ainsworth will loan Footner an amount equal to the Purchase Price to be used by Footner to repay the Promissory Notes. On receipt of the loan from Ainsworth, Footner will repay the Promissory Notes forthwith to an account specified by the Monitor. These funds will be held in trust by the Monitor for the benefit of GFPI.
44. The aggregate consideration being paid by Footner for the Footner Purchased Assets is CDN\$20,000,000, with \$1 payable for the Shares.
45. The Ainsworth Sale Agreement contemplates that GFPI and the CRO will:
- i. not solicit offers and terminate any existing discussions in respect of the Footner Interests;
 - ii. terminate access to the Footner electronic data room;
 - iii. not respond to requests for information related to Footner to any person that could reasonably be expected to facilitate an alternative transaction; and

- iv. not engage in discussions or accept, approve or remain neutral regarding any alternative transaction.
- 46. GFPI also acknowledges that Ainsworth would not have an adequate remedy at law in the event any of the provisions of the Ainsworth Agreement were not performed by GFPI. Ainsworth would be entitled to seek injunctive relief to prevent breaches of the Ainsworth Agreement. GFPI further agrees to waive any requirement for the posting of security in connection with obtaining injunctive relief and to not to plead sufficiency of damages as a defence in the proceeding.
- 47. Each of GFPI and Ainsworth shall continue to pay its respective 50% share of the Footner Mill operating costs (including utilities, salaries, contract services and administration) (the “**Footner Mill Operating Costs**”) accruing prior to closing. Footner, GFPI and Ainsworth will prepare an estimated statement of adjustments to reflect any costs accruing as at closing, less a credit to GFPI for Footner Mill Operating Costs which are prepaid as of the closing date. On closing GFPI shall pay to Ainsworth or Ainsworth shall pay to GFPI the net amount owing to the other Party.
- 48. Included in the Footner Mill Operating Costs are certain costs which relate to payables that accrued at the time the Footner Mill was operating and are allegedly due to certain wood suppliers. GFPI may be responsible for paying on or after closing 50% of these costs to a maximum of \$120,355.
- 49. A copy of the Ainsworth Sale Agreement is attached as Appendix A to this Sixteenth Report.
- 50. GFPI is seeking the Footner Approval and Vesting Order to approve the Transaction comprising *inter alia*: (a) sale of the Footner Purchased Assets; (b) sale of the Shares; and (c) related relief in order to complete the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement.
- 51. Assuming this Honourable Court grants the Footner Approval and Vesting Order requested by GFPI, GFPI intends to commence proceedings for the Alberta Recognition Order affirming the Footner Approval and Vesting Order and any related relief required

to give effect to and to complete the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement.

AIRCRAFT PARTS APPROVAL AND VESTING ORDER

52. As set out in the affidavit of Hap Stephen dated December 20, 2010, (the “**Stephen Affidavit**”), and the first report of the Monitor dated June 24, 2009 (the “**First Report**”), prior to the commencement of these CCAA proceedings, GFPI leased three aircraft from GE Canada Leasing Services Company (“**GE Leasing**”) which were returned to GE Leasing prior to the granting of the Initial Order by this Honourable Court.
53. As set out in the Stephen Affidavit, certain aircraft parts related to the leased aircraft including cables, switches, filters, pumps, detectors, sensors and switch assemblies (the “**Aircraft Parts**”) remained with GFPI. A list of the Aircraft Parts is set out in Schedule A to the Aircraft Parts Sale Agreement. As set out in the Stephen Affidavit, at some point during these CCAA proceedings, certain of the Aircraft Parts came into the possession of Grant Forest Products Corp. (“**GFPC**”). GFPC is a related company of GFPI that is not part of these CCAA proceedings.
54. GFPI has delivered motion materials in respect of a motion against GFPC and others relating to, among other things, the ownership of the Aircraft Parts. This motion has not yet been scheduled.
55. The Monitor understands that in June 2009 GFPI commenced a process to sell the Aircraft Parts. GFPI has advised that the Aircraft Parts were listed for sale on an online website which is used for the sale of such Aircraft Parts. Further, GFPI called the suppliers of the Aircraft Parts to determine if they would buy back the parts and also offered to pay a restocking fee; however, GFPI was unable to sell the Aircraft Parts. GFPI has explained that the main challenge in selling the Aircraft Parts was their location, as certain purchasers were looking for a 24 hour delivery period which was not possible as the parts are located in Earlton in Northern Ontario and delivery to the desired location typically would take at least two days. Further, the Aircraft Parts are

not parts that are typically held in stock by most aircraft operators and, due to the downturn in the economy, the aviation industry generally experienced an increase in the supply of aircraft parts and equipment in the market resulting in a significant decrease in price.

56. GFPI commenced correspondence with Waterloo in December 2009 and after several months of negotiations and other complexities due to the dispute between GFPI and GFPC with respect to the ownership of some of the Aircraft Parts, on November 12, 2010, GFPI and Waterloo entered into the Aircraft Parts Sale Agreement, subject to the approval of this Honourable Court. A copy of the Aircraft Parts Sale Agreement is attached as Appendix B to this Sixteenth Report.
57. The Aircraft Parts Sale Agreement contemplates a purchase price of CDN \$50,000 plus HST for the Aircraft Parts (the “**Aircraft Parts Purchase Price**”). The sale of the Aircraft Parts is on an “as is where is” basis. No representation, warranty or condition is expressed or implied by GFPI with respect to the Aircraft Parts. The Aircraft Parts Sale Agreement contemplates that on the closing date of the Aircraft Parts Transaction which is scheduled to be ten business days after the approval of the Aircraft Parts Approval and Vesting Order by this Honourable Court, Waterloo will pay the Aircraft Parts Purchase Price to the Monitor.
58. As set out in the Stephen Affidavit, GFPC has advised GFPI that GFPC supports the Aircraft Parts Transaction on condition that the sales proceeds are held by the Monitor in a separate account and not distributed to either GFPI or GFPC without the consent of GFPI, GFPC and Mr. Peter Grant Sr. or further order of this Honourable Court. The Aircraft Parts Vesting and Approval Order includes this provision.
59. It is the Monitor’s view that the Aircraft Parts were appropriately marketed considering the limited market and purchasers for such Aircraft Parts. The Monitor is of the view that the sale price maximizes the value to the Remaining Applicants, subject to paragraph 58 above.
60. The Remaining Applicants are seeking the Aircraft Parts Approval and Vesting Order

from this Honourable Court to approve the Aircraft Parts Transaction contemplated by the Aircraft Parts Sale Agreement between GFPI and Waterloo.

61. The Aircraft Parts Vesting Order contemplates that upon the delivery of the Monitor's certificate attached as Appendix A to the Aircraft Parts Vesting Order, all of GFPI's right, title and interest in the Aircraft Parts shall vest in Waterloo free and clear of encumbrances, including any right, title and interest in the Aircraft Parts held by GFPC.

RECOMMENDATIONS

62. It is the Monitor's view that there is likely to be limited interest in any further marketing process for the Footner Interests from third parties given the factors set out in paragraph 27 above, which caused difficulty for prospective purchasers trying to determine a value for the Footner interests, as well as the following:
- i. Ainsworth has advised that it was not interested in participating in a marketing process involving its 50% interest in the Footner Mill;
 - ii. Ainsworth has advised that it will challenge any marketing process that does not recognise the terms and conditions of the now repudiated MOU; and
 - iii. OSB prices have declined since the execution of the Georgia Pacific Sale Agreement and the U.S. housing market conditions remain weak.
63. The Footner Interests were included in the Marketing Process for all of the Applicants' OSB assets, as described in detail in the Sixth Report. As set out above, during this process certain of the interested parties expressed difficulty determining a value for the Footner Interests in part due to the issues described earlier in this Sixteenth Report. These parties' bids included the Footner Interests only as part of an overall bid for the assets of GPFPI and not on a standalone basis. Additionally, since the Footner Interests were disclosed as not being part of the GP Transaction, there has been no interest shown from any party who participated in the Marketing Process other than Ainsworth.
64. It is the Monitor's view that Ainsworth is the logical purchaser of the Footner Interests because it is the other 50% owner of the Footner Interests and Ainsworth is likely the

purchaser willing to pay the most for this asset because it can realize the highest value from its acquisition.

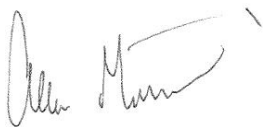
65. The Monitor notes that the First Lien Lenders, who are owed approximately US\$44 million, inclusive of accrued interest, as at November 22, 2010, are supportive of GFPI completing the sale of the Footner Interests to Ainsworth.
66. GFPI, the CRO and the Monitor also had a call on September 30, 2010 with those Second Lien Lenders who signed confirmations of their confidentiality obligations and provided an update on the status of the sale of the Footner Interests including discussions being held with Ainsworth. A further call was conducted on November 8, 2010 further to a request from certain Second Lien Lenders.
67. Finally, the Monitor notes, as set out above, that GFPI is currently funding holding costs in the range of approximately \$200,000 per month (the equivalent of \$2,400,000 per annum) for the Footner Mill Operating Costs, providing a further incentive to sell the Footner Interests in the short term.
68. Based on the above factors, the Monitor recommends the Ainsworth Transaction for the following reasons:
 - i. the Ainsworth Transaction with Footner will generate cash proceeds of CDN\$20,000,000. This represents value to the stakeholders of the Remaining Applicants;
 - ii. the Ainsworth Transaction has been recommended by the CRO with the support of the First Lien Lenders and in consultation with the Second Lien Lenders;
 - iii. the Ainsworth Transaction avoids possibly expensive and lengthy litigation with Ainsworth regarding the MOU; and
 - iv. approval of the Ainsworth Transaction ceases the dissipation of GFPI's assets by the ongoing payment of the Footner Mill Operating Costs.

69. GFPI is seeking this Honourable Court's authorization:
- i. for the Footner Approval and Vesting Order approving the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement and vesting in Footner on closing GFPI's right, title and interest in and to the Footner Purchased Assets and the Shares described in the Ainsworth Sale Agreement, free and clear of all claims and encumbrances;
 - ii. for the Aircraft Parts Approval and Vesting Order approving the Aircraft Parts Transaction contemplated by the Aircraft Parts Sale Agreement between GFPI and Waterloo made as of November 12, 2010 and vesting in Waterloo on closing GFPI's right, title and interest in and to the assets described in the Aircraft Parts Sale Agreement free and clear of all claims and encumbrances; and
 - iii. approving this Sixteenth Report and the conduct and activities of the Monitor as reported on herein.
70. The Monitor recommends that this Honourable Court grant the relief sought by the Remaining Applicants.

All of which is respectfully submitted this 21st day of December, 2010.

ERNST & YOUNG INC.
in its capacity as the Monitor of
Grant Forest Products Inc., Grant Alberta Inc., and
Grant Forest Products Sales Inc.

