Court File No. M38119

COURT OF APPEAL FOR ONTARIO

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP (the "Applicants")

SUPPLEMENTARY MOTION RECORD (Re: Motion for Leave to Appeal the Order of Newbould J. dated October 13, 2009)

November 17, 2009

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One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

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Lawyers for the Toronto-Dominion Bank as agent for the First Lien Lenders

AND TO: **FRASER MILNER CASGRAIN LLP**
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E-Mail: jane.dietrich@fmc-law.com

Lawyers for the Applicants Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP

AND TO: **STIKEMAN ELLIOTT LLP**
5300 Commerce Court West
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Lawyers for the Monitor

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TAB 1

TAB A

TO: **Frazer Scott**

RE: Possible Sale by GFPI of Income Tax Refund Claims to Improve GFPI's Liquidity

SUMMARY OF PROPOSED SALE

Objective: To improve GFPI's liquidity and to continue to comply with its liquidity covenants under the first lien credit agreement (Section 9.02(5)) and the second lien credit agreement (Section 9.02(4)).

Tax Refunds: Refunds under the *Income Tax Act* in an estimated amount:

1. in excess of Cdn $45 million, expected to be received by GFPI from September 1, 2008 to December 31, 2008 due to the overpayment of 2005-2006 tax (the "**2008 Tax Refund**"); and

2. in excess of Cdn $15 million, expected to be received by GFPI from Septemer 1, 2009 to December 31, 2009 due to overpayment of 2006 tax (the "**2009 Tax Refund**").

Method: Convert GFPI's tax refund claims to cash of GFPI before the tax refunds are received by GFPI by the following steps:

1. GFPI sells to a purchaser (the "**Purchaser**") related to GFPI, GFPI's interests in Canadian dollar equivalent of US $20 million of the tax refunds to be received by GFPI for a sale price of Canadian dollar equivalent of US $20 million (i.e. without a discount) as follows:

   (a) before March 31, 2008, sale of the Canadian dollar equivalent of US $10 million of the 2008 Tax Refund (the "**Sold 2008 Refund**") for sale price of the Canadian dollar equivalent of US $10 million paid in cash to GFPI in March, 2008; and

   (b) on January 2, 2009, sale of the Canadian dollar equivalent (as at January 2, 2009) of US $10 million of the 2009 Tax Refund (the "**Sold 2009 Refund**") for sale price of the Canadian dollar equivalent in March, 2008 of US $10 million paid in cash to GFPI in March, 2008 (i.e. purchase price prepaid but with an agreement to adjust price on January 2, 2009 for exchange rate fluctuations). The prepaid purchase price is not held by GFPI in trust and may be used by GFPI.

   If any of the Sold 2008 Refund is not received by the Purchaser by

December 31, 2008, the purchase price thereof would be adjusted, GFPI would refund a pro rata amount of the purchase price to Purchaser without interest or deduction and the Purchaser would remit to GFPI any of such unreceived refund if it were ever received by the Purchaser.

If any of the Sold 2009 Refund is not received by the Purchaser by December 31, 2009, the purchase price thereof would be adjusted, GFPI would refund a pro rata amount of the purchase price to Purchaser without interest or deduction and the Purchaser would remit to GFPI any of such unreceived refund if it were ever received by the Purchaser.

[NTD: US $10 million of refund sold in each of 2008 and 2009 to comply with the limitations on Dispositions pursuant to Section 9.04(1)(c) of the first lien credit agreement and Section 9.04(1)(c) of the second lien credit agreement.]

2. Each of applicable First Lien Agent and Second Lien Agent provides Purchaser with a partial discharge of its security to discharge the Sold 2008 Refund and the Sold 2009 Refund (collectively, the "**Sold Refunds**") from such security.

[NTD: See Section 10.04 of first lien credit agreement and Section 10.04 of second lien credit agreement.]

3. GFPI could direct CRA to pay the Sold Refunds to the Purchaser.

4. GFPI would agree to hold in trust for Purchaser, keep segregated and pay to Purchaser any amount of the Sold Refunds received by GFPI.

5. GFPI would not grant Purchaser any security for GFPI's obligations to Purchaser with respect to the Sold Refunds and would not pay any interest on prepaid sale price for the Sold 2009 Refund or any fee related to the refund sales.