Per:



Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

Daniel Sinclair
Vice President

APPENDIX A

FOOTNER PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is dated as of the 20th day of December, 2010,

BETWEEN:

AINSWORTH LUMBER CO. LTD., a corporation
incorporated under the laws of Canada

(hereinafter referred to as "**Ainsworth**")

- and -

GRANT FOREST PRODUCTS INC., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as "**Grant**")

- and -

FOOTNER FOREST PRODUCTS LTD., a corporation
incorporated under the laws of the Province of Alberta

(hereinafter referred to as "**Footner**")

WHEREAS Grant is the owner of an undivided one-half beneficial interest in assets comprising an OSB mill located on the Real Property at High Level, Alberta and of 50 common shares in the capital of Footner;

AND WHEREAS Grant and related parties commenced proceedings in the Ontario Superior Court of Justice (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") with respect to which Ernst & Young Inc. (the "**Monitor**") was appointed as the monitor of Grant;

AND WHEREAS, subject to the issuance of the Approval and Vesting Order and other provisions of this Agreement, Grant has agreed to sell to Footner, and Footner has agreed to purchase from Grant, all of Grant's right, title and interest in and to the Purchased Assets and the Shares;

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 others, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.01 Definitions

In this Agreement:

"Agreement" means this agreement, as amended from time to time, and all schedules and exhibits hereto;

"Agents' Liens" means the encumbrances in favour of The Toronto-Dominion Bank, Toronto Dominion (Texas) LLC or The Bank of New York Mellon (and instruments related thereto) listed in Schedule 3 hereto;

"Alberta Recognition Order" has the meaning ascribed to that term in Section 6.02;

"Applicable Law" means, in respect of any person, property, transaction or event, any domestic or foreign statute, law (including common law), ordinance, rule, regulation, treaty, code, by-law (zoning or otherwise) or Order that applies in whole or in part to such person, property, transaction or event;

"Approval and Vesting Order" has the meaning ascribed to that term in Section 6.01;

"Asset Purchase Price" has the meaning ascribed to that term in Section 4.01;

"Books and Records" means all books and records relating solely to the Purchased Assets and the Shares which are located on the Real Property on Closing;

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

"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;

"Closing" means the completion of the sale to, and purchase by, Footner of the Purchased Assets and Shares;

"Closing Date" means February 17, 2011 or such other date as the parties may select in accordance with Section 7.04;

"Contracts" means Grant's beneficial interest in any contracts entered into by Footner (other than this Agreement or any agreements delivered to Grant pursuant to or in respect of this Agreement or the transactions contemplated in this Agreement);

"Due Diligence Notice Date" means the date that is the 6th Business Day after the date of this Agreement;

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

"Final Order" means an Order that is not capable of appeal due to the passage of time or otherwise;

"Footner Mill" means the OSB mill located on the Real Property at High Level, Alberta;

"Footner Mill Operating Costs" means the costs listed in Schedule 5;

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

"GST" means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder; and **"GST Legislation"** means such statute and regulations, collectively;

"Income Tax Act" means, collectively, the *Income Tax Act* as amended, the Income Tax Application Rules, R.S.C. 1985, 5th Supplement, and the Income Tax Regulations, in each case, as amended;

"Insurance Policies" means all insurance policies in effect on the Closing Date which only insure Purchased Assets;

"Investment" has the meaning ascribed to that term in Section 4.04;

"Legal Proceeding" means any litigation, action, suit, investigation, hearing, claim, complaint, grievance, arbitration proceeding or other proceeding and includes any appeal or review and any application for any of the foregoing;

"Machinery and Equipment" means the machinery, equipment, spare parts, tools, jigs, dies, office equipment (including computers and computer accessories), furniture, fixtures and furnishings of all kinds located on the Real Property on Closing;

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

"MOU" means memorandum of agreement dated December 9, 1999 between Ainsworth and Grant (as assigned to it by Grant Forest Products Corp.);

"Order" means any order, directive, judgment, decree, award or writ of any Tribunal;

"Outside Date" means March 31, 2011 or such other date as Grant, Footner and Ainsworth may mutually agree to in writing;

"parties" means the parties to this Agreement and **"party"** means any one of them;

"Permitted Encumbrances" mean the encumbrances listed in Schedule 4 hereto;

"person" has the meaning ascribed to it pursuant to the *Business Corporations Act* (Ontario) as amended;

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

"Real Property" means the real property listed in Schedule 1 hereto;

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

"Share Purchase Price" has the meaning ascribed to that term in Section 4.02;

"Shares" means Grant's 50 common shares in the capital of Footner;

"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 Canadian federal, provincial, territorial, municipal and local, foreign or other income, capital, GST, harmonized sales tax, sales, use, 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, employment insurance premiums, and provincial workers' compensation payments, including any interest, penalties and fines associated therewith;

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

"Time of Closing" means 10:00 a.m. (Toronto, Ontario local time) on the Closing Date or such other time on the Closing Date as the parties hereto agree in writing that Closing shall take place;

"Transfer Taxes" means all Taxes levied on or measured by, or referred to as transfer, land transfer, registration charges, sales, GST, use, consumption, value-added, turnover, excise or stamp taxes; and

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

Section 1.02 Currency

All references in this Agreement to monetary amounts, unless indicated to the contrary, are to the currency of Canada.

Section 1.03 Entire Agreement; Amendment; Waiver

This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes any and all prior negotiations, understandings and agreements between the parties, subject to Section 10.03. This Agreement may not be amended

or modified in any respect except by written agreement signed by both 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 the Province of Ontario with respect to any matter arising hereunder or relating hereto.

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 without limitation" or "includes without limitation", respectively.

Section 1.07 Headings, Section References and Recitals

The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation hereof. Unless otherwise expressly indicated in this Agreement, any reference which is made in this Agreement to a "Section" means and refers to the Section of this Agreement so referenced. The recitals to this Agreement form an integral part of this Agreement and are incorporated into this Agreement by reference.

Section 1.08 Schedules and Exhibits

The parties hereby agree that disclosure made in a Schedule to this Agreement shall be deemed to be disclosure made in all other Schedules to this Agreement. The following are the Schedules and Exhibits attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule 1	-	Real Property
Schedule 2	-	Allocation of Asset Purchase Price
Schedule 3	-	List of Agents' Liens
Schedule 4	-	List of Permitted Encumbrances
Schedule 5	-	List of Footner Mill Operating Costs
Schedule 6	-	Prepaid Expenses
Exhibit A	-	Form of Approval and Vesting Order
Exhibit B	-	Form of Alberta Recognition Order
Exhibit C	-	Form of Asset Promissory Note

Exhibit D - Form of Share Promissory Note

ARTICLE 2 APPROVAL AND VESTING ORDER

Section 2.01 Court Order Required

Each of the parties acknowledges that this Agreement contains conditions that, prior to the Time of Closing, the Approval and Vesting Order shall have been granted (which condition is not capable of waiver) and the Approval and Vesting Order shall have become a Final Order.

ARTICLE 3 PURCHASE AND SALE OF PURCHASED ASSETS

Section 3.01 Purchase and Sale of Purchased Assets

Subject to the provisions of this Agreement, Grant hereby agrees to sell, assign and transfer to Footner, and Footner hereby agrees to purchase from Grant, in each case at the Time of Closing, all of the right, title and interest of Grant in and to the following assets and property (collectively, the "**Purchased Assets**");

- (a) the Real Property and all buildings and improvements thereto located on the Real Property;
- (b) the Machinery and Equipment;
- (c) the Insurance Policies;
- (d) the Contracts;
- (e) the Books and Records;
- (f) all current assets of Footner (including Footner's accounts receivable, inventory and cash balances);
- (g) the full benefit of prepaid expenses of the Footner Mill and all deposits made by Footner with any public utility, lessor under any personal property lease or Governmental Authority;
- (h) all motor vehicles and other mobile equipment registered in Alberta (including all trucks, vans, cars and forklifts) and owned or used or held by Grant solely for use in or relating to the Footner Mill;
- (i) the goodwill of the Footner Mill and relating to the Purchased Assets, and information and documents located on the Real Property on Closing relevant thereto including lists of customers and suppliers, credit information, telephone and facsimile numbers, research materials, research and development files and confidential information and to all rights in respect of the name "Footner" and any variations of such name;

- (j) the permits, licences, approvals and authorizations (including environmental permits), which Grant holds for the Footner Mill from any Governmental Authority;
- (k) any claims, refunds, causes of action, rights of recovery, rights of set-off and rights of recoupment related to the Footner Mill or any of the Purchased Assets, and the interest of Grant in any litigation and in the proceeds of any judgement, order or decree in each case issued or made in respect of the Footner Mill in respect of occurrences, events, accidents or losses suffered prior to the Time of Closing relating to the Footner Mill (other than those of Grant against Ainsworth or Footner pursuant to or in respect of this Agreement, any agreement delivered to Grant pursuant to or in respect of this Agreement or the transactions contemplated in this Agreement);
- (l) all warranty rights against manufacturers, builders, contractors or suppliers relating to any of the Purchased Assets, to the extent the foregoing are transferable; and
- (m) any other assets comprising the Footner Mill;

free and clear of all encumbrances except for Permitted Encumbrances.

Section 3.02 Excluded Assets

Notwithstanding anything to the contrary in this Agreement, all assets of Grant other than the Purchased Assets (the "**Excluded Assets**"), shall not form part of the purchase and sale contemplated hereunder and shall remain the property of Grant after Closing. For greater certainty, other than with respect to any Contracts that are assigned to Footner in accordance herewith, neither Ainsworth nor Footner shall assume or be obligated to pay, perform or discharge any of Grant's debts, liabilities or obligations of any kind whatsoever.

Section 3.03 Purchase and Sale of the Shares

Subject to the provisions of this Agreement, Grant hereby agrees to sell, assign and transfer to Footner, and Footner hereby agrees to purchase from Grant for cancellation immediately following the purchase and sale of the Purchased Assets as described in Section 3.01, all of the right, title and interest of Grant in and to the Shares.

Grant acknowledges that all amounts paid by Grant to Footner were contributions in respect of Grant's share of the costs incurred by Footner, that any amounts showing in the accounting records as owing by Footner to Grant were recorded in error, and that as of the date hereof and the Closing Date, Footner does not have and will not have any obligation to pay any amount to Grant other than amounts owing under this Agreement or notes delivered hereunder.

Section 3.04 As Is, Where Is

Each of Footner and Ainsworth acknowledges that Grant is selling the Purchased Assets and the Shares on an "as is, where is" basis as they shall exist on the Closing Date. Each of Footner and Ainsworth 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. 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 Shares or the right of Grant to sell any Purchased Assets or the Shares, except as expressly represented or warranted in this Agreement. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by Grant 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 Footner and Ainsworth.

ARTICLE 4

PURCHASE PRICE OF THE PURCHASED ASSETS AND SHARES

Section 4.01 Purchase Price for the Purchased Assets

The purchase price (the "**Asset Purchase Price**") for the Purchased Assets shall be \$20,000,000 and there shall be no adjustment to the Asset Purchase Price.

Section 4.02 Purchase Price for the Shares

The purchase price (the "**Share Purchase Price**") for the Shares shall be \$1.00 and there shall be no adjustment to the Share Purchase Price.

Section 4.03 Footner Payment of Purchase Price

- (a) Footner shall pay the Asset Purchase Price plus Transfer Taxes required to be paid to Grant in accordance with Section 4.06 by the delivery to Grant of a demand promissory note in favour of Grant in the amount of the Asset Purchase Price in the form set forth on Exhibit C (the "**Asset Promissory Note**"); and
- (b) Footner shall pay the Share Purchase Price by way of delivery to Grant of a demand promissory note in favour of Grant in the amount of the Share Purchase Price in the form set forth on Exhibit D (the "**Share Promissory Note**").

Section 4.04 Ainsworth Investment in Footner

Ainsworth hereby agrees that immediately following delivery of the Asset Promissory Note and the Share Promissory Note by Footner to Grant, Ainsworth will loan \$20,000,000 (plus the amount of the Transfer Taxes required to be paid to Grant in accordance with Section 4.06) plus the Share Purchase Price to Footner (the "**Investment**"). Upon receipt of the Investment, Footner shall repay both the Asset Promissory Note and the Share Promissory Note forthwith by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing). All documents delivered pursuant to this Agreement on Closing shall be held in escrow until the Monitor delivers the Monitor's Certificate (as defined in the Approval and Vesting Order) confirming that the Monitor has received such funds and that Closing shall have occurred upon delivery of the Monitor's Certificate to the parties.