6. Purchaser would file a financing statement against GFPI with respect to the sale of an account.

Documents Required:

A. March, 2008:

1. Agreement between GFPI and Purchaser re sales of Sold Refunds.

2. Transfer by GFPI to Purchaser of Sold 2008 Refund.

3. Partial discharge by First Lien Agent of the Sold Refunds from

security.

4. Partial discharge by Second Lien Agent of the Sold Refunds from security.

5. Financing statement filed by Purchaser re absolute transfer of an account.

6. Approval of independent committee of GFPI's board of directors.

[NTD: See Sections 9.04 (15) of first and second lien credit agreements.]

<u>B. January 2, 2009</u>:

1. Transfer by GFPI to Purchaser of the Sold 2009 Refund.

Ross Walker
Fraser Milner Casgrain LLP
March 19, 2008

TAB B

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Pieterson, Linda

From: Pieterson, Linda
Sent: Monday, March 24, 2008 2:19 PM
To: Walker, Ross
Cc: 'O'Meara, Matthew'; Scott, Frazer
Subject: Grant

Ross, here is a reminder list of points discussed in our call this am:

1. Critical that the 2009 sale be structured such that it could not be considered a disposition in 2008. Nothing can indicate that the 2009 receivables have been assigned/transferred in 2008.

2. Re 2009 receivables, no partial discharge to be given in 2008, no rights to notify CRA and no PPSA registrations that could indicate a sale in 2008.

3. Consider FMV point re pricing

4. No purchase price adjustment clause

5. Confirm that no Encumbrance is being created as a result of PPSA registration

6. Confirm no Excess Cash Flow repayment requirements

7. Confirm no negatrive tax implications – any future tax liability

8. Timing - to be completed before March 31

Linda Pieterson
Partner
Financial Services
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F:/Téléc : 416-868-0673
E:/Courriel : lpieters@mccarthy.ca
McCarthy Tétrault LLP / S.E.N.C.R.L., s.r.l.

Suite 5300
Toronto Dominion Bank Tower
Toronto, Ontario
Canada M5K 1E6
www.mccarthy.ca

TAB C

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Pieterson, Linda

From:	MacLaren, Sandi [Sandi.MacLaren@FMC-Law.com] on behalf of Walker, Ross [Ross.Walker@FMC-Law.com]
Sent:	Tuesday, March 25, 2008 5:27 PM
To:	O'Meara, Matthew; Pieterson, Linda
Cc:	PLynch@GFP-inc.com; edavis@GFP-inc.com
Subject:	Proposed Sale by GFPI of Income Tax Refund Claims
Importance:	High
Attachments:	TorDocs_5381929_18.DOC; TorDocs_5410428_1.DOC

Matt and Linda:

I enclose for your review a revised version of the summary.

The enclosed draft has not been reviewed by GFPI and is subject to any further comments it may have.

However please let me know if you have any further comments.

Best regards,

Ross Walker
Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2
Direct Line: 416-863-4742
Fax: 416-863-4592
ross.walker@fmc-law.com

TO: **GRANT FOREST PRODUCTS INC.**

RE: Possible Sale by GFPI of Income Tax Refund Claims to Improve GFPI's Liquidity

SUMMARY OF PROPOSED SALE

Objective: To improve GFPI's liquidity and to continue to comply with its liquidity covenants under the first lien credit agreement (Section 9.02(5)) and the second lien credit agreement (Section 9.02(4)).

Tax Refunds: Refunds under the *Income Tax Act* in an estimated amount:

1. in excess of Cdn $45 million, expected to be received by GFPI from September 1, 2008 to December 31, 2008 due to the overpayment of 2005-2006 tax (the "**2008 Tax Refund**"); and

2. in excess of Cdn $15 million, expected to be received by GFPI from Septemer 1, 2009 to December 31, 2009 due to overpayment of 2006 tax (the "**2009 Tax Refund**").

Method: Convert GFPI's tax refund claims to cash of GFPI before the tax refunds are received by GFPI by the following steps:

1. GFPI sells to a purchaser (the "**Purchaser**") related to GFPI, GFPI's interests in that amount of the 2008 Tax Refund and that amount of the 2009 Tax Refund which together have, when sold, a fair market value equivalent to the Canadian dollar equivalent of US $20 million for a total sale price of the Canadian dollar equivalent of US $20 million as follows:

   (a) on March 31, 2008, sale of that portion of the 2008 Tax Refund (the "**Sold 2008 Refund**"), the present value of which on March 31, 2008 is the Canadian dollar equivalent of US $10 million (based on a discount rate equivalent to 90-day LIBOR on March 31, 2008) for the sale price of the Canadian dollar equivalent of US $10 million paid in cash to GFPI on March 31, 2008; and

   (b) on January 2, 2009, sale of that portion of the 2009 Tax Refund (the "**Sold 2009 Refund**"), the present value of which on January 2, 2009 is the Canadian dollar equivalent on January 2, 2009 of US $10 million (based on a discount rate equivalent to 90-day LIBOR on January 2, 2009) for the sale price of the Canadian dollar equivalent of US $10 million, with the estimated sale price (based on the

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exchange rate in effect on March 31, 2008) paid in cash to GFPI on March 31, 2008 (i.e. estimated purchase price prepaid but with an agreement to adjust price on January 2, 2009 using the then current exchange rate and with an agreement to adjust the amount of the Sold 2009 Refund based on the 90-day LIBO rate in effect on January 2, 2009). The actual sale proceeds received by GFPI are the Canadian dollar equivalent as at January 2, 2009 of US $10 million. The prepaid purchase price is not held by GFPI in trust and may be used by GFPI.

Purchaser would agree that it does not acquire any right, title or interest in the Sold 2009 Refund until it receives the transfer thereof from GFPI on January 2, 2009.

If it is subsequently determined by CRA that the purchase price paid for the Sold 2008 Refund or the purchase price paid for the Sold 2009 Refund was not fair market value, the Purchaser and GFPI shall, to the extent not prohibited by the provisions of the first lien credit agreement or the second lien credit agreement, adjust such purchase price so it is equivalent to such fair market value.

If any of the Sold 2008 Refund is not received by the Purchaser by December 31, 2008, to the extent not prohibited by the provisions of the first lien credit agreement or the second lien credit agreement, the purchase price thereof would be adjusted, GFPI would refund a pro rata amount of the purchase price to Purchaser without interest or deduction and the Purchaser would remit to GFPI any of such unreceived refund if it were ever received by the Purchaser.

If any of the Sold 2009 Refund is not received by the Purchaser by December 31, 2009, to the extent not prohibited by the provisions of the first lien credit agreement or the second lien credit agreement, the purchase price thereof would be adjusted, GFPI would refund a pro rata amount of the purchase price to Purchaser without interest or deduction and the Purchaser would remit to GFPI any of such unreceived refund if it were ever received by the Purchaser.

[NTD: US $10 million sale proceeds received by GFPI from sale of refunds in each of 2008 and 2009 at fair market value to comply with the limitations on Dispositions pursuant to Section 9.04(1)(c) of the first lien credit agreement and Section 9.04(1)(c) of the second lien credit agreement.]

2. GFPI would not sell to Purchaser any interest payable by CRA to GFPI with respect to the 2008 Tax Refund or the 2009 Tax Refund.

3. The Purchaser would pay income tax on its gain from the purchased refunds (based on the difference between the amount of the refunds it receives and the amount it paid to buy them).

4. Each of applicable First Lien Agent and Second Lien Agent provides Purchaser with a partial discharge of its security to discharge each of the Sold 2008 Refund and the Sold 2009 Refund (collectively, the "**Sold Refunds**") from such security (and to release any interest therein) when the applicable transfers are delivered.

   [NTD: See Section 10.04 of first lien credit agreement and Section 10.04 of second lien credit agreement.]

5. GFPI may, after delivery to the Purchaser of the transfer of the Sold 2008 Refund, direct CRA to pay the Sold 2008 Refund to the Purchaser and may, after the delivery to the Purchaser of the transfer of the Sold 2009 Refund, direct CRA to pay the Sold 2009 Refund to the Purchaser.

6. GFPI would agree to hold in trust for Purchaser, keep segregated and pay to Purchaser any amount of the Sold Refunds received by GFPI.

7. GFPI would not grant Purchaser any security for GFPI's obligations to Purchaser with respect to the Sold Refunds and would not pay any interest on the prepaid sale price for the Sold 2009 Refund or any fee related to the refund sales.

8. Purchaser would file a financing statement against GFPI with respect to the sale of an account with respect to each transfer.