Section 4.05 Allocation of Purchase Price

Grant and Footner hereby agree to allocate the Asset Purchase Price among the Purchased Assets in accordance with Schedule 2 hereto. Grant and Footner shall report the sale and purchase of the Asset Purchased Assets for all Tax purposes in a manner consistent with such allocation.

Section 4.06 Transfer Taxes

Footner shall pay all Transfer Taxes exigible in connection with the transactions contemplated hereunder as required by Applicable Law. Footner shall pay to Grant at the Time of Closing all applicable GST payable in connection with the transfer of the Purchased Assets to Footner. Notwithstanding the foregoing, Footner shall be liable for and will remit directly to the Receiver General of Canada (and not to Grant) the applicable GST payable in respect of the Real Property, including fixtures, in the time and the manner prescribed by the GST Legislation.

Footner shall deliver to Grant on Closing:

- (a) a statutory declaration by an officer of Footner specifying Footner's GST registration number and confirming that the Real Property (including fixtures) is being purchased by Footner as principal for its own account; and
- (b) an undertaking by Footner to self assess in respect of the GST payable on the amount of the Asset Purchase Price allocable to the Real Property (including fixtures) and an indemnity by Footner indemnifying Grant in respect of such GST and all interest and penalties payable with respect thereto.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

Section 5.01 Grant's Representations

Grant hereby represents and warrants to Ainsworth and Footner that:

- (a) Grant is a corporation duly incorporated and validly subsisting under the laws of the Province of Ontario;
- (b) subject to the issuance of the Approval and Vesting Order, Grant has the requisite power and authority to enter into this Agreement and to complete the transactions contemplated hereunder;
- (c) Grant is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and
- (d) Grant is registered for purposes of the GST Legislation and its registration number is 87286 1265 RT0001 and such registration shall be in full force and effect on Closing.

Section 5.02 Ainsworth's Representations

Ainsworth hereby represents and warrants to Grant and Footner that:

- (a) Ainsworth is a corporation duly incorporated and validly subsisting under the federal laws of Canada and has the requisite power and authority to enter into this Agreement and to complete the transactions herein contemplated hereunder;
- (b) Ainsworth has taken all necessary corporate action to authorize the entering into and performance by it of this Agreement; and
- (c) Ainsworth is not a non-Canadian within the meaning of the *Investment Canada Act*.

Section 5.03 Footner's Representations

Footner hereby represents and warrants to Grant and Ainsworth that:

- (a) Footner is a corporation duly incorporated and validly subsisting under the laws of Alberta and has the requisite power and authority to enter into this Agreement and to complete the transactions herein contemplated hereunder;
- (b) Footner has taken all necessary corporate action to authorize the entering into and performance by it of this Agreement;
- (c) Footner is registered for purposes of the GST Legislation and its registration number is 89304 9080 RT0001 and such registration shall be in full force and effect on Closing; and
- (d) Footner is not a non-Canadian within the meaning of the *Investment Canada Act*.

ARTICLE 6 COVENANTS

Section 6.01 Approval and Vesting Order

Grant shall seek to obtain an Order from the CCAA Court substantially in the form attached as Exhibit A hereto (the "**Approval and Vesting Order**") that, *inter alia*:

- (a) approves this Agreement and the sale by Grant to Footner of the Purchased Assets and Shares subject to and in accordance with the provisions of this Agreement;
- (b) vests absolute, clear and unencumbered title to the Purchased Assets and the Shares in Footner free and clear of any and all liens (including the Agents' Liens), claims, charges, demands, adverse claims, title retention agreements, security interests, pledges, hypothecations, mortgages and encumbrances of any and every nature and kind whatsoever, except only the Permitted Encumbrances; and

- (c) exempts the transactions contemplated by this Agreement from compliance with all applicable bulk sales legislation and dispenses with any notice requirements thereunder.

Grant shall prepare all materials for and shall apply to the CCAA Court for the Approval and Vesting Order. Written notification of the motion shall be given to Ainsworth and such other persons as shall be agreed upon by Grant and Ainsworth. Grant shall diligently pursue such motion and shall promptly notify Ainsworth of its disposition.

Section 6.02 Alberta Recognition Order

Grant shall, promptly following the issuance of the Approval and Vesting Order, seek to obtain an Order from the Alberta Court of Queen's Bench substantially in the form attached as Exhibit B (the "**Alberta Recognition Order**") that, *inter alia*, recognizes and gives full force and effect to the Approval and Vesting Order on Closing.

Grant shall prepare all materials for and shall apply to the Alberta Court of Queen's Bench for the Alberta Recognition Order. Written notification of the motion shall be given to Ainsworth and such other persons as shall be agreed upon by Grant and Ainsworth. Grant shall diligently pursue such motion and shall promptly notify Ainsworth of its disposition.

Section 6.03 Co-operation of Footner and Ainsworth

Each of Footner and Ainsworth, at its own expense, shall promptly provide to Grant all such information and assistance within its power as Grant may reasonably require to obtain the Approval and the Vesting Order and the Alberta Recognition Order including such information as may be required to reasonably evaluate each of Footner's and Ainsworth's financial ability to perform its obligations hereunder.

Section 6.04 Consents and Approvals

At the written request of Footner and Ainsworth, Grant shall use commercially reasonable efforts to assist Footner and Ainsworth in seeking all consents, approvals or authorizations required in connection with the transactions contemplated by this Agreement. Grant shall not approach any person with respect to consents, approvals or authorizations without the prior written request of Footner and Ainsworth. Nothing herein shall obligate Grant to pay any fee or other amount to any third party to obtain any such consent, approval or authorization.

Section 6.05 Maintenance of Books and Records; Access after Closing

Each of Footner and Ainsworth shall use its commercially reasonable efforts to retain all of the Books and Records relating to any period ending on or prior to the Closing Date for a period of six years following the Closing Date. At any time during such six-year period, Grant and its Representatives shall have reasonable access thereto in connection with the affairs of Grant but Ainsworth shall not be responsible or liable to Grant for or as a result of any unintentional loss or destruction of or damage to any of such Books and Records.

Section 6.06 Footner Information and Books and Records

Footner and its employees shall provide to Grant information and access to Footner's books and records, and to otherwise co-operate with Grant to facilitate the preparation of the statement of adjustments and to facilitate the completion of the transaction contemplated by this Agreement.

Section 6.07 Footner's Assumption of Contracts on Closing

Footner hereby assumes, on Closing, any of Grant's obligations under all Contracts and agrees with Grant on and after Closing to pay or perform all obligations of Grant, if any, pursuant to each of such Contracts. Footner hereby agrees on and after Closing to indemnify Grant and save Grant harmless from any and all costs, damages or other amounts now or hereafter claimed against Grant or incurred, suffered, paid or payable by Grant as a result, or in respect of Footner's failure to pay or perform any of Grant's obligations under any Contract or Contracts.

Section 6.08 Non-Solicitation

- (a) On the date this Agreement is executed, Grant shall immediately cease and cause to be terminated any existing discussions, solicitations, initiations, encouragements and negotiations, if any, by Grant or the Grant Representatives (as defined below) with any person (other than Ainsworth or Footner) conducted on or before the date of this Agreement by Grant, Stonecrest Capital Inc. or any of their respective officers, directors, employees, legal counsel, representatives or agents ("**Grant Representatives**") with respect to any actual or potential offer to acquire all or a portion of Grant's interest in Footner or the Footner Mill (an "**Alternative Transaction**"). In connection therewith, Grant and the Grant Representatives will terminate access for all persons to any data room containing information on Footner or the Footner Mill and cease to provide any access to information concerning Footner or the Footner Mill.
- (b) After the date this Agreement is executed, Grant will not and will not authorize or permit any Grant Representatives to, directly or indirectly:
 - (i) solicit, assist, initiate, or knowingly encourage or otherwise facilitate any inquiries, proposals, offers or expressions of interest regarding any actual or potential Alternative Transaction;
 - (ii) engage in any discussions or negotiations regarding any actual or potential Alternative Transaction or accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Alternative Transaction;
 - (iii) furnish or provide access to any information concerning Footner, the Footner Mill, or Footner's business, properties or assets to any person in connection with or that could reasonably be expected to lead to or facilitate, an Alternative Transaction;

- (iv) accept, approve or recommend, or remain neutral with respect to, or propose publicly to accept, approve or recommend, or remain neutral with respect to, any Alternative Transaction; or
 - (v) waive any provision of or release or terminate any standstill provisions contained in any confidentiality, non disclosure, standstill or other agreements relating to any actual or potential Alternative Transaction, or amend any such agreement or consent to the making of an Alternative Transaction in accordance with the terms of such agreement.
- (c) Grant acknowledges and agrees that Ainsworth would not have an adequate remedy at law and may be irreparably harmed in the event that any of the provisions of this Agreement were not performed by Grant and the Grant Representatives in accordance with their specific terms or were otherwise breached by Grant or the Grant Representatives. Accordingly, Grant acknowledges and agrees that Ainsworth shall be entitled to injunctive relief to prevent breaches of this Agreement and to specific performance of the terms and conditions of this Agreement in addition to any other remedy to which Ainsworth may be entitled at law or in equity. Grant hereby waives any requirement for the posting of any bond or other security in connection with the obtaining of any injunctive or other equitable relief. Grant hereby agrees not to plead sufficiency of damages as a defence in the proceeding for such injunctive relief or specific performance brought by Ainsworth and/or Footner.

ARTICLE 7 CONDITIONS

Section 7.01 Conditions for the Benefit of Footner and Ainsworth

The obligations of Footner and Ainsworth to complete the transactions contemplated by this Agreement are subject to the following conditions being fulfilled or performed, at or prior to the Time of Closing:

- (a) all representations and warranties of Grant contained in this Agreement 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, and Grant shall have delivered to Footner and Ainsworth 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 representations and warranties);
- (b) Grant shall have complied with and performed all of its covenants and obligations contained in this Agreement;
- (c) Grant shall have delivered the items referred to in Section 9.02 in escrow pending Closing;
- (d) the CCAA Court shall have granted the Approval and Vesting Order;

- (e) the Approval and Vesting Order (as granted by the CCAA Court) shall be substantially in the form of Exhibit A hereto, or otherwise in form and in substance satisfactory to Footner and Ainsworth acting reasonably;
- (f) the Approval and Vesting Order shall have become a Final Order;
- (g) all materials filed by Grant with the CCAA Court and/or the Alberta Court of Queen's Bench in connection with the Approval and Vesting Order, the Alberta Recognition Order, or the transactions contemplated herein shall be in form and in substance satisfactory to Footner and Ainsworth acting reasonably;
- (h) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement; and
- (i) the letter dated December 7, 2010 from the Minister of Sustainable Resource Development in the Province of Alberta relating to the transactions contemplated by this Agreement shall not have been rescinded or withdrawn.

The foregoing conditions are for the exclusive benefit of Footner and Ainsworth and any of the foregoing conditions, other than the conditions specified in Section 7.01(d) and Section 7.01(h), may be waived by Ainsworth alone in whole or in part. Any such waiver shall be binding on Footner and Ainsworth only if it is made in writing.