<u>Documents Required:</u>

<u>A. On or before March 31, 2008</u>:

1. Agreement between GFPI and Purchaser re sales of Sold Refunds.

2. Transfer by GFPI to Purchaser of Sold 2008 Refund.

3. Partial discharge by First Lien Agent of the Sold 2008 Refund from security.

4. Partial discharge by Second Lien Agent of the Sold 2008 Refund from security.

5. Financing statement filed by Purchaser re absolute transfer of an account with respect to the Sold 2008 Refund.

6. Approval of independent committee of GFPI's board of directors.

[NTD: See Sections 9.04 (15) of first and second lien credit agreements.]

B. January 2, 2009:

1. Transfer by GFPI to Purchaser of the Sold 2009 Refund.

2. Partial discharge by First Lien Agent of Sold 2009 Refund.

3. Partial discharge by Second Lien Agent of Sold 2009 Refund.

4. Financing statement filed by Purchaser re absolute transfer of an account with respect to the Sold 2009 Refund.

Ross Walker
Fraser Milner Casgrain LLP
March 25, 2008

TAB D

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Pieterson, Linda

From: Walker, Ross [Ross.Walker@FMC-Law.com]
Sent: Friday, March 28, 2008 5:37 PM
To: O'Meara, Matt; Pieterson, Linda
Cc: PLynch@GFP-inc.com; edavis@GFP-inc.com; Scott, Frazer
Subject: RE: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Matt: The intention is that, if adjustments need to be made because the sold refund is not received by the purchaser, CRA determines that the sales were not made at fair market value, or the exchange rate is different on January 2, 2009 than on March 31, 2008, the adjustments can be made, at GFPI's option, by including in the sales an appropriate amount of post-2009 tax refunds rather than GFPI's refunding a portion of the purchase price.

I included this alternative to assist with Linda's concern about the perception that the purchaser has recourse to GFPI if GFPI has to return a portion of the purchase price as part of an adjustment.

Please give me a call if you wish to discuss further.

Best regards.

Ross Walker
Fraser Milner Casgrain LLP
Phone: (416) 863-4742
Fax: (416) 863-4592
E-Mail: ross.walker@fmc-law.com

From: O'Meara, Matt [mailto:MOmeara@winston.com]
Sent: Friday, March 28, 2008 5:26 PM
To: Walker, Ross; LPIETERS@MCCARTHY.CA
Cc: PLynch@GFP-inc.com; edavis@GFP-inc.com; Scott, Frazer
Subject: RE: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Ross,
One question on the purchase agreement is the mechanism relating to the Post-2009 Tax Refund. What is the intent of this provision as it relates to the purchaser's rights in tax refunds that arise after 2009?
Matt

Matthew D. O'Meara
Winston & Strawn LLP
35 West Wacker Drive

109

11

Chicago IL 60601
Phone: (312) 558-7504
Fax: (312) 558-5700

From: MacLaren, Sandi [mailto:Sandi.MacLaren@FMC-Law.com] **On Behalf Of** Walker, Ross
Sent: Thursday, March 27, 2008 3:01 PM
To: LPIETERS@MCCARTHY.CA; O'Meara, Matt
Cc: PLynch@GFP-inc.com; edavis@GFP-inc.com
Subject: Sale by GFPI to Peter Grant Sr. of Tax Refunds
Importance: High

Linda and Matt:

I enclose for review draft copies of the following:

1. revised summary;

2. tax refund purchase and sale agreement;

3. transfer by GFPI of the Sold 2008 Refund;

4. partial discharge by the First Lien Agents of the Sold 2008 Refund;

5. partial discharge by the Second Lien Agents of the Sold 2008 Refund;

6. draft of the financing statement to be filed on closing with respect to the transfer of the Sold 2008 Refund; and

7. approval of the independent committee of GFPI's board of directors.

In order to help with the concern about the "non-recourse" issue, I have provided that, instead of adjustments requiring a refund by GFPI of either purchase price, the adjustments can be made, at GFPI's option, by increasing the amount of the refund sold to include post-2009 income tax refunds. I have also included an overriding provision that, in the event any adjustment contravenes either of the credit agreements, the adjustment will be deferred until it would no longer contravene either credit agreement.

The enclosed drafts have not yet been reviewed by GFPI and are subject to any comments it may have. However please let me know if you have any comments with respect to these drafts.

Best regards,

Ross Walker
Fraser Milner Casgrain LLP

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Direct Line: 416-863-4742
Fax: 416-863-4592
ross.walker@fmc-law.com

<<TorDocs_5381929_22.DOC>> <<TorDocs_5418866_1.DOC>> <<TorDocs_5412303_5.DOC>> <<TorDocs_5413416_5.DOC>> <<TorDocs_5413401_6.DOC>> <<TorDocs_5417657_5.DOC>> <<TorDocs_5413661_3.DOC>> <<Draft Grant PPSA Reg'n.pdf>>

TAB E

Pieterson, Linda

From: Pieterson, Linda
Sent: Saturday, March 29, 2008 2:26 PM
To: 'Walker, Ross'; 'Scott, Frazer'; 'O'Meara, Matt'
Subject: Grant

Attachments: Document.pdf

Document.pdf (177 KB)

Ross, a couple of comments on the smaller docs are attached.

Also, on the revised purchase and sale agreement, you likely wish to add "heirs, executors" into section 9.07.

Could you send a draft of the partial release filing that you propose to make. I would like the wording to be very clear that it relates only to the 2008 refunds. There can't be any implication at all that it relates to the 2009 refunds.

Linda Pieterson
Partner
Financial Services
T:/Tél : 416-601-7587
F:/Téléc : 416-868-0673
E:/Courriel : lpieters@mccarthy.ca
McCarthy Tétrault LLP / S.E.N.C.R.L., s.r.l.

Suite 5300
Toronto Dominion Bank Tower
Toronto, Ontario
Canada M5K 1E6
www.mccarthy.ca

-----Original Message-----
From: TOR-CMFP52-091 [mailto:TOR-CMFP52-091@mccarthy.ca]
Sent: Saturday, March 29, 2008 2:12 PM
To: Pieterson, Linda
Subject: PDF Document from McCarthy Tétrault LLP

TAB F

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Pieterson, Linda

From: Pieterson, Linda
Sent: Monday, March 31, 2008 3:41 PM
To: 'Walker, Ross'
Subject: RE: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser

I actually think you should just leave the last paragraph out. It muddies things unnecessarily.

Also, you don't need to formalize it in a letter - an email would be fine.

Linda Pieterson
Partner
Financial Services
T:/Tél : 416-601-7587
F:/Téléc : 416-868-0673
E:/Courriel : lpieters@mccarthy.ca
McCarthy Tétrault LLP / S.E.N.C.R.L., s.r.l.

Suite 5300
Toronto Dominion Bank Tower
Toronto, Ontario
Canada M5K 1E6
www.mccarthy.ca

From: MacLaren, Sandi [mailto:Sandi.MacLaren@FMC-Law.com] **On Behalf Of** Walker, Ross
Sent: Monday, March 31, 2008 3:16 PM
To: Pieterson, Linda
Subject: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser
Importance: High

Linda:

I enclose for your review a draft copy of the confirmation you requested.

Please let me know if it is satisfactory to you.

If it reflects your views, I will forward it to you so that you could respond to indicate that you agree with the confirmation.

Please give me a call if you wish to discuss further.

Best regards,

Ross Walker
Fraser Milner Casgrain LLP
1 First Canadian Place

100 King Street West
Toronto, ON M5X 1B2
Direct Line: 416-863-4742
Fax: 416-863-4592
ross.walker@fmc-law.com

<<RWW Email to L Pieters.pdf>>

TAB G

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Pieterson, Linda

From:	O'Meara, Matt [MOmeara@winston.com]
Sent:	Monday, March 31, 2008 11:35 AM
To:	Montgomery, Ben; Pieterson, Linda
Cc:	Scott, Frazer
Subject:	RE: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Ben,
Please find this email as confirmation that the sale of certain tax refunds by GFPI to Peter Grant Sr. and the corresponding release of the security interest in such refunds complies with Section 9.04 and 10.04 of the Second Lien Credit Agreement. TD as second lien agent should execute the release which has been prepared by company counsel and to which Linda referred in her previous email. Please don't hesitate to call me with questions.
Regards, Matt

Matthew D. O'Meara
Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601
Phone: (312) 558-7504
Fax: (312) 558-5700

-----Original Message-----
From: Montgomery, Ben [mailto:Ben.Montgomery@tdsecurities.com]

Sent: Monday, March 31, 2008 9:15 AM
To: O'Meara, Matt; 'LPIETERS@MCCARTHY.CA'
Cc: Scott, Frazer
Subject: RE: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Linda / Matt - the Cdn and US Agents will be looking for some guidance from you on how to document the release of security. Perhaps it makes sense to have a call with the Agents once they have had a chance to read your opinions?