Section 7.02 Conditions for the Benefit of Grant

The obligations of Grant to complete the transactions contemplated by this Agreement are subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of Footner and Ainsworth contained in this Agreement 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, and Footner and Ainsworth shall have each delivered to Grant 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 representations and warranties);
- (b) Footner and Ainsworth shall each have complied with and performed all of its covenants and obligations contained in this Agreement;
- (c) Ainsworth or Footner shall have delivered to Grant the items and paid the amounts referred to in Section 9.03;
- (d) Ainsworth shall have paid the amount of the Investment to be made after completion of the transactions contemplated in Section 3.01 and Section 3.03 to Goodmans LLP, in trust, and Ainsworth shall have authorized in writing Goodmans LLP to release such funds to Footner subject only to the completion of the transactions contemplated by Section 3.01 and Section 3.03; and Footner shall in writing have directed Goodmans LLP to advance such funds to the Monitor in repayment of the Asset Promissory Note and the Share Promissory Note;

- (e) the CCAA Court shall have granted the Approval and Vesting Order; and
- (f) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of Grant and, subject to Section 2.01, any of the foregoing conditions, other than the conditions specified in Section 7.02(e) and Section 7.02(f), may be waived by Grant in whole or in part. Any such waiver shall be binding on Grant only if it is made in writing.

Section 7.03 Non-Satisfaction of Conditions

If any condition set out in Section 7.01 (other than the conditions specified in Section 7.01(d) and Section 7.01(h)) or Section 7.02 (other than the conditions specified in Section 7.02(e) and Section 7.02(f)) is not satisfied or performed prior to the Time of Closing, the party for whose benefit the condition is inserted may in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other parties (if such condition is waivable pursuant to the provisions of this Agreement) and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part.

Section 7.04 Postponement of Closing Date

If any of the conditions described in Section 7.01(f), Section 7.01(h), Section 7.01(i) or Section 7.02(f) have not been satisfied or waived by February 17, 2011, any of the parties may choose to provide the other parties with written notice of an extension of the Closing Date to a date specified in such notice which may not be later than the Outside Date. In the event more than one party delivers a notice of extension as described above, the latest date chosen shall become the new Closing Date. Such new Closing Date may be further extended using the same procedures described above successively provided that the Closing Date may be no later than the Outside Date.

Section 7.05 Postponement of Closing Date in respect of the Condition referred to in Section 7.01(i)

If, on February 17, 2011, all of the conditions described in Section 7.01 and Section 7.02 have been satisfied or waived other than the condition referred to in Section 7.01(i) and the parties hereto extend the Closing Date to provide further time to satisfy or waive such condition (the "**Extended Closing Date**") then, if the Closing occurs:

- (a) Grant shall not, despite Section 9.04 or any other provisions of this Agreement or any other agreement, be responsible for or liable to pay its 50% share of the Footner Mill Operating Costs accruing from February 17, 2011 to and including the Extended Closing Date; and
- (b) The statement of adjustments referred to in Section 9.04 shall reflect the foregoing.

For greater certainty, the foregoing shall not apply if the Closing does not occur, in which case Grant shall forthwith reimburse Ainsworth or pay to Footner, as the case may be, for Grant's

50% share of all of the Footner Mill Operating Costs accruing from February 17, 2011 to the date that this Agreement is terminated by any party. Despite any other provision of this Agreement, if the Closing does not occur, nothing in this Agreement shall obligate Grant to pay any of the Woodland Contractor Amounts or to reimburse Footner or Ainsworth therefor.

ARTICLE 8 TERMINATION

Section 8.01 Termination

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of Grant, Footner and Ainsworth;
- (b) by any of Grant, Footner or Ainsworth in the event that the Approval and Vesting Order has not been granted on or before January 15, 2011;
- (c) by any of Grant, Footner or Ainsworth if the Closing has not occurred by February 17, 2011 and the Closing Date has not been extended pursuant to Section 7.04; or
- (d) by any of Grant, Footner or Ainsworth if Closing has not occurred on or before the Outside Date.

Section 8.02 Effect of Termination

In the event of termination of this Agreement pursuant to Section 8.01, (a) nothing herein shall relieve any party from liability for any breach of this Agreement, (b) no party hereto shall be under any further obligation to the other to complete the transactions contemplated by this Agreement and (c) each party hereto shall be released of all of its obligations hereunder, other than as set forth in Section 10.01, Section 10.03 and Section 10.05.

ARTICLE 9 CLOSING

Section 9.01 Closing Date and Place of Closing

The transactions contemplated by this Agreement shall close and be completed at the Time of Closing on the Closing Date. The completion of the transactions contemplated hereunder shall take place at the Toronto offices of Fraser Milner Casgrain LLP or such other location as the parties may agree in writing.

Section 9.02 Deliveries on Closing by Grant

Grant shall deliver to Footner and Ainsworth at the Time of Closing:

- (a) the certificate by Grant referred to in Section 7.01(a);

- (b) copies of the Approval and Vesting Order and, if granted, the Alberta Recognition Order;
- (c) the share certificate evidencing the Shares issued to Grant (and endorsed by Grant in favour of Footner or a power of attorney signed by Grant with respect thereto);
- (d) if required by Ainsworth, an assignment by Grant in respect of the Contracts;
- (e) the statement of adjustments and any payments required to be made by Grant by certified cheque or wire transfer payable to Ainsworth pursuant to the first or second paragraphs of Section 9.04; and
- (f) such other documents as are required by this Agreement.

Section 9.03 Deliveries and Payments on Closing by Footner

Footner shall deliver to Grant the following documents at the Time of Closing:

- (a) the Asset Promissory Note and the Share Promissory Note required to be delivered by Footner in accordance with Section 4.03 and copies of the authorizations and directions referred to in Section 7.02(d);
- (b) the certificates by Footner and Ainsworth referred to in Section 7.02(a);
- (c) to the extent required by Grant, an undertaking and indemnity by Footner with respect to the Contracts assigned by Grant to Footner hereunder;
- (d) the statutory declaration, undertaking and indemnity referred to in Section 4.06;
- (e) the statement of adjustments and any payments by Ainsworth by certified cheque or wire transfer payable to Grant required pursuant to the first or second paragraphs of Section 9.04; and
- (f) such other documents as are required by this Agreement.

Section 9.04 Grant's Share of Payment of Footner Mill Operating Costs

Each of Grant and Ainsworth shall, subject to the following, continue to pay its 50% share of the Footner Mill Operating Costs accruing prior to the Closing Date. Grant shall not be liable to pay any of the Footner Mill Operating Costs accruing on or after the Closing Date.

Footner, Ainsworth and Grant shall, prior to Closing, prepare an estimated statement of adjustments satisfactory to each of them with respect to Grant's 50% share of the Footner Mill Operating Costs to reflect the foregoing to the Time of Closing. The statement of adjustments shall include a credit to Grant (and not to Ainsworth) for the prepaid Footner Mill Operating Costs listed on Schedule 6, using the calculation methodology set forth on Schedule 6 (which assumes a Closing Date of February 17, 2011). To the extent any additional Footner Mill Operating Costs listed on Schedule 6 are required to be paid prior to Closing, Grant shall pay

50% of such new prepaid expenses, which shall then be included as a credit to Grant in the statement of adjustment at Closing. Any prepaid Footner Mill Operating Costs not listed on Schedule 6 which are required to be paid after execution of this Agreement but before Closing shall not be paid by Grant without the consent of Ainsworth, provided that if Ainsworth so consents, Grant shall pay 50% of such amount and such payment shall be credited to Grant on the statement of adjustments at Closing in addition to those listed on Schedule 6. Any property taxes accrued monthly for periods up to Closing but to be paid after Closing shall be reflected as a credit to Ainsworth on the statement of adjustments. On Closing, Grant shall pay to Ainsworth or Ainsworth shall pay to Grant by certified cheque or wire transfer the net amount owing to Ainsworth or to Grant respectively as shown by such statement of adjustments.

The parties shall re-adjust, after Closing, if necessary, each of the applicable items referred to in such statement of adjustments based on actual Footner Mill Operating Costs to Closing and pay any amounts owing within 10 Business Days of delivery of such statement of re-adjustments. The parties shall arrange for any applicable public utilities meters to be read on the Closing Date. Grant shall pay its 50% share of the public utilities charges included in the Footner Mill Operating Costs incurred prior to the Closing Date and Footner shall pay all such amounts incurred on or after the Closing Date. For greater certainty, Footner shall have the exclusive benefit of any and all tax refunds that Footner is entitled to receive from and after Closing, regardless of whether such refunds pertain to the period before or after Closing.

The parties agree that included in Footner Mill Operating Costs are amounts allegedly owing by Footner to woodland contractors as described in the Footner briefing note dated May 3, 2010 by Jason Kofluk to Bob Fleet (Grant Forest Products) and Terry Brennan (Ainsworth) (the "**Woodland Contractor Amounts**"). The parties agree that Grant shall, on and after Closing, be responsible for 50% of all amounts paid by Footner to the woodland contractors to a maximum payment by Grant of \$120,355 of the Woodland Contractor Amounts. Such amounts shall be paid by the Monitor on behalf of Grant from the amount of \$120,355 placed with the Monitor pursuant to the next sentence within five Business Days of written notice from Footner that amounts of Woodland Contractor Amounts have been paid to such contractors, whether before or after Closing and specifying the total amount paid. On Closing, Grant shall place \$120,355 (less any amount paid on account of the Woodland Contractor Amounts prior to Closing) in a segregated account in the name of the Monitor to cover payment of these amounts after Closing. Any amount remaining in such account on June 1, 2011 shall be paid by the Monitor to Grant or its creditors.

Section 9.05 Appeal Periods

The parties shall not, unless otherwise agreed in writing, proceed with the transactions referred to in this Agreement until the expiry of any applicable appeal period or appeal periods relating to the Approval and Vesting Order, and, if granted, the Alberta Recognition Order.

Section 9.06 Risk and Insurance

The risk of loss of the Purchased Assets shall remain with Grant until Closing. In the event there is any material loss or material damage to any Purchased Assets occurring between the date of this Agreement and the Closing Date, Footner may terminate this Agreement

or complete its purchase of the Purchased Assets without any reduction of the Asset Purchase Price and be entitled, after such completion, to receive all insurance proceeds payable with respect to such loss or damage.

Section 9.07 Possession

Footner shall be entitled to possession of the Purchased Assets on and after Closing.

ARTICLE 10 MISCELLANEOUS

Section 10.01 Confidentiality

- (a) If, for any reason, the transactions contemplated by this Agreement are not completed, Footner and Ainsworth for themselves and on behalf of each of their respective affiliates, directors, officers, employees and agents, hereby agrees to keep confidential and to refrain from using any information concerning the business and affairs of Grant (other than information relating to the Footner Mill or Footner), which it may have acquired in connection with the transactions contemplated by this Agreement and in addition, shall return all records or documents, including computer tapes and other forms of electronic media received from Grant. Footner's and Ainsworth's obligations in this respect shall not apply to any information which:
 - (i) is in the public domain at the time of its disclosure to Ainsworth ;
 - (ii) subsequently comes into the public domain without breach by Footner or Ainsworth; or
 - (iii) Footner or Ainsworth can show was:
 - (A) in its possession prior to its disclosure to Footner or Ainsworth in connection with this transaction; or
 - (B) independently developed by or on behalf of Footner or Ainsworth.
- (b) After Closing, Grant shall, and shall cause its subsidiaries which it controls to, maintain the confidentiality of all information and records relating to Footner and the Footner Mill, except any information and records that are shown on Grant's electronic data site with respect to Footner prior to the date hereof or that were delivered or are hereafter required to be delivered to the Monitor and except any disclosure of such information and records as may be required by Applicable Law.

Section 10.02 Mutual Release Effective at Closing

Effective only at Closing but subject to Section 10.07, Footner and Ainsworth, on the one hand, and Grant, on the other hand, hereby fully and finally release and forever discharge

each other and their respective successors, assigns, employees, officers, directors and agents, both past and present, of and from any and all actions, causes of action, claims, suits, demands, debts, accounts, proceedings, damages and losses of any nature whatsoever, by reason of any cause, matter or thing whatsoever relating to Footner, the Footner Mill or the MOU. Each of Footner, Ainsworth and Grant covenants and agrees, upon and following Closing but subject to Section 10.07, not to make or cause to be initiated any claims (expressly including any cross-claim, counterclaim, third party action or application) against any other person or corporation who might claim contribution or indemnity against the persons or corporations discharged by the mutual release set forth in the immediately preceding sentence.

Section 10.03 Status Quo for Parties' Positions Relating to MOU

Given Grant's desire to sell the Purchased Assets and the Shares and the rights that Ainsworth or Grant claim under the MOU relating to transfers of interests in Footner and the Footner Mill, the parties agree that the transactions contemplated by this Agreement are being undertaken pursuant to and in accordance with the MOU. Notwithstanding the foregoing, the parties agree that this Agreement shall not be referred to, filed as evidence, relied upon or otherwise used in any litigation, arbitration or other proceeding of any kind in connection with the MOU or the purported repudiation by Grant of the MOU, and is without prejudice to the parties' positions and rights with respect to the status of the MOU.

Section 10.04 Termination of Agreements

The parties agree that this Agreement shall not constitute an offer under Section 8 of the MOU or any other agreement which may exist between the parties, nor is the execution of this Agreement a waiver of either parties' respective rights, if any, under the MOU. Effective only at Closing, Ainsworth, Footner and Grant agree that all agreements signed on or before the date of this Agreement between Ainsworth and Grant or among Ainsworth, Grant and Footner in respect of the Footner Mill, including the MOU, shall terminate.

Section 10.05 Public Notices

Ainsworth shall issue a press release announcing the execution and delivery of this Agreement and another press release announcing Closing provided each is approved by the Monitor, acting reasonably, in writing. No other press release or other public announcement concerning the transactions contemplated by this Agreement shall be made by Grant, Footner or Ainsworth without the prior consent of the others (such consent not to be unreasonably withheld) provided, however, that any party may, without such consent, make such disclosure if the same is required by Applicable Law or by any stock exchange on which any of the securities of such party are listed or by any court or securities commission or other similar regulatory authority having jurisdiction over such party, and, if such disclosure is required, the party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure.

Section 10.06 Further Assurances

Each of the parties hereto after the Time of Closing shall, from time to time, and at the request and expense of the party requesting the same, do all such further acts and things and execute and deliver such further instruments, documents, matters, papers and assurances as may be reasonably requested for more effectually carrying out the true intent and meaning of this Agreement.

Section 10.07 Certain Obligations to Survive Closing

Notwithstanding the completion of the transactions contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations and covenants of the parties set out in Section 4.05, Section 4.06, Section 6.05, Section 9.04, Section 10.01, Section 10.02, Section 10.03, Section 10.04 and Section 10.05 shall survive such completion and delivery, remain in full force and effect, and not merge on Closing. All other obligations and covenants of the parties hereto shall terminate on Closing.

Section 10.08 No Assignment

None of the parties shall, without the prior written consent of the other parties, assign any right or interest in this Agreement.

Section 10.09 Time of the Essence

Time shall be of the essence of this Agreement.

Section 10.10 Costs and Expenses

Each party hereto shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel) incurred by it in connection with this Agreement and the transactions contemplated herein.

Section 10.11 Notices

Any notice, demand or other communication required or permitted to be given to any party hereunder shall be given in writing or electronically and addressed as follows:

- (a) in the case of Grant:

Grant Forest Products Inc.
c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
P.O. Box 33, Toronto-Dominion Centre
Toronto, ON M4K 1B7

Attention: Ms. Sandra Rosch
Facsimile No.: 416.364.7275
E-mail: srosch@stonecrestcapital.com

with a copy to the Monitor at the following address

Ernst & Young Tower,
222 Bay Street, P. O. Box 251,
Toronto, ON M5K 1J7

Attention: Alex Morrison
Facsimile No.: 416-943-3365
E-mail: Alex.Morrison@ca.ey.com

(b) in the case of Footner or Ainsworth:

c/o Ainsworth Lumber Co. Ltd.
Suite 3194
Bentall 4
P.O. Box 49307
1055 Dunsmuir Street
Vancouver, BC V7X 1L3

Attention: Mr. Rick Huff
Facsimile No.: 604-661-3275
E-mail: rick.huff@ainsworth.ca

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Tim Heeney/Rob Chadwick
Facsimile No: 416.979.1234
Emails: theeney@goodmans.ca
rchadwick@goodmans.ca

Any such notice, demand or other communication shall be deemed to be sufficiently given if personally delivered or sent by facsimile, pdf or email transmission and, in each case, shall be deemed to have been received by the recipient party on the same day on which it was delivered or sent by facsimile, pdf or email transmission, if such day is a Business Day or, if not, on the next following Business Day.

Section 10.12 Successors and Assigns

This Agreement shall be binding on, and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 10.13 Facsimile or PDF Execution and Counterparts

This Agreement may be executed by facsimile or pdf and in two counterparts with the same effect as if all parties had signed the same document, and both counterparts shall constitute one and the same agreement.

Section 10.14 No Claim by Footner or Ainsworth to Funds held by the Monitor

Despite any other provision of this Agreement, Footner and Ainsworth shall not make or have any claim to or against any amount paid by it to the Monitor hereunder and Footner and Ainsworth shall not take any step to prevent or delay the distribution by the Monitor of any such funds to the applicable creditors of Grant in accordance with an Order or Orders of the CCAA Court.

Section 10.15 Third Party Beneficiaries

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their respective successors and permitted assigns, and no person, other than the parties hereto and their respective successors and permitted assigns, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

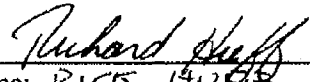
Section 10.16 Performance of Footner's Obligations

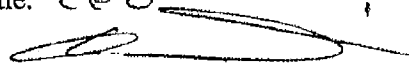
Neither Ainsworth nor Grant shall do anything to prevent Footner from fulfilling in a timely manner all of Footner's obligations pursuant to this Agreement, and each of Ainsworth and Grant shall sign any documents necessary as shareholders of Footner to cause Footner to perform its obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF this Agreement has been executed by the parties
hereto.

AINSWORTH LUMBER CO. LTD.

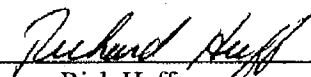
Per: 
Name: RICK HUFF
Title: CEO

Per: 
Name: CHRIS DAVIS
Title: CFO

GRANT FOREST PRODUCTS INC.
by its Chief Restructuring Organization,
STONECREST CAPITAL INC.

Per: _____
Name: _____
Title: _____

FOOTNER FOREST PRODUCTS LTD.

Per: 
Name: Rick Huff
Title: Authorized Signatory

IN WITNESS WHEREOF this Agreement has been executed by the parties
hereto.

AINSWORTH LUMBER CO. LTD.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

GRANT FOREST PRODUCTS INC.
by its Chief Restructuring Organization,
STONECREST CAPITAL INC.

Per: *Sandra Rusch*
Name: *Sandra Rusch*
Title: *President, Stonecrest Capital Inc.*

FOOTNER FOREST PRODUCTS LTD.

Per: _____
Name: Rick Huff
Title: Authorized Signatory

Schedule 1
Real Property

Plan 0021068

Lot 2

Excepting throughout all mines and minerals

Municipal District of MacKenzie, Alberta

Title Number 002 297 266

Schedule 2
Allocation of Asset Purchase Price

Purchased Assets	Allocated Asset Purchase Price
Real Property	\$300,000
Building and improvements	\$8,500,000
Insurance Policies	\$1
Contracts	\$1
Books and Records	\$1
Current Assets	Book value
Prepaid Expenses and Deposits	Book value
Goodwill	\$1
Permit and Licenses	\$1,000,000
Machinery, Equipment and Motor Vehicles	Balance
TOTAL	<u>\$20,000,000</u>

Schedule 3
List of Agents' Liens

All security interests and charges granted by Grant to The Toronto-Dominion Bank, as Agent, or to Toronto Dominion (Texas) LLC, as Agent, in any Purchased Assets, financing statement in respect of which were filed under the *Personal Property Security Act* (Alberta) as follows:

1. Financing statement filed October 21, 2005 with registration number 05102128385 in favour of The Toronto-Dominion Bank, as Agent
2. Financing statement filed October 21, 2005 with registration number 05102128435 in favour of The Toronto-Dominion Bank, as Agent
3. Financing statement filed March 13, 2007 with registration number 07031207890 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon
4. Financing statement filed March 13, 2007 with registration number 07031307999 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon
5. Financing statement filed March 19, 2007 with registration number 07031934974 in favour of The Toronto-Dominion Bank, as Agent
6. Financing statement filed March 19, 2007 with registration number 07031935021 in favour of The Toronto-Dominion Bank, as Agent
7. Financing statement filed March 19, 2007 with registration number 07031935088 in favour of Toronto Dominion (Texas) LLC, as Agent
8. Financing statement filed March 19, 2007 with registration number 07031935096 in favour of Toronto Dominion (Texas) LLC, as Agent
9. Financing statement filed March 19, 2007 with registration number 07031935138 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon
10. Financing statement filed March 19, 2007 with registration number 07031935179 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon
11. Financing statement filed March 19, 2007 with registration number 07031935252 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon
12. Financing statement filed March 19, 2007 with registration number 07031935286 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

Schedule 4
List of Permitted Encumbrances

	REGISTRATION NO.	DATE (D/M/Y)	PARTICULARS
1.	002 297 295	10/10/2000	Caveat Re: Right of Way Agreement Caveator – Atco Electric Ltd. 10035-105 Street Edmonton, Alberta T5J 2V6 Agent – Lorrie Schmitz
2.	002 297 296	10/10/2000	Caveat Re: Right of Way Agreement Caveator – Atco Electric Ltd. 10035 – 105 Street Edmonton, Alberta T5J 2V6 Agent – Lorrie Schmitz
3.	002 297 356	10/10/2000	Caveat Re: Surface Lease Caveator – Altagas Utilities Inc. 5509 – 45 th St Leduc, Alberta T9E 6T6 Agent – Myrna King
4.	002 297 357	10/10/2000	Caveat Re: Utility Right of Way Caveator – Altagas Utilities Inc. 5509 – 45 th St Leduc, Alberta T9E 6T6 Agent – Myrna King
5.	002 321 657	31/10/2000	Discharge of Caveat 002297357 Partial Except as to Plan 0022397
6.	032 041 718	31 01 2003	Caveat Re: Surface Lease under 20 acres Caveator – Atco Electric Ltd. Attention: Land & Properties 10035 – 105 Street Edmonton, Alberta T5J 2V6 Agent – Lisa Reis

Schedule 5
List of Footner Mill Operating Costs

1. Electricity Cost
2. Natural Gas Cost
3. Diesel and Propane Gas Cost
4. Salaries
5. Outside Services
 - Snow Removal
 - Water Level Control
 - Vegetation Control
6. Contract Services
 - Forklift Rentals
 - Sweeper
 - Vehicle Allowance
 - Garbage Bins
 - Rental Heaters
 - Pumps
 - Misc.
 - Environmental
 - Parts and Inputs
7. Administration
 - Property Taxes
 - Insurance – HKMB
 - Insurance – FM Global
 - Rental Allowance
 - Legal/Audit
 - Licensing/Radios
 - Communications – Phones
 - Internet
 - Photocopiers
 - IT Support Contracts
 - Misc. Admin.
 - Ceridian
 - Bank Fees
8. Wood - Holding and Protection Costs and other Costs in respect of Tolko land use, Silvacom and Regeneration Costs.
9. Woodland Contractor Amounts (subject to the maximum amount payable by Grant described in Section 9.04).