Matt - did you provide the confirmation with respect to 9.04 / 10.04 that Frazer was looking for?

-----Original Message-----
From: Scott, Frazer
Sent: March 29, 2008 8:51 AM
To: 'MOmeara@winston.com'; 'LPIETERS@MCCARTHY.CA'

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Cc: Montgomery, Ben
Subject: Re: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Thanks Matt - it will be helpful if you can also confirm that the disposition is permitted under section 9.04 and therefore release of the security under section 10.04 is ok.

This will help the agent(s) understand the exact provision.

Linda - I am hoping McCarthys can do a similar confirmation.

----- Original Message -----
From: O'Meara, Matt <MOmeara@winston.com>
To: Scott, Frazer
Sent: Fri Mar 28 20:01:53 2008
Subject: FW: Sale by GFPI to Peter Grant Sr. of Tax Refunds

Frazer,
Per our conversation I wanted to send this email to you to confirm that based on our conversations with Linda and Ross and my review of the Second Lien Credit Agreement I feel that the proposed transactions regarding the tax refund comply with the terms of the Second Lien Credit Agreement.
Best, Matt

Matthew D. O'Meara
Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601
Phone: (312) 558-7504
Fax: (312) 558-5700

From: MacLaren, Sandi [mailto:Sandi.MacLaren@FMC-Law.com] On Behalf Of Walker, Ross
Sent: Friday, March 28, 2008 5:05 PM
To: LPIETERS@MCCARTHY.CA; O'Meara, Matt
Cc: PLynch@GFP-inc.com; edavis@GFP-inc.com; Steeves, Christopher
Subject: Sale by GFPI to Peter Grant Sr. of Tax Refunds
Importance: High

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Linda and Matt:

I enclose for your review revised draft copies of the following:

1. summary; and

2. tax refund purchase and sale agreement.

The enclosed drafts have not yet been reviewed by GFPI and are subject to any comments it may have. However please let me know if the revised documents are satisfactory to you.

Thank you.

Ross Walker
Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2
Direct Line: 416-863-4742
Fax: 416-863-4592
ross.walker@fmc-law.com

TAB H

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Pieterson, Linda

From: O'Meara, Matt [MOmeara@winston.com]
Sent: Monday, March 31, 2008 4:36 PM
To: Pieterson, Linda; Ross.Walker@FMC-Law.com
Subject: Re: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser

I confirm as well.
Matthew D. O'Meara
Winston & Strawn
35 West Wacker Drive
Chicago IL 60601
Phone: (312) 558-7504
Fax: (312) 558-5700

The contents of this message are privileged and confidential. If this message is received in error, please destroy it without reading. This message should not be forwarded or distributed without the permission of the author.

----- Original Message -----
From: Pieterson, Linda <LPIETERS@MCCARTHY.CA>
To: Walker, Ross <Ross.Walker@FMC-Law.com>; O'Meara, Matt
Sent: Mon Mar 31 15:32:04 2008
Subject: RE: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser

I confirm as well.

Linda Pieterson
Partner
Financial Services
T:/Tél : 416-601-7587
F:/Téléc : 416-868-0673
E:/Courriel : lpieters@mccarthy.ca
McCarthy Tétrault LLP / S.E.N.C.R.L., s.r.l.

Suite 5300
Toronto Dominion Bank Tower
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Canada M5K 1E6
www.mccarthy.ca <http://www.mccarthy.ca/>

From: MacLaren, Sandi [mailto:Sandi.MacLaren@FMC-Law.com] On Behalf Of Walker, Ross

Sent: Monday, March 31, 2008 4:21 PM
To: Pieterson, Linda; O'Meara, Matthew
Subject: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser
Importance: High

Linda and Matt:

In accordance with your request, I confirm my view that the transactions contemplated by the above-noted agreement do not contravene the First Lien Credit Agreement dated as of October 26, 2005, as amended, or the Second Lien Credit Agreement dated as of March 21, 2007, assuming that:

1. the tax refunds being sold are being sold for fair market value; and

2. the total amount of the gross proceeds derived from all Dispositions (as defined by each of the Credit Agreements) made by Grant Forest Products Inc. and the other Restricted Parties (as defined by such Credit Agreements) in any single fiscal year of Grant Forest Products Inc. does not in the aggregate exceed US $10 million.