Schedule 6

Prepaid Expenses

(see attached)

Schedule 6 to Footner Purchase and Sale Agreement

	Prepaid	Expensed to Closing Date - Feb. 17			Remaining in Prepaid (Payable)	Grant's Portion (due on closing)
		days	\$/day	\$		50%
Holding and Protection - \$380,000 (approx) paid in Sept and expensed out at \$31,667/month (Sept 11 to Sept 11)	379,214	158	1,039	164,153	215,061	107,531
FM Global Insurance - \$615,000 (approx) paid on May 31 and expensed throughout the year at \$51,250/month (covers May 1 to May 1)	615,000	292	1,685	492,000	123,000	61,500
HKMB Insurance - \$77,500 (approx) - 20% down payment on May 31 (\$15,155) + 9 payments of \$6,926.53; expensed at \$6,460/month (covers May 1 to May 1)	77,494	292	212	61,995	15,499	7,749
Property Taxes - \$287,427 (approx) - 50% down payment in June, 6 payments of \$23,952; expensed at \$23,952/month (covers Jan. 1 to Dec. 31 - no prepaid at Feb 17)	(287,427)	47	(787)	(37,011)	(37,011)	(18,506)
Natural Gas - is a bit different, we pay \$35,000 at the end of the prior month (ie. end of October for November consumption), this will continue each month, unless consumption is low enough to allow the existing balance to cover the following month without another payment. We watch this to make sure that we don't end up with a huge credit balance. Alternatively, if the price or consumption increases to the point that this is not sufficient, they will increase the amount required.	34,286	16	1,224	19,592	14,694	7,347
					331,242.71	165,621.36

Assumes a Closing Date of February 17, 2011. To be adjusted accordingly if the Closing Date occurs on another date.

Exhibit A

Form of Approval Vesting Order

(see attached)

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE _____) _____ DAY, THE _____ DAY
JUSTICE _____) OF _____, 2010

AND 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

APPROVAL AND VESTING ORDER

THIS MOTION made by Grant Forest Products Inc. ("GFPI") for an order *inter alia* (i) approving the sale transactions (collectively the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") among GFPI, Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") dated December ●, 2010 and appended to the sixteenth report to Court (the "**Sixteenth Report**") of Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") of GFPI; (ii) vesting in Footner, GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement and herein referred to as the "**Purchased Assets**" and "**Shares**" respectively) and;

(iii) approving the Sixteenth Report and the activities of the Monitor as set out therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Sixteenth Report, the affidavit of Hap Stephen sworn ◇, 2010 and on hearing submissions of counsel for GFPI, the Monitor, First Lien Lenders' Agents and Ainsworth, no one appearing for any other person on the service list, although properly served as appears from the affidavit of ◇ sworn ◇, 2010 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 AND DECLARES that the Transaction is hereby approved, and the execution of the Sale Agreement by GFPI is hereby authorized and approved, with such amendments as may be agreed to by GFPI, Footner and Ainsworth and consented to by the Monitor, and if such amendments are material, consented to by the First Lien Lenders' Agent. GFPI is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets and the Shares to Footner.

3. THIS COURT ORDERS AND DECLARES that upon the delivery free of escrow to Footner of a Monitor's certificate substantially in the form attached as Schedule "A" hereto (the "**Monitor's Certificate**"), all of GFPI's right, title and interest in and to the Purchased Assets and the Shares shall vest absolutely in Footner, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**"), and without limiting the generality of the foregoing, the Claims include: (i) the Agents' Liens (as defined in the Sale Agreement); (ii) all encumbrances or charges created by the Order of the Honourable Justice Newbould dated June 25, 2009, and (iii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or the *Personal Property Security Act* (Alberta) or any other personal property registry system (the items in (i), (ii) and (iii) being collectively referred to as the "**Encumbrances**"). For greater

certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Purchased Assets or Shares are hereby expunged and discharged as against the Purchased Assets and Shares.

4. THIS COURT ORDERS that nothing in this Order affects any instruments registered on title to the Real Property (as defined in the Sale Agreement).

5. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets and Shares shall stand in the place and stead of the Purchased Assets and Shares, and that, from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets and Shares with the same priority as they had with respect to the Purchased Assets and Shares respectively immediately prior to the sale, as if the Purchased Assets and Shares had not been sold and remained owned by GFPI and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to Footner.

7. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of GFPI or its affiliates and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of GFPI or its affiliates;

the vesting of the Purchased Assets and Shares in Footner pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of GFPI or its affiliates and shall not be void or voidable by creditors of GFPI or its affiliates, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at

undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT ORDERS that the Sixteenth Report and the activities of the Monitor as described therein be and are hereby approved.

10. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, including, without limitation, the Court of Queens' Bench of Alberta, or in the United States to give effect to this Order and to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order.

Schedule A – Form of Monitor's Certificate

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

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

**AND 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

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice ● of the Ontario Superior Court of Justice (the "Court") dated ●, 2010, the Court approved the agreement of purchase and sale made as of December ●, 2010 (the "**Sale Agreement**") among Grant Forest Products Inc. ("**GFPI**"), Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") and provided for the vesting in Footner of GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement), which vesting is to be effective with respect to the Purchased Assets and Shares upon the delivery free of escrow by Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") of GFPI to Footner of a certificate confirming (i) the payment of the Asset Purchase Price for the Purchased Assets and the Share Purchase Price for the Shares; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. GFPI or the Monitor has received funds in respect of the Asset Purchase Price for the Purchased Assets and funds in respect of the Share Purchase Price for the Shares payable or deliverable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

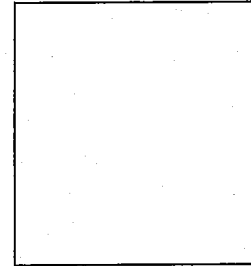
Ernst & Young Inc., in its capacity as court-appointed monitor of Grant Forest Products Inc., and not in its personal capacity

Per: _____
Name:
Title:

Exhibit B

Form of Alberta Recognition Order

(see attached)



Clerk's Stamp

COURT FILE NUMBER

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANT(S)

GRANT FOREST PRODUCTS INC.

RESPONDENT(S)

AINSWORTH LUMBER CO. LTD. and FOOTNER
FOREST PRODUCTS LTD.

DOCUMENT

ORDER

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

RAY RUTMAN
Fraser Milner Casgrain LLP
2900 Manulife Place
10180 – 101 Street
Edmonton, Alberta T5J 3V5
Ph. (780) 423-7246. (780) 423-7276
File No.: 225850-149709/RCR

DATE ON WHICH ORDER WAS PRONOUNCED: _____

LOCATION WHERE ORDER WAS PRONOUNCED: Courthouse, Edmonton, Alberta

NAME OF JUDGE WHO MADE THIS ORDER: _____

Upon the application of counsel on behalf of Grant Forest Products Inc. ("Grant"); and upon having read the Originating Notice, the Sixteenth Report of the monitor of Grant (the "Monitor") appointed in Ontario Superior Court of Justice, Commercial List, Court File CV-09-8247-00CL (the "CCAA Proceedings") and the Affidavit of Hap Stephen sworn ● 2010; and upon having read a copy of an Order of the Ontario Superior Court of Justice dated ●, 2010 granted by the Honourable Mr. Justice Campbell in the CCAA Proceedings (the "CCAA Order"); and upon noting that the CCAA Order seeks the aid and recognition of the Court of Queen's Bench of Alberta for the purpose, without limitation, of giving effect to the CCAA Order and to assist Grant, the Monitor, Ainsworth Lumber Co. Ltd, Footner Forest Products Ltd. and their respective agents in carrying out the terms of the CCAA Order; and upon it appearing that Grant has entered into a purchase and sale agreement which contemplates the purchase and sale of interests in certain assets located in the Province of Alberta (the "Purchase and Sale Agreement"); and upon it appearing that the CCAA Order provides for the approval of the Purchase and Sale Agreement; and in accordance with the *Companies' Creditors Arrangement Act* (Canada);

IT IS HEREBY ORDERED THAT:

1. Service of notice of this application is deemed good and sufficient on all interested parties and the time for service is abridged to the time actually given.
2. This Court declares that the CCAA Order has full force and effect throughout the Province of Alberta.
3. Service of this Order upon all interested parties shall be deemed good and sufficient if a copy of this Order is forwarded by facsimile or e-mail transmission to the service list in the CCAA Proceedings.

J.C.Q.B.A.

Exhibit C

Form of Asset Promissory Note

(see attached)

PROMISSORY NOTE

Asset Purchase

FOR VALUE RECEIVED, the undersigned, Footner Forest Products Ltd., hereby acknowledges being indebted to, and promises to pay, on demand, to or to the order of Grant Forest Products Inc. (the "**Holder**"), the amount of \$20,000,000 (the "**Principal**"). This promissory note shall be non-interest bearing.

The undersigned hereby waives presentment, notice and protest, waives diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the Holder with respect to this promissory note. This promissory note may not be assigned by the Holder in whole or in part without the consent of the undersigned.

The undersigned shall have the right to prepay, at any time and from time to time, all or any part of the Principal then outstanding without notice, bonus or penalty.

The undersigned hereby agrees that any and all costs and expenses incurred by the Holder in connection with the demand, enforcement of or default under this promissory note shall be for the account of the undersigned.

This promissory note and every part hereof shall be binding upon the undersigned and its successors and shall enure to the benefit of and be enforceable by the Holder and any of his successors.

This promissory note shall be governed by the laws of the Province of Ontario.

DATED at this ____ day of _____, 201__.

FOOTNER FOREST PRODUCTS LTD.

Per: _____
Authorized Signing Officer

Exhibit D

Form of Share Promissory Note

(see attached)

PROMISSORY NOTE

Share Purchase

FOR VALUE RECEIVED, the undersigned, Footner Forest Products Ltd., hereby acknowledges being indebted to, and promises to pay, on demand, to or to the order of Grant Forest Products Inc. (the "**Holder**"), the amount of \$1.00 (the "**Principal**"). This promissory note shall be non-interest bearing.

The undersigned hereby waives presentment, notice and protest, waives diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the Holder with respect to this promissory note. This promissory note may not be assigned by the Holder in whole or in part without the consent of the undersigned.

The undersigned shall have the right to prepay, at any time and from time to time, all or any part of the Principal then outstanding without notice, bonus or penalty.

The undersigned hereby agrees that any and all costs and expenses incurred by the Holder in connection with the demand, enforcement of or default under this promissory note shall be for the account of the undersigned.

This promissory note and every part hereof shall be binding upon the undersigned and its successors and shall enure to the benefit of and be enforceable by the Holder and any of his successors.

This promissory note shall be governed by the laws of the Province of Ontario.

DATED at this ____ day of _____, 201__.

FOOTNER FOREST PRODUCTS LTD.