Please confirm that the foregoing also reflects your views.
Thank you.
Ross Walker
Fraser Milner Casgrain LLP
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100 King Street West
Toronto, ON M5X 1B2
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TAB I

Pieterson, Linda

From: Kowpak, Ron [Ron.Kowpak@tdsecurities.com]
Sent: Monday, March 31, 2008 4:37 PM
To: Pieterson, Linda; Montgomery, Ben; Scott, Frazer
Cc: O'Meara, Matthew
Subject: RE: Grant - Confirmation

I have no issues.

Ronald J. Kowpak
Loan Syndications - Agency
THE TORONTO-DOMINION BANK, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario, Canada M5K 1A2
T: 416 944-5046 F: 416 982-5535
ron.kowpak@tdsecurities.com

From: Pieterson, Linda [mailto:LPIETERS@MCCARTHY.CA]
Sent: Monday, March 31, 2008 4:34 PM
To: Montgomery, Ben; Kowpak, Ron; Scott, Frazer
Cc: O'Meara, Matthew
Subject: Grant - Confirmation

All:

Winston & Strawn

Based on our conversations with ~~Shearman & Sterling~~ and GFPI and the documentation to be delivered at closing, it is our view that GFPI's proposed transactions regarding the refund comply with the covenant in respect of dispositions in Section 9.04 of the First Lien Credit Agreement and that accordingly, TD, as Agent, can discharge, at this time, the Sold 2008 Refund in accordance with Section 10.04.

At this time, we are waiting for Grant to deliver signed copies of the documentation at which time TD's pages can be sent over to Grant, subject to any additional comments or issues that any of you have.

Linda Pieterson
Partner
Financial Services
T:/Tél : 416-601-7587
F:/Téléc : 416-868-0673
E:/Courriel : lpieters@mccarthy.ca

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Toronto Dominion Bank Tower
Toronto, Ontario
Canada M5K 1E6
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TAB J

Wille, Kathy

From:	Montgomery, Ben
Sent:	Tuesday, September 29, 2009 1:01 PM
To:	Wille, Kathy
Subject:	FW: Grant - Liquidity Discharges
Attachments:	Liquidity Discharges 03-31-08.pdf

Liquidity Discharges 03-31-08....

Undertaking #3

-----Original Message-----
From: Kowpak, Ron
Sent: Monday, March 31, 2008 12:37 PM
To: Pieterson, Linda
Cc: Montgomery, Ben; Murray, Ian E
Subject: Grant - Liquidity Discharges

Linda, attached please find pdf copies of discharges which have been executed by The Toronto-Dominion Bank as Agent and Toronto Dominion (Texas) LLC. These discharges are delivered to you in escrow pending confirmation that the transaction complies with the 1st Lien Credit Agreement. Do you require original copies of the discharge to be delivered to you and if so how many. Please advise. Thanks!

Ronald J. Kowpak
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ron.kowpak@tdsecurities.com

TAB K

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Yoon, Jamie

From: Montgomery, Ben [Ben.Montgomery@tdsecurities.com]
Sent: Tuesday, February 10, 2009 6:56 PM
To: Kowpak, Ron; O'Connor, Bill
Cc: Sfikas, Chris
Subject: RE: Grant - shareholder loan

Thanks Ron – appreciate it if you could let us know if you get a request to discharge this security interest

---

From: Kowpak, Ron
Sent: Tuesday, February 10, 2009 3:45 PM
To: O'Connor, Bill
Cc: Montgomery, Ben; Sfikas, Chris
Subject: RE: Grant - shareholder loan

Bill, the only discharge that was signed was back in March 2008 wherein we discharged our interest in $10MM 2008 Tax Refund. The second $10MM represented a deposit on the purchase of the 2009 refund. I have not been requested to discharge our security interest in the 2009 Tax refund to this point.

Ronald J. Kowpak
Loan Syndications - Agency
THE TORONTO-DOMINION BANK, as Agent
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T: 416-944-5046 F: 416-982-5535
ron.kowpak@tdsecurities.com

From: O'Connor, Bill
Sent: Tuesday, February 10, 2009 4:42 PM
To: Kowpak, Ron
Subject: Fw: Grant - shareholder loan

Ron can you check on this issue and let me know. Thanks.

From: Montgomery, Ben
To: O'Connor, Bill
Cc: Sfikas, Chris
Sent: Tue Feb 10 16:22:35 2009
Subject: Grant - shareholder loan

Bill,

Below is a summary of how the $20MM was injected in Q1 F08 (credit dated Mar 28/08). An addition $25M was subsequent injected as straight equity.

Presumably they haven't yet received the $10MM relating to 2009 tax refunds (I'm not sure).

I didn't bring it up on the call b/c not sure if Hap knows about it.

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If we restructure we would want to make sure that shareholders do not take payment on this "deposit"

We should check with Ron to see if we have discharged security on the $10MM deposit re: the 2009 tax refund

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- The shareholders are intending maintain compliance with the liquidity covenant by injecting ~$20MM of capital into the Borrower. From a timing perspective we believe that the new capital will be injected prior to March 31, and therefore the liquidity covenant would not technically be breached. In the event the new capital is not injected by March 31, and the liquidity covenant is breached, the shareholders would have 30 days to inject the capital to prevent an EOD from occurring on the credit facility (30 day cure period).
- The capital will be injected in a manner that does not require any consents from the lenders.
- TD (as Agent) has been provided with a draft summary (that has been reviewed by both Borrower's and Lenders' counsel) on how the shareholders intend to inject the capital. The capital will not be injected as equity. The shareholders intend to take advantage of the asset disposition basket (US$10MM per annum) to inject the capital. The capital will effectively be a monetization of future tax refunds ($10MM in F08 and $10MM in F09), and the shareholders will look to pull their capital back out when the tax refunds come in.
- The proposed structure is summarized as follows:
    - i. on [March 31/08] a related company outside our the restricted group which we understand will be a holdco above our Borrower (the "Purchaser") will acquire US$20MM of the Borrower's 2008 and 2009 tax refunds
    - ii. on [March 31/08] the Borrower will receive US$20MM from the Purchaser consisting of:
        - a. US$10MM on the sale of a portion of the Borrower's 2008 tax refunds received between Sept 1/08 - Dec 31/08
        - b. US$10MM deposit against the sale of a portion of the Borrower's 2009 tax refunds
    - iii. on Jan 2/09 the Borrower will sell $10MM of its 2009 tax refund received between Sept 1/09 to Dec 31/09 to the Purchaser (consideration coming from (ii)(b))
    - iv. the Agent (1st and 2nd lien) will provide the Purchaser with a partial discharge of its security with the respect to: (ii)(a) in March/08, and (ii)(b) in Jan/09
    - v. the Purchaser will receive the proceeds of the monetized 2008 tax refunds in late 2008, and the proceeds of the monetized 2009 tax refunds in late 2009; the Borrower may direct CRA to pay the monetized 2008 and 2009 refunds directly to the Purchaser, or alternatively, to the extent the Borrower receives the monetized tax refunds from CRA, the Borrower will agree to hold in trust and segregate the proceeds of the monetized refunds for the Purchaser
    - vi. the proceeds of the of the monetized tax refunds in 2008 and the 2009 will be greater than the US$20MM purchase price as the Purchase is buying the tax refunds at a discount (at the rate of 90 day LIBOR); the discounted purchase price is to ensure that the transaction does not conflict with the credit agreement, which sets out that such dispositions must be done at fair market value
- While it is contemplated that the Purchaser will pay the US$20MM to the Borrower in advance of March 31, they have until April 30 (30 day cure period) to do so in order to avoid an EOD in the credit agreement with respect to the liquidity covenant.
- The highly structured nature of this transaction is not so that the shareholders can avoid injecting straight equity. If the Borrower were to inject straight equity, it would be swept against the 1st lien debt, and therefore it would not be available to satisfy the liquidity covenant.
- Lenders' counsel believes that this structure will not require any consents under the 1st and 2nd lien credit agreements, however, there are still some technicalities that need to be

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worked out by Borrower's and lenders' counsel. In the event that it is determined that this structure conflicts with either the 1st or 2nd lien credit agreements, we believe that the shareholders would be highly motivated to seek another option to inject the necessary capital to maintain compliance with the liquidity covenant. We believe that another option open to the shareholders to inject new capital is to increase the postponed s/h loans (currently $50MM), the proceeds of which would not be swept.

- TD as Agent (for both 1st and 2nd lien) will provide the partial discharge of security (refer (ii) above) on the basis of an opinion from lenders' counsel that the structure does not conflict with the credit agreement.

Ben Montgomery, Vice President & Director
Investment Banking - Corporate Credit

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