Per: _____

Authorized Signing Officer

APPENDIX B

November 12, 2010

Grant Forest Products Inc.
c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
Toronto, ON M5K 1B7

Attention: Mr. Hap Stephen

Re: Purchase and Sale of Airplane Parts

Waterloo Aviation Corp. (the “**Purchaser**”) hereby offers, subject to the provisions of this agreement, to purchase from Grant Forest Products Inc. (the “**Vendor**”) the airplane parts listed in Schedule “A” hereto (the “**Parts**”) for the purchase price of \$50,000 (and HST payable thereon) in accordance with the following:

1. Court Order Required. The Purchaser acknowledges that this agreement contains a condition (not capable of waiver) that, prior to closing, the Vendor shall have obtained the Approval and Vesting Order as provided by paragraph 5 of this agreement. In the event that the Vendor shall not have so obtained the Approval and Vesting Order after making application for it, this agreement shall automatically terminate without any further action on the part of either party hereto, no party hereto shall be under any further obligation to the other to complete the transaction contemplated by this agreement and each party hereto shall be released of all of its obligations hereunder.
2. As Is, Where Is. The Purchaser acknowledges that the Vendor is selling the Parts on an “as is, where is” basis as they shall exist on closing. The Purchaser further acknowledges that it will conduct such inspections of the condition of and title to the Parts as it deems appropriate and that it will satisfy itself with regard to these matters. No representation, warranty or condition is expressed or implied pursuant to this agreement, Schedule “A” to this agreement (the list of Parts) 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 Parts or the right of the Vendor to sell any Parts. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by the Vendor 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 Purchaser. Any bill of sale provided by the Vendor shall contain a provision similar to this paragraph 2.
3. Payment of Purchase Price. The Purchaser shall pay the purchase price to Ernst & Young Inc. (the “**Monitor**”) on closing on behalf of the Vendor, by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing).

4. Transfer Taxes. The Purchaser shall be liable for and shall pay all transfer tax payable in connection with the transactions contemplated hereunder. The Purchaser shall pay to the Monitor at closing all applicable HST payable in connection with the sale of the Parts and the Monitor shall remit such HST to Canada Revenue Agency.
5. Approval and Vesting Order. The Vendor shall, promptly following its acceptance of this offer, seek to obtain from the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”) a date for hearing a motion for an order (the “**Approval and Vesting Order**”):
 - (a) approving this agreement and the sale by the Vendor to the Purchaser of the Parts in accordance with the provisions of this Agreement; and
 - (b) containing a provision which on closing vests absolute, clear and unencumbered title to the Parts in the Purchaser free and clear of any and all liens, claims, charges, demands, adverse claims, title retention agreements, security interests, pledges, hypothecations, mortgages and encumbrances of any and every nature and kind whatsoever.

The Vendor shall prepare all materials for and shall apply to the CCAA Court for the Approval and Vesting Order. Written notification of the motion shall be given to such persons as shall be agreed by the Vendor and the Purchaser. The Vendor shall diligently pursue such motion and shall promptly notify the Purchaser of its disposition. If the Approval and Vesting Order is not issued by the CCAA Court by December 31, 2010, this agreement shall terminate.

6. Conditions for the Benefit of the Purchaser. The obligation of the Purchaser to complete the transaction contemplated by this agreement is subject to the following conditions being fulfilled or performed, at or prior to the closing:
 - (a) the Vendor shall have in all material respects complied with and performed all its obligations pursuant to this agreement;
 - (b) the Vendor shall have delivered the items referred to in paragraph 10 in escrow pending the closing;
 - (c) the CCAA Court shall have granted the Approval and Vesting Order;
 - (d) no injunction or other Order shall have been issued to enjoin, restrict or prohibit the transaction contemplated by this agreement; and
 - (e) there shall have been no material loss or destruction (whether by fire, theft or otherwise) of any of the Parts.

The foregoing conditions are for the exclusive benefit of the Purchaser and, subject to paragraph 1, any of the foregoing conditions, other than the conditions specified in subparagraphs 6(c) or 6(d), may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if it is made in writing.

7. Conditions for the Benefit of the Vendor. The obligation of the Vendor to complete the transaction contemplated by this agreement is subject to the following conditions being fulfilled or performed at or prior to closing:
- (a) the Purchaser shall have complied with and performed all its obligations pursuant to this agreement;
 - (b) the Purchaser shall have delivered to the Vendor the items and paid the amounts referred to in paragraph 11;
 - (c) the CCAA Court shall have granted the Approval and Vesting Order; and
 - (d) no injunction or other Order shall have been issued to enjoin, restrict or prohibit the transaction contemplated by this agreement.

The foregoing conditions are for the exclusive benefit of the Vendor and, subject to paragraph 1, any of the foregoing conditions, other than the conditions specified in subparagraphs 7(c) or 7(d), may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if it is made in writing.

8. Non-Satisfaction of Conditions. Subject to paragraph 1, if any condition set out in paragraph 6 (other than the conditions specified in subparagraphs 6(c) or 6(d)) or any condition set out in paragraph 7 (other than the conditions specified in subparagraph 7(c) or 7(d)) is not satisfied or performed prior to closing, the party for whose benefit the condition is inserted may:
- (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other party (if such condition is waivable pursuant to the provisions of this agreement) without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
 - (b) elect to terminate this agreement, in which case, this agreement shall be terminated and no party shall be under any further obligation to the other to complete the transactions contemplated by this agreement, provided that the foregoing shall not release either party hereto from any liability hereunder for any breach by such party, before such termination, of any of its covenants hereunder.
9. Closing Date and Place of Closing. The transactions contemplated by this agreement shall close and be completed on the date which is ten business days after the Approval and Vesting Order is issued by the CCAA Court or such other date as the parties may agree in writing. The completion of the transactions contemplated hereunder shall take place at the offices of Fraser Milner Casgrain LLP located in Toronto, Ontario or such other location as the parties may agree in writing. The Purchaser shall, at its expense, take possession of the Parts from the hangar or the barn, promptly after the Purchaser has paid the purchase price and the transaction has been completed.

10. Deliveries on Closing by the Vendor. The Vendor shall deliver to the Purchaser on closing:
 - (a) a copy of the Approval and Vesting Order;
 - (b) a certificate by the Monitor substantially in the form required by the Approval and Vesting Order;
 - (c) if required by the Purchaser, a bill of sale by the Vendor conveying the Parts to the Purchaser, in a form satisfactory to the parties hereto, acting reasonably; and
 - (d) the documents listed in Schedule "B" hereto relating to Parts.
11. Payments on Closing by the Purchaser. The Purchaser shall pay to the Monitor the following amounts on closing:
 - (a) the purchase price of \$50,000; and
 - (b) HST to be collected by the Monitor pursuant to paragraph 4 in the amount of \$6,500.
12. Appeal Periods. The parties shall complete the transaction referred to in this agreement without waiting for the expiry of any applicable appeal period or appeal periods relating to the Approval and Vesting Order unless the Approval and Vesting Order is stayed pending any such appeal.
13. Risk and Insurance. The risk of loss of the Parts shall remain with the Vendor until closing. Any property insurance, liability insurance and other insurance maintained by the Vendor shall not be transferred on closing, but shall remain the responsibility of the Vendor until closing. The Purchaser shall be responsible for placing its own property, liability and other insurance coverage with respect to the Parts in respect of the period from and after closing.
14. Possession. The Purchaser shall on closing, at its own expense, take possession of and transport the Parts to the Purchaser's premises.
15. Further Assurances. Each of the parties hereto after closing shall, from time to time, and at the request and expense of the party requesting the same, do all such further acts and things and execute and deliver such further assurances as may be reasonably requested for more effectually carrying out the true intent and meaning of this agreement.
16. Time of the Essence. Time shall be of the essence of this agreement.
17. Costs and Expenses. Each party hereto shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel and any broker) incurred by it in connection with this agreement and the transaction contemplated herein.

18. Notices. Any notice or other communication required or permitted to be given to either party hereunder shall be given in writing and addressed as follows:

- (a) in the case of the Vendor:

c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
P.O. Box 33, Toronto-Dominion Centre
Toronto, ON M4K 1B7

Attention: Ms. Sandra Rosch
Facsimile No.: (416) 364-7275
E-mail: srosch@stonecrestcapital.com

- (b) in the case of the Purchaser:

Waterloo Aviation Corp.
4-4881 Fountain St. N.
Hangar 33
Breslau, ON N0B 1M0

Attention: Mr. Gordon Williams
Facsimile No.: (519) 648-2031
E-mail: gwilliams@waterlooaviation.com

Any such notice or communication shall be deemed to be sufficiently given if personally delivered or sent by facsimile, pdf or email transmission and, in each case, shall be deemed to have been received by the other party on the same day on which it was delivered or sent by facsimile, pdf or email transmission, if such day is a business day and, if not, on the next following business day.

19. Successors and Assigns. This agreement shall be binding on, and enure to the benefit of, the parties hereto and their respective successors and assigns.
20. Facsimile or PDF Execution and Counterparts. This agreement may be executed by facsimile or pdf and in two counterparts with the same effect as if both parties had signed the same document, and both counterparts shall constitute one and the same agreement.
21. Third Party Beneficiaries. Each party hereto intends that this agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their respective successors and assigns, and no person, other than the parties hereto and their respective successors and assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

[Signature page follows]

Yours very truly,

WATERLOO AVIATION CORP.

Per: 

Name : Gordon Williams

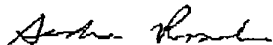
Title: Director of Aviation

TO: WATERLOO AVIATION CORP.

Grant Forest Products Inc. hereby accepts the foregoing offer as at the date set out above.

GRANT FOREST PRODUCTS INC., by its
Chief Restructuring Organization,
STONECREST CAPITAL INC.

By:



title: President, Stonecrest Capital Inc.
name: Sandra Rosak

Schedule "A"

List of Parts

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Tronair Oil Fill Can	06-5022-6500	AB16910205	1
Tronair Oil Fill Can	06-5022-6500	AB16930205	1
Tronair Hydraulic Power Unit	54100AB4CM	AA11780301	1
Deice Type 4 Spray Unit			1
Potable Water Cart			1
Metal Wash Tables on Castors			2
Hobart Gasoline GPU	JETEXIIP	80P502045	1
Quarantine Cabinet Lockable metal mesh on wheels.			1
Tronair 12 Ton Jack	02-7813-0100	132930102	1
Tronair Component Hydraulic Fill	06-4005-0511	1852660104	1
Metal Engine Stand/Cart on Castors			2
Tronair Tow Bar Head Falcon 50/900	01-0560-0010	AA12280211	1
Miscellaneous Grease Guns			5
Towable O2/Nitrogen Cart w/ fittings and regulators.			1
Tronair Tow Bar	01-1270-0010	1797120009	1
Tow Bar Head for Falcon 50/900	WY502	1193	1
Tronair Tow Bar	01-1202-0000	AB11120312	1
Snap-On Torque Wrench	QC1R200	0600402809	1
Snap-On Torque Meter	TE50FUA	14843	1
Aviation Lubrication Fitting Kit	LK2		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Snap-On Torque Wrench	QT1R50	0499002094	1
Hanson Scale	8930		1
Hanson Scale	895		1
Clark Tug Jan 03 Refurb.	CT50	0650/2080 Hrs. #0656	1
Tronair Lav. Cart	10-4036-0010	1815010012	1
Hobart GPU-400	6T28-400CL	103PS06994	1
Michaels Upholstery Cleaner	Premier 100	2200211031	1
Rubermaid Grooming Cart			1
Nitrogen Cart			1
Tronair Tow Bar Head Falcon 50/900	01-0560-0010	1534939707	1
Total Each Item \$30,200.00*			
Cable	QA00329-00		2
Start Selector Switch	820UN01S4BA0A		1
Start Selector Switch	820UN01S4BA0A		1
Switch	8-240-02A		1
Switch	8-240-02A		1
O-Ring	S9412-011		4
Bulb	8539.29.40.00 (83)		10
Lamp	83		11
Cover Upper Aft Spar Fitting	50-120101-11		1
Bulb	8539.29.40.00 (4700760431)		1
Cam Lock	4002-4		9

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Strobe Light	01-0770024-25		1
Snap Ring	R4T		20
Grommet Flush High Shear	132753-5		2
Grommet Flush High Shear	132753-5		16
Stud Assembly Flat Head	40S5-5		10
Stud Assembly Flush Mount	40S5-4		9
Stud	1142005-3		10
SB-Kit Pump	SBF900-0271		1
Battery Connector (BD6-3)	MS25182-2		1
O-Ring	M83248-1-113		20
O-Ring	M83248-1-113		9
Seal	LAMJETDN12P		4
Cable	MC09780-00		2
Seal	LAMJETDN12P		2
Switch	8-240-02A		1
Seal	LAMJETDN12P		1
Connector	85106RC14-5P50		1
Lamp	ASTARA83		21
O-Ring	MS28775-237		2
Switch	7101SYZQE		7
Momentary Sw.	PB-12631ZQ		1
Green Lamp	1090QA5		2
Amber Lamp	1090QA3		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Bulbs	PR2		25
Seal	3020052-24		3
Filter	CG8106013356N00		2
Filter	CG0080503448N00		3
Filter	CG8104013446N00		6
Filter	CG8104013356N00		3
Filter	CH0378103392B00		6
Filter	ACA767F415		2
Detector	GA70821-7		1
Detector	GA70821-7		1
Switch Assembly	GA70814-9		1
GCU	D22-011		1
Hinge Anti-Siphon Fuel Fill	101-920061-19		2
Hinge Anti-Siphon Assy	101-920030-73		1
Switch	90E10A1C5F3J1W N14		1
Lockplate	AF85-71		2
Seal	A4051-4		6
Circuit Card Assy. Heat Ctrl.	101-364851-3 REP		1
Discharger	101-380053-15		2
Discharger	101-380053-9		1
Nose Gear Switch Assy.	101-364628-9		1
Screw	MS24693BB278		100
O-Ring	102A10001-16		10

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Hydrolock	SI02500-2		5
King Air 350 Main Wheel Tire	021-335-1		1
Plate Instruction	F50B800499039		1
Plate Instruction	F50B800499038		1
Plate Instruction	FGFB0900100022		1
Plate Instruction	F50B800499012A1		1
Pad	F50B58-175611B1		1
Protect Assy	F50B110070110		1
Stud	FGFB800170018		3
Nut	FGFB838027148		1
Lock Tab	F50B111025009		3
Lock Tab	33350AC048L		4
SB Kit	SBF50-0296A2		1
Lamp	Q4559X		3
SB Kit	SB50-0467AR1		1
Shock Mount Half	J7293-11		4
Tail Pipe Seal	BA3965		1
PC Board	CI955C		1
SB-KIT	SBF50-0474A		1
Plug	02C0CTNC6-508		1
Decal Ground Here	50-000148		1
Decal FWD	99-920048-1		2
Decal Aux Tank	101-920112-3		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Decal No Step	112733		4
SB-KIT	SBF2000-0300A		1
Washer	NAS1149B0763H		100
Lamp	AL1235-900		1
Curtain	170-16021-990		1
Start Selector Switch	820UN01S4BA0A		1
Switch	8-240-02A		1
Switch	622EN1-6		1
Switch	10AT403-2		1
Batt/Gen Switch	AP13RC549-6		1
Switch	402EN1-6		1
Prox Switch	D23336000-1		1
Detector	GA58250-4		1
Switch	84738722		1
Switch	803682		1
Switch	84799031		1
Switch	402EN1-6		1
Switch	622EN1-6		1
Switch	AP13RC549-6		1
Switch	80-5-0		1
Detector	D22073-3		1
Switch	GA70814-12		1
GCU	D22-500-1		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Lamp	1308		7
Lamp	1308		10
Lamp	311		10
Lamp	311		3
Light Socket	23009-01		1
Slide	2330		3
Brake	31650AC120TA		1
Nut	3012675		8
Brake	31650AC120TA		3
Plug-Hole	2673		2
Lamp	313		2
Switch Assembly	101-36428-7		1
Switch Assembly	101-364628-11		1
Filter	AP-MVP		2
Filter	3882440-1		1
Gear	P24D28-15		5
Gear	P24D28-15		3
Gear	P24D28-15		1
Latch	P711-70NLS		1
Lamp	CMA7512-24		1
Hinge	HCTH4S180K		2
Connector	320575		100
Terminal	324159		100

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Terminal	320563		100
Gauge	LM40AMD		1
Lamp	387		10
Lamp	327		20
Sleeve	8954-2		1
Nipple	MS25171-4S		5
Nipple	MS25171-3S		5
Terminal	31880		90
Terminal	320551		90
Terminal	320571		15
Stud	36154		40
O-Ring	R14000X200A21A 6		1
O-Ring	MS29513-246		4
Connector	MS27473T20A16S		1
Packing	9536002		6
Packing	6002120		7
O-Ring	MS9386-015		6
O-Ring	MS9386-015		10
O-Ring	MS9386-015		10
O-Ring	MS29513-246		5
Union	MS21908-4		4
Coupling	MS21907-4		3
Retainer	MS28773-04		2

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Coupling	MS21907-4		2
O-Ring	MS28773-04		10
Pop Rivet	OSMLS100M05-05		20
Pop Rivet	OSMLS100M05-06		20
Rod	F50BB01002308		1
Door Seal	50-430061-27		1
NLG Prox Switch	C23845-10		1
Sensor Assy	GA9710-3		1
Prox Switch	D22073-3		1
Prox Switch	C23844-10		1
Detector	GA70814-11		1
Prox Switch	D22884000-1		1
Screw	NAS1153V5A		75
Screw	NAS1153V4A		75
Rod End/Bearing	M81935/2-03L		2
Relay	M83536/9-024M		2
Screw	GB511BG7-15A		4
Bolt	GB511BG6-16A		2
Screw	GB511BG5-15A		4
Bolt	GB511BG6-16A		1
Screw	GB511BG5-15A		1
Bulb	6635U550S		1
Bulb	6635265S		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Bulb	6635320S		2
Bulb	6645U320S		3
Bulb	6635U450S		2
Bulb	7300017-000		1
Bulb	7300017-000		1
Bulb	7300068-6		4
Bulb	7300125-11		2
Bulb	AL1235-750		1
Bulb	AL1235-642		1
Bulb	AL1235-1203		1
Bulb	AL1235-750		1
Bulb	AL1235-1203		1
Bulb	AL1235-371		2
Bulb	AL1235-371		1
Bulb	AL1235-420		1
Bulb	7300233-001		2
Bulb	101-380065-11		1
Bulb	AL1235-320		2
Bulb	AL1235-150		1
Bulb	6635U1225U		2
Bulb	6635-265S		2
Bulb	AL1235-485		3
Bulb	6635U1097S		1

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Bulb	6635U450S		1
Bulb	AL1235-560		2
Bulb	AL1235-606		1
Bulb	6635U1097S		1
Bulb	AL1235-900		1
Bulb	7300125-14		2
Bulb	AL1235-642		1
Bulb	6635U1016S		1
Bulb	6645U450S		1
Bulb	6635U1225S		1
Bulb	AL1235-606		1
Bulb	6635U1097S		1
Bulb	6635U1016S		1
Bulb	AL1235-1220		1
Misc Diagnostic Lot	Misc Diagnostic Lot		1
Scott Air Pack			1
Air Ground Radio			1
Temp Set			1
Pressure Tester U/S			1
Tensionometer			1
Wheel U/S			1
Quarantine Parts U/S	Misc		1
Nose Gear per bn 1159	9543426		2

<u>Equipment</u>	<u>Part Number</u>	<u>Serial Number</u>	<u>Qty.</u>
Nose Gear	C20182000		1
Battery U/S			1
Battery			1
Battery Lead Acid			1
Misc. O-rings			1
Misc Filters Lot			1
Water Heater			1
GCU			1
Igniter			1
Igniter			1
Misc Parts Lot			1
King Air 350 Nose Wheel Assy			1
Falcon 50 fuel probe			1
Misc Office Supplies			1

Schedule "B"

List of Documents relating to Parts

All documents relating to the Parts contained in the four (4) bankers boxes located in the office of Mr. Kyle Sinclair.

:8714380_13.DOC.

AMENDMENT TO
AGREEMENT FOR THE PURCHASE AND SALE OF AIRPLANE PARTS
DATED AS OF NOVEMBER 12, 2010

This amendment is dated as of December 14, 2010.

BETWEEN

WATERLOO AVIATION CORP. (the “**Purchaser**”)

-and-

GRANT FOREST PRODUCTS INC. (the “**Vendor**”)

WHEREAS the Purchaser and the Vendor are parties to an agreement dated as of November 12, 2010, whereby the Purchaser agreed to purchase airplane parts from the Vendor for the purchase price of \$50,000 (and HST payable thereon) (the “**Purchase Agreement**”).

AND WHEREAS the Ontario Superior Court of Justice (Commercial List) is scheduled to hear on January 5, 2011 the Vendor’s motion for the Approval and Vesting Order.

AND WHEREAS the Purchaser and the Vendor wish to amend the Purchase Agreement as of December 14, 2010.

NOW THEREFORE in consideration of the sum of \$10.00 of lawful money of Canada now paid by each party to the other (the receipt and sufficiency of which are hereby acknowledged by them), the parties hereto hereby agree as follows:

1. Definitions. All words capitalized in this agreement shall have the meanings assigned to them by the Purchase Agreement unless such words are otherwise defined in this agreement.
2. Effective Date. This agreement and the amendments to the Purchase Agreement referred to herein shall be effective as at the date of this agreement (the “**Effective Date**”).
3. Date for Approval and Vesting Order. In section 5 of the Purchase Agreement the sentence “If the Approval and Vesting Order is not issued by the CCAA Court by December 31, 2010, this agreement shall terminate” is hereby amended to “If the Approval and Vesting Order is not issued by the CCAA Court by January 10, 2011, this agreement shall terminate”.
4. No Other Changes. All other provisions of the Purchase Agreement shall remain in full force and effect.
5. Applicable Law. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6. Captions. The captions, headings and arrangements used in this agreement are for convenience only and do not in any way affect, limit, amplify or modify any provision of this amendment shall prevail.
7. Conflicts. If there is any conflict between any provision of this agreement and any provision of the Purchase Agreement, the provision of this agreement shall prevail.
8. Counterparts, Fax and Email Signing. This agreement may be executed in one or more counterparts, in original, telecopied or PDF form, each of which shall be deemed to be an original and which taken together shall be deemed to constitute one and the same agreement.
9. Successors and Permitted Assigns. This agreement shall enure to the benefit of and be binding on the parties hereto and their respective successors and

In witness whereof, the Purchaser and the Vendor have executed this amendment agreement.

[Signature Page Follows]

WATERLOO AVIATION CORP.

By:

A handwritten signature in black ink, appearing to be 'G. Williams', written over a horizontal line.

name: Gordon Williams
title: Director of Aviation

GRANT FOREST PRODUCTS INC., by its chief
Restructuring Organization, STONECREST
CAPITAL INC.

By:

name: Sandra Rosch
title: President

3.

WATERLOO AVIATION CORP.

By:

name: Gordon Williams
title: Director of Aviation

GRANT FOREST PRODUCTS INC., by its chief
Restructuring Organization, STONECREST
CAPITAL INC.

By:

Sandra Rosch
name: Sandra Rosch
title: President